COVER SHEET
FOR
ANNUAL REPORT

SEC Registration Number

2	3	0	2	2						

Company Name

PANASONIC MANUFACTURING PHILIPPINES CORPORATION AND SUBSIDIARY

Principal Office (No./Street/Barangay/City/Town/Province)

Ortigas Avenue Extension Barrio Mapandan, Barangay San Isidro, Taytay, Rizal

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
www.panasonic.com/ph	635-2260 to 65	N/A

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
448	June 16	March 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Marlon M. Molano	marlon.molano@ph.panasonic.com	635-2260 to 65	(+63) 0917 500 1261

Contact Person's Address

Ortigas Avenue Extension, San Isidro, Taytay, Rizal

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **March 31, 2017**

2. SEC Identification Number **23022** 3. BIR Tax Identification No. **000-099-692-000**

4. Exact name of issuer as specified in its charter **Panasonic Manufacturing Philippines Corporation**

5. **Rizal, Philippines**
   Province, Country or other jurisdiction of incorporation or organization

6. [ ] (SEC Use Only)
   Industry Classification Code:

7. **Ortigas Avenue Extension, Bo. Mapandan Barangay San Isidro, Taytay, Rizal**
   Address of principal office

   1920
   Postal Code

8. **(632) 635-22-60 to 65**
   Issuer's telephone number, including area code

9. **Not applicable**
   Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common shares, P1.00 par value	
Class A	**84,723,432**
Class B	**337,994,588**

11. Are any or all of these securities listed on a Stock Exchange?

    Yes [X] No [ ]

    If yes, state the name of such stock exchange and the classes of securities listed therein:

    The Company's Class A shares are listed in the Philippine Stock Exchange.

12. Check whether the issuer:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

    Yes [**X**]   No [ ]

    (b) has been subject to such filing requirements for the past ninety (90) days.

    Yes [**X**]   No [ ]

13. Estimated aggregate market value of the voting stock held by non-affiliates of the issuer as of March 31, 2017 and June 30, 2017 based on stock market price amounted to about ₱473,528,040 and ₱457,112,401 respectively. The price per share used for this computation is the closing price as of March 31, 2017 is ₱7.50 and June 30, 2017 is ₱7.24.

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE (5) YEARS

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

    Not Applicable

DOCUMENTS INCORPORATED BY REFERENCE

15. Information in the attached Annual Report and Financial Statements incorporated by reference to this SEC Form 17-A are clearly indicated in the part of this Form where the information is required.

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PART I - BUSINESS AND GENERAL INFORMATION

ITEM 1 - BUSINESS

BUSINESS

Panasonic Manufacturing Philippines Corporation (the Parent Company) was incorporated in the Philippines on May 14, 1963 and is a subsidiary of Panasonic Corporation (PC or the Ultimate Parent Company) which is incorporated in Japan on December 15, 1935. The Securities and Exchange Commission (SEC) approved on March 19, 2013 the extension of Parent Company life for another fifty (50) years or until May 15, 2063. The Parent Company holds 40.0% interest in Precision Electronics Realty Corporation (PERC or the Subsidiary), over which the Parent Company has the control over the Subsidiary. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the Subsidiary and has the ability to affect those returns through its power over the Subsidiary.

The Parent Company is a manufacturer, importer and distributor of electronic, electrical, mechanical, electro-mechanical appliances, other types of machinery, parts and components, battery and other related products bearing the "Panasonic" brand. The Subsidiary is in the business of realty brokerage and leases out the land to the Parent Company in which the latter's manufacturing facilities are located.

The Parent Company's registered address is Ortigas Avenue Extension, Barrio Mapandan, Barangay San Isidro, Taytay, 1920, Rizal.

The Parent Company's shares were listed at the Philippine Stock Exchange on January 21, 1983.

There has been no bankruptcy, receivership or similar proceeding nor any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business in the last three (3) years of the Parent Company's and its Subsidiary's operations (collectively referred to as the "Group").

PRODUCTS

The Parent Company is a manufacturer, importer and distributor of electronic, electrical, mechanical, electro-mechanical appliances, other types of machinery, parts and components, battery and other related products bearing the "Panasonic" brand.

The Subsidiary is engaged in the business of realty brokerage and/or act as agent of any persons, firms or corporation, domestic or foreign, for and in transaction relative to the acquisition, sales, lease, mortgage, disposition of, administration and management of real state and/or improvements thereon; to acquire by purchase, lease or other lawful means, lands and interest in lands, and to own, hold, improve, use, administer and manage any real state so acquired or held by the corporation.

The primary products of the Parent Company are refrigerators, air conditioners and washing machines. Other products include electric fans, freezers, imported appliances like LCD/PDP TV sets, Digital AV products (DVD/VCD mini-components, home theater systems, video & still cameras, D-Snap multi-AV devices, etc.); communications equipment/devices (corded/cordless telephones, fax machines, PABX, etc.); office automation equipment (copiers, POS machines, Panaboard, plasma displays, LCD projectors, closed-circuit video equipment, etc.); cooling equipment (package/split-type air conditioners, air-moving equipment); and various kitchen and home appliances (rice cookers, vacuum cleaners, hair dryers/stylers, etc.). These products are grouped into the following segments: Global Consumer Marketing Sector (GCMS), System Network & Communication (SNC), AVC Networks and Others.

Segment reporting information is disclosed in Note 28 of the financial statements included in the accompanying Annual Report (Annex "B").

Information as to sales and relative contributions of the main products to total sales were as follows:

	Years Ended March 31		
	2017	2016	2015
Domestic	**92.1%**	89.1%	90.3%
Export	**7.9%**	10.9%	9.7%
	100.0%	100.0%	100.0%
Refrigerator	**37.7%**	40.6%	36.5%
Airconditioner	**28.7%**	34.8%	36.0%
Television	**3.2%**	1.1%	1.5%
Washing machine	**10.0%**	9.8%	11.6%
Others & Export	**20.3%**	13.7%	14.4%
	100.0%	100.0%	100.0%

GEOGRAPHICAL INFORMATION

The tables below show the revenue information of the Parent Company based on the location of the customer (in thousands).

	Year Ended March 31		
	2017	2016	2015
Philippines	**₱9,099,559**	₱7,238,197	₱5,935,855
Hong Kong	**841,527**	853,409	768,971
Africa	**33,191**	32,735	8,599
Total Revenue	**₱9,974,277**	₱8,124,341	₱6,713,425

DISTRIBUTION NETWORK

The Group's principal office is located along Ortigas Avenue Extension, Barrio Mapandan, Barangay San Isidro, Taytay, Rizal.

The Group has PEZA registered activity (Airconditioner) located at 102 Laguna Boulevard Laguna Technopark, Sta. Rosa City, Laguna.

Aside from its warehouses located in its plant in Taytay and Sta. Rosa, the Group also has three (3) regional branches located in Pampanga, Cebu and Davao. The Group has a nationwide network of sales offices and accredited dealers to cater to its customers anywhere in the country. For customers' convenience, the Group has established a nationwide distribution network through its area offices and accredited service centers are strategically located at key towns, provinces, and cities.

Because of this wide distribution network, the Group is not dependent upon a single dealer or a few dealers, the loss of which would have a material adverse effect on the Group.

STATUS OF ANY PUBLICLY ANNOUNCED NEW PRODUCT OR SERVICE

The Group does not have any publicly-announced new major product or service that is being developed.

COMPETITION

In fiscal year 2016 ending March 31, 2017, the Company successfully posted a total sales of 9.9 billion pesos (123%) versus last fiscal year 2015 sales achievement. It is very encouraging to note that the sales of all locally – produced consume appliances recorded double digit growth this year. Compared to its performance last fiscal year 2015, refrigerator achieved 134% with the high acceptance in the market of the Company's locally produced direct cool inverter refrigerators. Consequently, freezer achieved 114%; window – type air conditioner realized 123%; washing machine secured 129%; and electric fan posted 110% sales performance in fiscal year 2016.

Similarly, the sales of imported consumer goods registered 137% performance against fiscal year 2015 due to partly to the increase in the demand for higher capacity refrigerators and washing machines, split type air conditioners and LED TV sets.

Moreover, during the course of fiscal year 2016, the Company executed various strategies to strengthen its B2B operations which resulted in a rewarding performance posting 147% versus last year. Compared also to last year, system sales products achieved 150%; eco solutions products (solar panels, V – fan, and lighting) 177%; and cold chain products (showcase chillers and commercial microwave) 125%.

Indeed, the Company accomplished much in fiscal year 2016 as manifested by its high sales performance in almost all product categories which led the Company to register a profit after tax of 536 million pesos, which is more than double the result last year.

In response to the market and customers' needs, the Company introduced and offered various products in fiscal year 2016, including the state – of – the art refrigerator which has an energy – saving properties; the cuble washer/dryer with powerful washing performance and the sky series air conditioner. The Company also launched its 4K UHD TV in conjunction with the announcement of the partnership with NBA, Inc. Moreover, please refer to the accompanying FY 2016 Annual Reports of the Company (Annex "A").

SOURCES OF RAW MATERIALS AND SUPPLIES

The Parent Company has a broad base of suppliers, both local and foreign. The Company is not dependent on one or a limited number of suppliers.

The Parent Company imports substantially all of its raw material requirements, merchandise, machinery and equipment and other spare parts and supplies from PC - Japan and affiliates. Purchases from PC - Japan amounted to ₱5.7 million, ₱31.3 million and ₱26.9 million in 2017, 2016 and 2015, respectively. Purchases made from affiliates amounted to ₱4.0 billion, ₱3.1 billion and ₱2.5 billion in 2017, 2016 and 2015 respectively.

CUSTOMER CONCENTRATION

The Group is not dependent upon a single customer or a few customers, the loss of any or more of which would have a material adverse effect on the Company and its subsidiaries taken as a whole. The Group does not have a customer that will account for twenty percent (20%) or more of its revenues.

TRANSACTIONS WITH RELATED PARTIES

The Parent Company has entered into various transactions with related parties. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, such as affiliates. Related parties may be individuals or corporate entities. Transactions with related parties are made substantially on the same terms as with other individuals and businesses and are generally settle in cash.

For the companies under control of the Ultimate Parent Company (referred to as affiliates) that the Parent Company has transactions, results of the related party transactions and the Parent Company has outstanding balances with related parties, please refer to Note 22 of the attached Annual Audited Financial Statements (Annex "B").

The sales and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances as at March 31, 2017 and 2016 are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. In fiscal year 2016, 2015 and 2014, the Group has not recorded any impairment of receivables relating to amounts owned by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

The Parent Company has interest-bearing loans receivable from its Subsidiary amounting to ₱154.0 million as of March 31, 2017 and 2016. The 12% nominal annual interest is to be paid on a monthly basis while the principal is payable on its maturity date, March 31, 2026.

The carrying amount of the receivable in the Parent Company's book and payable in the Subsidiary's books amounted to ₱154.0 million as of March 31, 2017 and 2016 which were eliminated in the consolidation. The net expenses in the Parent Company's books and net revenue in the Subsidiary's books amounted to ₱28.9 million and ₱19.1 million, ₱28.9 million and ₱26.8 million and ₱28.9 million and ₱25.6 million in 2017, 2016 and 2015, respectively. These balances were eliminated in the consolidation.

Under PFRS, certain post-employment benefit plans are considered as related parties. The Parent Company's retirement plan is in the form of different investments being managed by the Parent Company. The retirement fund has 60% interest in the subsidiary of the Parent Company amounting to ₱58.3 million and 5.1% interest in the Parent Company amounting to ₱148.5 million and ₱105.8 as of March 31, 2017 and 2016, respectively.

As of March 31, 2017 and 2016, certain loans and receivables amounting to ₱56.5 million and ₱56.0 million, respectively, are receivables of the retirement fund from certain employees and are payable over 2 to 4 years.

There are no other transactions or outstanding balances by the Parent Company, or its related parties, with the retirement plan of the employees of the Parent Company as of March 31, 2017 and 2016.

The Companies under common control of the Ultimate Parent Company (referred to as affiliates) that the Parent Company has transactions with and results of the related party transactions of the Parent Company are incorporated by reference to Note 22 of the Consolidated and Parent Company Audited Financial Statements, pages 40 to 48.

TECHNICAL ASSISTANCE AND TRADEMARK LICENSE AGREEMENT

The Parent Company has several Technical Assistance Agreements with PC – Japan valid for five (5) years from April 01, 2014 until March 31, 2019. Under the terms of the agreements, the Parent Company pays semi-annual technical assistance fees equivalent to a certain percentage of sales of selected products equivalent to 3.0%. Technical assistance fees charged by the Parent Company amounted to ₱171.4 million, ₱138.7 million and ₱117.5 million in 2017, 2016 and 2015, respectively.

The Parent Company has existing trademark license agreements with PC – Japan and affiliates. Under the terms of the agreements, the Parent Company is granted a non-exclusive license to use the trademark "KDK" (Kawakita Electric Company) and "Panasonic" on or in relation to its products and shall be effective as far as the Company uses the trademarks on its products. Currently, existing trademark license agreement became effective since as of 1st day of April, 2014 and shall thereafter continue and remain in full force and effect until 31st day of March, 2019. The Parent Company pays royalty equivalent to 1.0% of the sales price of the products bearing the brands. Brand license fees charged by the Parent Company amounted to ₱66.2 million, ₱35.8 million and ₱34.1 million in 2017, 2016, and 2015, respectively, while brand license fees charged by the affiliates amounted to ₱ 0.3 million, ₱0.9 million and ₱0.7 million in 2016, 2015 and 2014, respectively.

NEED FOR GOVERNMENT APPROVAL OF PRINCIPAL PRODUCTS OR SERVICES

The Group's principal products and services are offered to customers only upon receipt of the necessary regulatory approvals or clearances. The Group strictly complies with government product safety and quality standards before these are offered to the market.

The Group also complies with the related regulatory requirements such as reserves, liquidity position, provision on losses, anti-money laundering provisions and other reportorial requirements.

EFFECT OF EXISTING OR PROBABLE GOVERNMENTAL REGULATIONS ON THE BUSINESS

The Group strictly complied with the existing reportorial requirements of the regulatory agencies such as Securities and Exchange Commission, Philippines Stock Exchange and the Bureau of Internal Revenues, among others. In its fiscal year 2016 and 2015 consolidated financial statements, the Group adopted the changes to Philippine Accounting Standards and Philippine Interpretations of International Financial Reporting Interpretations Committee.

The Group will dedicate time and personnel to ensure proper and effective implementation of the future changes in accounting standards.

RESEARCH AND DEVELOPMENT COSTS

The amount spent for research and development costs and its percentage to sales for each of the last three fiscal years ended March 31 were as follows:

	2017	2016	2015
Cost	**₱ 23,147,498**	₱ 48,950,506	₱ 15,784,789
Ratio to Revenues	**0.23%**	0.60%	0.24%

The Parent Company's research and development activities are mainly driven by new technology and/or improvements of the technical know-how and production technique relating to the products, which is useful for the manufacture/assembly of the products. The efficient use of technology is expected to boost productivity and reduce manufacturing costs of the Parent Company.

COSTS AND EFFECTS OF COMPLIANCE WITH ENVIRONMENTAL LAWS

As an industrial corporation, the Group conducts its operations in compliance with all environmental, occupational health and safety and other related regulations of the government and along with the environmental policy and directives of PC, with its dedication to continuously improve its environmental, occupational health and safety, product safety performance and responding to the requirement of the industrial organization in managing, controlling and mitigating all types of risk that the Group has been exposed to. In fact, the Group, more often than not, implements environment-protection measures ahead of government regulations.

Compliance with the various environmental laws definitely entails costs and additional investments on the part of the Group, resulting higher production costs and operating expenses. The Group spent a total of ₱1.2 million and ₱1.5 million for the treatment of wastes, monitoring and compliance, permits and personnel training for the fiscal year 2017 and 2016 respectively.

HUMAN RESOURCES AND LABOR MATTER

As of March 31, 2017, the Parent Company has 637 full time employees:

	Administrative	Operations	Total
Under CBA	-	204	204
Non-CBA	433	-	433
	433	**201**	**637**

Around half of the Parent Company's employees are rank and file employees who are subject to collective bargaining agreements (CBA). The Parent Company did not deal with any labor strike for the past three years nor were there union complaints submitted to the Department of Labor and Employment.

In addition to the statutory benefits, the Parent Company provides life insurance; hospitalization benefits; vacation, sick, birthday and emergency leaves; and company and emergency loans to employees.

The Parent Company also maintains a retirement plan for its regular full-time employees.

RISK MANAGEMENT OBJECTIVES AND POLICIES

This is incorporated by reference to Note 28 of the Consolidated and Parent Company Audited Financial Statements, pages 52 to 58.

The Group's principal financial instruments comprise cash and cash equivalents and AFS investments. The main purpose of these financial instruments is to raise finances for the Group's operations. The Group has various other financial instruments such as receivables, accounts payable and accrued expenses, dividends payable and technical assistance fees payable which arise from normal operations.

Risk management structure
All policy directions, business strategies and management initiatives emanate from the BOD which strives to provide the most effective leadership for the Group. The BOD endeavors to remain steadfast in its commitment to provide leadership, direction and strategy by regularly reviewing the Group's performance. For this purpose, the BOD convenes at least once a month and should the need arise.

The Group has adopted internal guidelines setting forth matters that require BOD approval. Under the guidelines, all new investments, any increase in investment in businesses and any divestments require BOD approval.
The Group's principal financial instruments consists of cash and cash equivalents, receivables and AFS investments. The main purpose if these financial instruments is to raise finances for the Group's operations. The Group has various other financial instruments such as accounts payable and accrued expenses, dividend payable and technical assistance fees payable which arise from normal operations.

The main risks arising from the Group's financial instruments are liquidity risk, market risk, and credit risk. The Group also monitors the market price risk arising from all financial instruments.

Liquidity Risk
The Group's objective is to maintain a balance between continuity of funding and flexibility through collection of receivables and cash management. Liquidity planning is being performed by the Group to ensure availability of funds needed to meet working capital requirements.

Overall, the Group's funding arrangements are designed to keep an appropriate balance between equity and debt to give financing flexibility while continuously enhancing the Group's business.

Market Risk
Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of financial instruments. The Group manages market risks by focusing on two market risk areas such as foreign currency risk and equity price risk.

Foreign currency risk
Exposure to currency risk arises from sales and purchases in currencies other than the Group's functional currency. Foreign currency risk is monitored and analyzed systematically and is managed by the Group. The Group ensures that the financial assets denominated in foreign currencies are sufficient to cover the financial liabilities denominated in foreign currencies.

Equity price risk
The Group's exposure to equity price pertains to its investments in quoted shares of the Parent Company's which are classified as AFS investments in the consolidated statements of financial position.

Equity price risk arises from the changes in the level of equity indices and the value of individual stocks traded in the stock exchange.

The effect on equity (as a result of a change in fair value of equity instruments held as available-for-sale at March 31, 2017 and 2016) due to a reasonably possible change in equity indices is not material to the consolidated financial position of the Group.

Credit Risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss. With respect to credit risk arising from financial assets of the Group, which compromise of cash and cash equivalent, receivables, AFS investments and other assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of the instrument.

The Group manages credit risk by assessing the creditworthiness of its counterparties. The Group trades only with recognized, creditworthy third parties. It is the Group's practice that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

As of March 31, 2017, the Group does not hold collateral or other credit enhancement for cash and cash equivalents, AFS investments, receivables and refundable meralco deposits (included in other assets). Thus, carrying values represent maximum exposure to credit risk. In 2017, the Group acquired credit insurance for its domestic trade receivables, which covers both fully secured and partially secured receivables. Other than for domestic trade receivables, the Group's maximum exposure to credit risk is equivalent to the carrying value of the Group's financial assets as of March 31, 2017.

Capital Management
The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

Fair Value Management
The methods used by the Group in estimating the fair value of its assets and liabilities follow:

Cash and cash equivalents, receivables and other assets
Carrying amounts of cash in banks, cash equivalents and receivables maturing within twelve (12) months are assumed to approximate their fair values. This assumption is applied to liquid assets and the short-term elements of all other financial assets.

AFS investments
Fair values are based on quoted prices published in the markets. For investments that are not quoted, the investments are carried at cost less allowance for impairment losses due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable far value.

Investment properties
The fair value of the investment properties has been determined by an independent appraiser using market data (or direct sales comparison) approach. This approach relies on the comparison of recent sale transactions or offering of similar properties which have occurred and/or with close proximity to the subject property.

The Group has determined that the highest and best use for the investment properties is its current use.

Accounts payable and accrued expenses
Carrying amounts of accounts payable and accrued expenses approximate their fair values due to the short-term nature of transactions.

Finance lease liability
Fair value was estimated using the discounted future cash flow methodology using the Group's current incremental borrowing rates for similar borrowing with maturities consistent with those remaining for the liability being valued.

Carrying amount and fair values of the assets and liabilities, with carrying values not equal to fair value or whose fair values are required to disclose is incorporated by reference to Note 28 of the Consolidated and Parent Company Audited Financial Statements, pages 57 to 58.

ITEM 2 – PROPERTIES

Manufacturing operations are conducted in a plant with an area of 72,503.5 sq. m. located in Ortigas Avenue Extension, Taytay, Rizal and another plant with an area of 147,195 sq. m. in Laguna Technopark Sta. Rosa, Laguna. The Company leases the land from its subsidiary for a period 25 years that will mature on March 31, 2020 while the land improvements, buildings, machinery and equipment, transportation equipment, office furniture and equipment, and/or tools and small equipment on these parcel of land in which the head office, region offices, sales office and warehouse are located are owned by the Company. Rental expense from these leases amounted to ₱28.9 million during the recent fiscal year. Operations of sales offices and service centers in Pampanga, Cebu and Davao are operated on properties owned by the Parent Company except for the land that is also owned by its subsidiary. Operations of other sales offices and service centers are being conducted on properties leased by the Parent Company in various areas: Naga, Isabela, Dagupan, Bacolod, Iloilo, Tacloban and Cagayan de Oro.

On March 1, 2008, the Parent Company entered into a two-year renewable contract of lease with Panasonic Precision Devices Philippines Corporation (PRDPH) for the rent of its building with some covered areas or improvements, comprising approximately of : Main Building 15,072.6 square meters, Warehouse building 3,564 square meters and Parking Area 909 square meters located at Brgy. Don Jose, Laguna Technopark, Sta. Rosa City, Laguna. The lease is for a period of two years guaranteed commencing on the 1st day of March to 28th day of February and shall automatically be renewed unless terminated by either party upon servicing of at least three (3) months. The leased properties are accounted for by the Parent Company as "Investment properties" (see AFS Note 8). The lease contract was renewed on March 1, 2016 and will expire on February 28, 2018 with a fixed monthly rental fee of US$45,217.80. Rent income recognized under miscellaneous income amounted to ₱25.0 million, ₱27.7 million and ₱26.7 million in 2017, 2016 and 2015, respectively.

The properties owned and/or leased by the Company are in good condition and are free from mortgages, liens and encumbrances.

The aggregate fair value of the investment properties amounted to ₱84.2 million as of March 31, 2017 and 2016.

There are no plans for the acquisition of the Group's property over the next twelve (12) months.

ITEM 3 - LEGAL PROCEEDINGS

As of March 31, 2017, the Group is not involved in any material litigation or any pending legal proceedings to which the registrant or any of its subsidiaries or affiliates is a party or of which any of their property is the subject.

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters, except for the matters taken up last Annual Stockholders Meeting, submitted to a vote of security holders during the period covered by this report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5 - MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

1. MARKET INFORMATION

The Parent's Company's common shares were officially listed and first traded at the Philippine Stock Exchange on January 21, 1983.

As of March 31, 2017 and June 30, 2017, a total of 84,723,432 Class "A" shares are listed in Philippine Stock Exchange.

The price performance of the Company's common equity for each quarter within the two fiscal years and the subsequent interim period has been as follows in Philippine peso:

	High	Low
2017		
Jan – Mar	7.50	4.94
Apr – June	7.36	6.20
2016		
Jan – Mar	5.04	3.90
Apr – Jun	5.00	4.04
Jul – Sept	5.24	4.23
Oct – Dec	5.45	4.23
2015		
Jan – Mar	4.47	4.00
Apr – Jun	4.47	3.82
Jul – Sept	4.00	3.50
Oct – Dec	4.42	3.81

2. DIVIDENDS

The payment of dividend, either in the form of cash or stock, will depend upon the Parent Company's earnings, cash flow and financial condition, among other factors. The Parent Company may declare dividends only out of its unrestricted retained earnings. These represent the net accumulated earnings of the Parent Company, with its capital unimpaired, that are not appropriated for any other purpose. Dividends paid are subject to the approval by the Board of Directors. The Parent Company's Board of Director declared cash dividends as follows:

Date of Declaration	Cash Dividend Per Share	Date of Record	Date of Payment
FY 2016			
March 31, 2017	**70%**	**April 18, 2017**	**May 10, 2017**
FY 2015			
March 22, 2016	10%	April 7, 2016	April 26, 2016
FY 2014			
March 19, 2015	10%	April 7, 2015	May 4, 2015

3. HOLDERS

The Company had approximately 448 shareholders of the Parent Company of record as of April 30, 2017.

The table below sets forth the top 20 shareholders as of April 30, 2017.

Name	No. of Shares Held	% to Total
1. Panasonic Corporation (Japanese)	337,994,588	79.96
2. PCD Nominee Corporation (Filipino)	37,296,621	8.82
3. PMPC Employees Retirement Plan	21,586,360	5.11
4. Pan Malayan Management & Investment	4,606,076	1.09
5. Jesus V. Del Rosario Foundation, Inc.	3,876,083	0.92
6. Vergon Realty Investment Corporation	3,389,453	0.80
7. J.B. Realty and Development Corporation	1,778,915	0.42
8. So Sa Gee	855,716	0.20
9. David S. Lim	656,393	0.16
10. Efren M. Sangalang	603,156	0.14
11. Wellington James So Lim	595,905	0.14
12. Edward Steven So Lim	587,141	0.14
13. Vicente L. Co	577,245	0.14
14. Jenny So Lim	518,179	0.12
15. Jason S. Lim	500,000	0.12
Jonathan Joseph Lim	500,000	0.12
Vicente S Lim	500,000	0.12
Susan L. Tan	500,000	0.12
16. Rodolfo P. Tagle	354,192	0.08
17. Falek Enterprises, Inc.	298,106	0.07
18. Jaime Agabin	252,995	0.06
19. So Ki Lin	252,995	0.06
20. Vlaimir Co	248,164	0.06

4. RECENT SALE OF UNREGISTERED SECURITIES

The Parent Company has neither sold any securities nor reacquired or issued new securities in exchange of properties within the past three (3) years.

5. DESCRIPTION OF REGISTRANT'S SECURITIES

a. Authorized Capital Stock

Authorized Capital Stock	847,000,000	(P1.00 par value)
Common Class A shares (Listed)	169,400,000	
Class "B" shares	677,600,000	

Only Class "A" shares are listed in Philippine Stock Exchange.

b. Number of Shares Outstanding as of March 31, 2017 and June 30, 2017

Common Shares @ P1.00/share

Class "A"	84,723,432
Class "B"	337,994,588
Total	P422,718,020

c. Amount of Debt Outstanding as of March 31, 2017 and June 30, 2017

NONE

d. Stocks Options, Warrants, Securities subject to redemption or call, other securities and Market information for securities other than common equity

NONE

ITEM 6 - MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Management's Discussion and Analysis of Financial Condition and Results of Operations

Top 5 Key Performance Indicators of the Company

Name of Index	Calculation	FY 2016	FY 2015	FY 2014
1. Rate of Sales Increase	CY Sales – LY Sales -------------------------- X 100% LY Sales	**22.8%**	21.0%	1.8%
2. Rate of Profit Increase	CY Profit After Tax – LY Profit After Tax -------------------------- x 100% LY Profit After Tax	**113.5%**	54.4%	0.3%
3. Rate of Profit on Sales	Profit After Tax -------------------- x 100% Total Sales	**5.4%**	3.1%	2.4%
4. Current Ratio	Current Assets --------------------- Current Liabilities	**2.8**	3.3	3.7
5. Dividend Ratio to Capital	Dividend -------------------- x 100% Average Capital	**70%**	20%	10%

(a) Rate of Sales Increase - This measures the sales growth versus the same period last year. Sales increased by 22.8%. Such was achieved due to improved domestic market and stable inflation.

(b) Rate of Profit Increase - This measures the increase in profit after tax versus the same period last year. Rate of profit for the year increased by 113.5% due mainly to achievement of sales and the Company's effort to improve profitability.

(c) Rate of Profit on Sales - This measures the percentage of profit after tax versus net sales for the period. Rate of profit increased to 5.4% vs. 3.1% last year due lower cost of sales ratio by 2.5% and higher sales achievement.

(d) Current Ratio - This measures the liquidity of the Company and its ability to pay off current liabilities. Current ratio as of March 31, 2017 decreased to 2.8:1 as of March 31, 2017 versus 3.3:1 of last year.

(e) Dividend Ratio to Capital - This measures the dividend payout ratio versus capital for the period. The Group declared a 70% and 20% cash dividend for the fiscal year 2016 and 2015, respectively.

INTRODUCTION

The following are discussions on the Consolidated Financial Conditions and Results of the Company and its Subsidiary (The Group) based on the Audited Financial Statements as of and for the years ended March 31, 2017, 2016 and 2015.

This discussion summarizes the significant factors affecting the consolidated operating results, financial condition, liquidity and cash flows of the Group for the fiscal year 2016 ended March 31, 2017. The following discussion should be read in conjunction with the attached audited consolidated financial statements of the Company as of and for the year ended March 31, 2017 (Annex "B") and management plans and reviews (Annex "A').

Fiscal Year 2016 vs. 2015

Financial Positions

Material Changes (+/-5% or more) in the financial statements
(in thousands)

Accounts	March 31, 2017	March 31, 2016	Difference (%)
Cash and cash equivalent	**3,586,650**	3,292,423	**8.9%**
Receivables	**1,021,726**	993,452	**2.8%**
Inventories	**1,010,964**	692,094	**46.1%**
Other current assets	**72,957**	32,734	**122.9%**
Investment properties	**48,350**	53,579	**-9.8%**
Property & equipment	**770,581**	752,800	**2.4%**
Other assets	**25,424**	28,701	**-12.4%**
Accounts payable & accrued expenses	**2,036,315**	1,510,804	**34.8%**
Provision for estimated liabilities	**366,597**	466,229	**-21.4%**
Stockholders' equity	**4,269,806**	3,991,496	**7.0%**

The Group continues to maintain its strong financial position with total assets amounting to P6.678 billion and P5.987 billion as of March 31, 2017 & 2016, respectively while total equity amounted to P4.270 billion and P3.991 billion as of the same period.

Current ratio decreased at 2.8:1 as of March 31, 2017 compared to 3.3:1 as of March 31, 2016 due to increase in accounts payable and accrued expenses.

Total current assets increased by P681.6 million (13.6%) due mainly to increase in Cash by P294.2 million (8.9%) and accounts receivable by 28.3 million brought by 22.8% increase in sales mostly dometic sales. In addition, inventory increased by P318.9 million (46.1%) and other current assets by P40.2 million (122.9%).

Property, plant and equipment decreased by P17.8million (net) (2.4%) due to retirement and disposal of phased out & defective assets. Capital expenditures amounted to P172 million during the year as the Group continues to upgrade its factory facilities, machinery and equipment to improve productivity. Total capital goods retirement / disposal amounted to P96.1 million.

Other non-current assets decreased by P3.3 million (12.4%) due to utilization of advances for software depreciation cost for the period and deposits by P1.3 million.

Trade accounts payable increased by P233.3 million due to high volume sales requirement for the last quarter of fiscal year 2016 and first quarter of 2017. Cash dividend payable also increased by P211.4 million due to additional 50% special dividend. Moreover, advances from customers increased by P162.6 million.

Provision for estimated liabilities decreased by P99.6 million (21.4%) due P100 million fund contribution to PMPC's Retirement Plan.

Appropriated retained earnings for plant expansion increased by P235 million for the continued factory development and IT facilities and change of accounting system to SAP.

Results of Operation

Material Changes (+/-5% or more) in the financial statements
(in thousands)

Accounts	FY 2016	FY 2015	Difference (%)
Sales	**9,974,277**	8,124,341	**22.8%**
Cost of sales	**7,506,888**	6,320,824	**18.8%**
Gross profit	**2,467,389**	1,803,517	**36.8%**
Selling expenses	**1,042,798**	756,704	**37.8%**
General administrative	**892,767**	826,891	**8.0%**
Other income – net	**135,386**	179,772	**-24.7%**
Income before tax	**667,210**	399,693	**66.9%**
Income tax expense	**131,376**	148,718	**-11.7%**
Income after tax	**535,835**	250,975	**113.5%**

Consolidated sales for FY 2016 ended March 31, 2017 increased by ₱1.850 billion (22.8%). This was mainly due to high sales achievement of Consumer products. Local and imported appliances are making good in the market with the Company's inverter models ad sell out activities.

With good sales result, Cost of sales and gross profit increased by 18.8% and 36.8% respectively versus last year.

Selling expenses increased by ₱286 million (37.8%) due to increase in freight cost by ₱106.8 million and advertising by ₱112 million. Sales promotion and warranty cost also increased by ₱95.7 million and ₱11.9 million respectively.

General administrative expenses increased ₱65.9 million (8.0%) mainly due to increase in technical assistance and brand license fee by ₱32.7 million and ₱22.5 million respectively due to increase in sales amount for the period.

Other income - net decreased by ₱44.4 million (24.7%) against 2016 mainly due to recovery of allowance for credit and impairment losses by ₱53.7 million last year. On the other hand, bank interest earned from time deposits increased by ₱19.9 million.

Net income before tax increased by ₱267.5 million (66.9%) due mainly to 22.8% increase in sales achievement versus last year.

Income tax expense decreased by ₱17.3 million (11.7%) due to decrease in temporary differences for the period.

Fiscal Year 2015 vs. 2014

Financial Positions

Material Changes (+/-5% or more) in the financial statements
(in thousands)

Accounts	March 31, 2016	March 31, 2015	Difference (%)
Cash and cash equivalent	**3,292,423**	2,822,927	**16.6%**
Receivables	**993,452**	811,799	**22.4%**
Inventories	**692,094**	714,234	**-3.1%**
Other current assets	**32,734**	60,237	**-45.7%**
Property & equipment	**752,800**	811,335	**-7.2%**
Deferred tax assets	**140,974**	149,948	**-6.0%**
Other assets	**28,701**	30,338	**-5.8%**
Accounts payable & accrued expenses	**1,510,804**	1,200,504	**25.8%**
Provision for estimated liabilities	**278,731**	159,176	**75.1%**
Retirement liability	**187,498**	281,603	**-33.4%**
Stockholder's equity	**3,991,497**	3,804,128	**4.9%**

The Group continues to maintain its strong financial position with total assets amounting to P5.987 billion and P5.455 billion as of March 31, 2016 & 2015, respectively while total equity amounted to P3.991 billion and P3.804 billion as of the same period.

Current ratio decreased at 3.3:1 as of March 31, 2016 compared to 3.7:1 as of March 31, 2015 due to increase in accounts payable and accrues expenses.

Total current assets increased by P601.5 million (13.6%) due mainly to increase in Cash by P470.0 million (16.6%) and accounts receivable by P181.7 million brought by 21% increase in sales. On the other hand, other current assets decreased by P27.5 million (45.7%) due to reduction in allowance for impairment losses.

Property, plant and equipment decreased by P58.5 million (net) (7.2%) due to retirement and disposal of phased out & defective assets. Capital expenditures amounted to P91.8 million during the year as the Group continues to upgrade its factory facilities, machinery and equipment to improve productivity.

Deferred tax assets increased by P9.0 million (6.0%) due to decrease in retirement liability of the Company as per actuarial valuation computation.

Other non-current assets decreased by P1.6 million (5.8%) due to utilization of advances for software depreciation cost for the period.

Accounts payable and accrued expenses increased by P310.3 million (25.8%) mainly due to high volume sales requirement for the last quarter of fiscal year 2015.

Provision for estimated liabilities increased by P119.6 million (75.1%) due to warranty expense. Finance lease liability decrease due to yearly depreciation cost.

Retirement liability decreased by P94.1 million due to fund contribution amounting to P100.0 million for the period.

Income tax liability and technical assistance fee increased due to increase in sales achievement.

Appropriated retained earnings for plant expansion increased by P175.0 million for continuous factory development and IT facilities and change of accounting system to SAP.

Results of Operation

Material Changes (+/-5% or more) in the financial statements
(in thousands)

Accounts	**FY 2015 Ended March 2016**	FY 2014 Ended March 2015	**Difference (%)**
Sales	**8,124,342**	6,713,425	**21.0%**
Cost of sales	**6,320,824**	5,271,770	**19.9%**
Gross profit	**1,803,517**	1,441,655	**25.1%**
Selling expenses	**756,704**	720,634	**5.0%**
General administrative	**826,891**	621,027	**33.2%**
Other income – net	**179,772**	116,954	**53.7%**
Income before tax	**399,693**	216,948	**84.2%**
Income tax expense	**148,718**	54,373	**173.5%**
Income after tax	**250,975**	162,576	**54.4%**

Consolidated sales for FY 2015 ended March 31, 2016 increased by ₱1.411 billion (21.0%) This was mainly due to high sales achievement of Consumer products. Local and imported appliances are making good in the market with the Company's inverter models ad sell out activities.

With good sales result, Cost of sales and gross profit increased by 19.9% and 25.1%, respectively versus last year.

Selling expenses increased by ₱36.1 million (5.0%) due to increase in freight cost by ₱57.4 million and advertising by ₱49.1 million. On the other hand, sales promotion cost decreased by ₱87.3 million

General administrative expenses increased ₱205.9 million (33.2%) mainly due to increase in provision for other estimated liabilities amounting to ₱97.9 million for inventory write-down due to increase in slow moving products at the end of this year. In addition, technical assistance and brand license fee by ₱21.2 million and ₱7.2 million respectively. Salaries and wages also increased by ₱38.6 million.

Other income - net increased by ₱62.8 million against 2015 mainly due to recovery of allowance for credit and impairment losses by ₱53.7 million. In addition, bank interest earned from time deposits also increased by ₱9.4 million.

Net income before tax and income tax increased by ₱182.8 million (84.2%) and ₱94.4million (173.5%) respectively mainly due to 21.0% increase in sales achievement.

Fiscal Year 2014 vs. 2013

Financial Positions

Material Changes (+/-5% or more) in the financial statements
(in thousands)

Accounts	March 31, 2015	March 31, 2014	Difference (%)
Cash and cash equivalent	**2,822,927**	2,861,084	**-1.3%**
Receivables	**811,799**	840,550	**-3.4%**
Inventories	**714,234**	552,036	**29.4%**
Other current assets	**60,237**	53,384	**12.8%**
Property & equipment	**811,335**	792,053	**2.4%**
Investment property	**53,703**	57,741	**-7.0%**
Deferred tax assets	**149,948**	119,131	**25.9%**
Accounts payable & accrued expenses	**1,200,503**	1,242,120	**-3.4%**
Provision for estimated liabilities	**159,176**	101,282	**57.2%**
Finance lease liability	**8,112**	6,848	**18.5%**
Technical assistance liability	**48,113**	44,674	**7.7%**
Retirement liability	**281,603**	177,877	**58.3%**

The Group continues to maintain its strong financial position with total assets amounting to P5.455 billion and P5.329 billion as of March 31, 2015 & 2014, respectively while total equity amounted to P3.804 billion and P3.756 billion as of the same period.

Current ratio increased at 3.7:1 as of March 31, 2015 compared to 3.1:1 as of March 31, 2014 due to decrease in accounts payable and accrued expenses.

Total current assets increased by P102.1 million (2.4%) due mainly to increase in inventories by P162.2 million (29.4%) brought by port congestion. Other current assets also increased by P6.9 million for prepaid expenses.

Investment property decreased by P4.0 million (7.0%) due to depreciation for the year.
Deferred tax assets increased by P30.8 million (25.9%) due to increase in retirement liability of the Company as per actuarial valuation computation.

Other non-current assets decreased by P22.5 million due to utilization of advances to contractors during the period.

Accounts payable and accrued expenses decreased by P41.6 million (3.4%) mainly due to decrease in accrued expenses to third parties.

Provision for estimated liabilities increased by P57.9 million (57.2%) due to increase promo and advertising expenses versus last year. Finance lease liability increases due to additional lease of vehicle for the year.

Retirement liability increased by P103.7 million (58.3%) mainly due to this year general salary increase and devaluation of the Plan's investments.

Income tax liability and technical assistance fee increased due to increase in sales achievement and decrease in selling expenses.

Capital expenditures amounted to P204.0 million during the year as the Group continues to upgrade its factory facilities, machinery and equipment to improve productivity.

Appropriated retained earnings for plant expansion increased by P100.0 million for continuous factory development.

Results of Operation

Material Changes (+/-5% or more) in the financial statements
(in thousands)

Accounts	**FY 2014 Ended 3/31/2015**	FY 2013 Ended 3/31/2014	**Difference (%)**
Sales	**6,713,425**	6,596,393	**1.8%**
Cost of sales	**5,287,770**	4,864,017	**8.4%**
Gross profit	**1,425,655**	1,732,376	**-16.8%**
Selling expenses	**704,634**	1,009,064	**-28.6%**
General administrative	**621,027**	650,879	**-4.6%**
Other income – net	**116,954**	129,088	**-9.4%**
Income before tax	**216,948**	201,521	**7.7%**
Income tax expense	**54,373**	39,468	**37.8%**
Income after tax	**162,576**	162,053	**0.3%**

Consolidated sales for FY 2014 ended March 31, 2015 increased by ₱117.0 million (1.8%) due to the introduction of certain product models with improved features and the impact of sales reduction last year due to typhoon Yolanda.

Cost of sales increased by 8.4% amounting to ₱407.8 million mainly due to increase in direct material usage by ₱268.7 million due to increase in sales requirement. Along with this, depreciation cost also increased by ₱39.7 million due to additional purchase equipment to improve operations of the Company. In addition, finished goods provision for inventory write-down increased by ₱90.0 million due to increase in slow moving products at the end of this year.

Gross profit decreased by 16.8% mainly due to increase in cost of sales (8.4%) and sales achievement of 1.8% only versus last year.

Selling expenses decreased by 28.6% amounting to ₱288.4 million mainly due to change in marketing strategy in providing discounts as deduction to sales not anymore shown as selling expenses.

General administrative expenses decreased by ₱29.9million (4.6%) due mainly to decrease in provision for other estimated liabilities by ₱50.4 million. On the other hand provision for impairment losses increased by ₱5.0 million.

Other income - net decreased by ₱12.1 million against 2014 mainly due to service income by ₱9.0 million and proceeds from sale of scraps by ₱6.8 million.

Income before tax increased by ₱15.4million (7.7%) due to increase in sales achievement by 1.8% and decrease in selling expense.

- **Events that will trigger direct or contingent financial obligation**

  In the normal course of business, the Group has various commitments and contingent liabilities that are not presented in the accompanying financial statements.

The management believes that these actions are without merit or that the ultimate liability, if any, resulting from these cases will not adversely affect the financial position or results of operation of the Parent Company.

The Group does not anticipate material losses as a result of these commitments and contingent liabilities.

- **Material Commitments for Capital expenditures**

  The Parent Company has commitments for capital expenditures. Among these are investments on IT-related projects, relocation and renovation of branch premises, acquisition and repairs of furniture, fixtures and equipment needed to bring the Company at par with competitors.

- **Known Trends or Demands, Commitments, Events or Uncertainties**

  There are no known events, trends, and demands, commitments or uncertainties that might affect the Company's liquidity or cash flows within the next twelve (12) months.

  There are no trends, events or uncertainties know to management that are reasonably expected to have material favorable or unfavorable impact on the net income or revenues from continuing operations of the Company.

- **Material off-balance transactions, arrangements or obligations**

  There were no material off-balance transactions, arrangement or obligations that had a material effect on the Company's financial conditions or result of operations.

- **Significant Elements of Income or Loss**

  Significant elements of income or loss will come from continuing operations.

- **Seasonal Aspects**

  There were no seasonal aspect that had a material effect on the Company's financial conditions or result or operations.

CASHFLOWS

A brief summary of cash flow movement is shown below

(In thousands)	**2017**	2016	2015
Net cash provided by operating activities	**549,257**	625,758	187,048
Net cash used in investing activities	**(168,546)**	(95,868)	(180,087)
Net cash used in financing activities	**(86,864)**	(46,400)	(45,781)

Net cash flow from operations consists of income for the period less change in non-cash current assets, certain current liabilities and others, which include decrease in inventory level.

Net cash provided by (used in) investing activities included the following:

In thousands	**2017**	2016	2015
Proceeds from sale of PPE	**2,522**	87	286
Acquisitions of property, plant and equipment	**(171,955)**	(90,680)	(199,240)
Acquisitions of investment properties	-	(4,940)	(625)
Acquisition of software	**(445)**	(294)	(1,630)
Decrease (increase) in other assets	**1,332**	(41)	21,122
Total	**(168,546)**	(95,868)	(180,087)

Major components of net cash used in financing activities are as follows:

In thousands	**2017**	2016	2015
Cash dividends paid	**(84,544)**	(42,272)	(42,272)
Finance lease liabilities paid	**(2,321)**	(4,128)	(3,509)
Total	**(86,864)**	(46,400)	(45,781)

The Group can internally provide its own cash requirements for its operation for the next twelve months and in succeeding years. Various cash flow improvements such as aggressive operational cost reduction, cost negotiation, productivity and system enhancements are being implemented to maintain the Group's loan-free operation.

RETAINED EARNINGS

Retained Earnings in excess of 100% of paid-in capital will be declared as dividends and/or appropriated for plant expansion and modernization and upgrading of factory facilities and equipment in the future.

The appropriated retained earnings pertain to the appropriation for plant expansion and modernization and upgrade of factory facilities and equipment of the Parent Company. The appropriated retained earnings of the Subsidiary for the payment of its outstanding loan payable to Parent Company.

ITEM 7 - FINANCIAL STATEMENTS

The Group's Audited Consolidated Financial Statements for the fiscal year 2016 ended March 31, 2017 are attached hereto as Annex "B". Please refer also to the accompanying notes to the Audited Financial Statements.

ITEM 8 – CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

Independent Public Accountants

The Group's Audit Committee reviews the eligibility of the incumbent external auditor for retention. Otherwise, the Audit Committee then follows the selection process. Audit Committee selects from among the qualified external auditors and presents their recommendation to the Board of Directors for approval.

Sycip Gorres Velayo & Co., CPAs (SGV) is the current external auditor of the Group for FY 2016 and for the last two (2) fiscal years. To comply with the amended SRC Rule 68 (3) (b) (ix), the signing partners are rotated every five (5) years.

The Group's audit partner-in-charge for fiscal year 2016 ended March 31, 2017 was Mr. Aris C. Malantic who was appointed in 2013.

The Group had no disagreements with the former accountant, Sycip Gorres Velayo & Co. (SGV), the Group's external auditor, on any matter of accounting principles or practices, financial statements disclosures or auditing scope and procedures.

C. Audit-Related Fees

External Audit Fees

The Group engaged SGV & Co. to audit its annual financial statements and perform related reviews. The following fees, exclusive of VAT were incurred:

	2017	2016	2015
Audit	₱ **2.5**	₱ 2.0	₱ 1.7
Audit-Related	–	–	–
Tax compliance	–	–	–
Total	₱ **2.5**	₱ 2.0	₱ 1.7

Tax Fees

There are no fees for tax to external auditors other than for audit services and review of withholding tax compliance.

Management presents proposals on possible external auditors to be engaged together with their respective proposed audit fees to the Audit Committee for proper consideration. The Audit Committee evaluates and thereafter, upon its recommendation, the appointment of the external auditor is presented to the Board of Directors and/or stockholders for confirmation. However, financial statements duly approved by the Audit Committee are still subject to confirmation of the Board of Directors prior to submission to the respective government regulatory agencies.

PART III – CONTROL AND COMPENSATION INFORMATION

ITEM 9 - DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

1. Directors and Executive Officers

Name	Office/Position	Citizenship	Age
Shinichi Hayashi	Chairman of the Board & President	Japanese	53
Yoshiyuki Takahashi	Vice – Chairman, Executive Director & Treasurer	Japanese	55
Hiroshi Yamada	Executive Director	Japanese	55
Masaru Toyota	Executive Director & VP – PPH	Japanese	59
Hiroyuki Tagishi	Director	Japanese	56
Eiji Fukumori	Director	Japanese	58
Koji Takatori	Director	Japanese	52
Emiliano Volante	Independent Director	Filipino	73
Elizabeth Gildore	Independent Director	Filipino	59
Mamerto Z. Mondragon	Corporate Secretary	Filipino	73

Shinichi Hayashi, Japanese, 53, was elected to the Board and appointed as the President on January 6, 2016. He is the Chairman of the Board since January 22, 2016. Before his transfer to the Company, he was a former Managing Director of Panasonic Corporation ("PC") Malaysian subsidiary, Panasonic Management Malaysia Sdn hd ("PMAM") – Panasonic Asia Pacific Procurement Management Center from January – December 2015. Prior to PMAM, he was assigned to Material Purchasing Center, Procurement Company, PC, as Director (Jan – Dec 2013). He was the General Manager of PC's Procurement Company's Centralized Purchasing Group, Deice Procurement Center (Jan – Dec 2012). He was the Director of PC's Global Sourcing Center, Corporate Procurement Division (April – Dec 2011). He was the President of Matsushita Techno Trading Co., Ltd. ("MTT"), a subsidiary of PC from April 2006 – May 2011. He graduated from the University of Dosisha, Japan with a Bachelor's Degree in Commerce.

Yoshiyuki Takahashi, Japanese, 55, was elected as Director and appointed as the Vice – Chairman, Treasurer and Executive Director for Finance and Administration Department on June 22, 2015. He is the Chairman of Remuneration & Risk Management Committees and a member of the Audit, Nomination and Corporate Governance Committees. Prior to joining the Company, he was a former General Manager of Panasonic Corporation's regional office ("PC"), Panasonic Asia Pacific Pte Ltd ("PA") Accounting Department from August 2013 to May 2015. He was the Manager of Panasonic Corporation – Equity Management Team, Global Finance Administration Center (April – July 2013) and Councilor of PC HQ Finance Management Team, Corporate Finance & IR Group (June 2010 – March 2013). He is a graduate of the Osaka City University in Osaka, Japan with a Degree in Business Administration.

Hiroshi Yamada, Japanese, 55, was elected as PMPC – Executive Director since February 01, 2014. He was a former Councilor for Refrigerator Business Division, Appliances Company, PC – Japan from October 2012 to August 2013. He was the General Manager of Refrigerator Business Unit, Home Appliances Company, PC – Japan from October 2010 to September 2013. He was also the General Manager of Engineering Group, Refrigerator Business Unit, PC – Japan from April 2008 to September 2010 and from July 2005 to March 2008 he was assigned Engineering Group, Refrigerator Division, Pc – Japan as the General Manager. He is a graduate of the Toyama University in Japan with a Degree in Science of Engineering.

Masaru Toyota, Japanese, 59, was elected as a Executive Director and Vice- President of PPH Sales & Marketing Division last April 23, 2014. Prior to his assignment to PMPC, he was the Vice-President of Panasonic Corporation – Japan (PC) Panamanian subsidiary, Panasonic Marketing Latin America from January 2012 to April 2014. He is a former General Manager for PC's Latin America Administration Group, Corporate Management Division for Latin America from June to December 2011. He was assigned as Councilor to Overseas Marketing Group, PC's AVC Networks Company from July 2009 to June 2011. He was the Vice-President of PC's Russian subsidiary, Panasonic Russia Ltd. from April 2004 to May 2011. He graduated from Otaru University.

Eiji Fukumori, Japanese, 58, was elected to the Board on April 1, 2016. He is currently the General Director of PC's Vietnamese subsidiary, Panasonic Vietnam Co., Ltd. ("PV") since June 2013. He was assigned to Global Marketing Division, Appliances Company (Apr – May 2013). He was a former Group Manager of PC's Global Marketing Group, Global Consumer Marketing Division from Jan. 2012 – Mar 2013. He was assigned to Planning Group, Corporate Management Division for Europe as the Group Manager (Apr – Dec 2011). He was the Deputy Managing Director – Sales & Marketing of PC's French subsidiary, Panasonic France S.A. ("PFS") from April 2006 – March 2011. He graduated from Kobe University of Commerce in Hyogo, Japan with a Degree in Commerce & Economics.

Koji Takatori, Japanese, 52, was elected to the Board on April 1, 2016. He is currently the Chief of PC's Appliances Company's Accounting Center from October 2014. He was a former CFO of PC's American subsidiary, Panasonic AVC Networks Company America ("PAVCA"), Finance Department from Aug. 2009 – Sept. 2014. Prior to PAVCA, he was the Councilor for PC HQ's Accounting Group from April 2007 – July 2009. He graduated from Dosisha University in Kyoto, Japan with a Degree in Commerce.

Hiroyuki Tagishi, Japanese, 56, was elected to the Board on April 1, 2016. Presently, he is the Leader of PC's Appliances Company ("AP") for AP Asia Project since October 2014. Prior to PC's AP, he was the Business Unit Executive of PC's AP for Beauty and Living Business Unit from Jan. – Dec. 2012 and was promoted to Director from Jan. 2013. He was assigned to Product Planning Department, Beauty Business Division of Panasonic Electric Work Co., Ltd. ("PEW"), an affiliated Company of PC as a Councilor from Oct. 2008 – Dec. 2011. He graduated from Kobe University in Hyogo, Japan with a Degree in Engineering.

Independent Directors

Emiliano S. Volante, Filipino, 73, was elected as Director on October 2010. He is the Chairman of Audit and Corporate Governance Committees. He is a member of the Compensation/Remuneration Committee. He was a former Financial Consultant for Expresslane Brokerage Corporation from 2003 – 2010. He was also a former Internal Audit Manager of PMPC from 2000-2002. He graduated from Far Eastern University with a Degree in Commerce.

Elizabeth** Gildore, **Filipino, 59, was elected as Director on May 4, 2015. She is a member of the Nomination, Remuneration and Corporate Governance Committees. Currently, she is the Finance Manager of Moduvi Inc. since March 2014. Ms. Gildore is a former General Manager – PPH Accounting from September 2007 to August 2012. She was the Finance Manager of PMPC - PPH Accounting from June 2000 to August 2007. She is a graduate of B. S. in Commerce, Major in Accounting.

Corporate Secretary

Atty. Mamerto Z. Mondragon, Filipino, 73, has been the corporate secretary of the Company since 1968 and its Subsidiary since 1984. He is also the Corporate Secretary of Panasonic Precision Devices Philippines Corporation (PPRDPH) since 2000. He is a graduate of the University of the East with a Bachelor Degree of Law.

Executive Officers

Position	Name	Age	Citizenship
Chairman & President	Shinichi Hayashi	53	Japanese
Executive Director & Treasurer	Yoshiyuki Takahashi	55	Japanese
Executive Director	Hiroshi Yamada	55	Japanese
Executive Director & PPH Vice-President	Masaru Toyota	59	Japanese
Corporate Secretary	Atty. Mamerto Mondragon	73	Filipino

Term of Office

The Directors and Executive Officers are appointed/elected annually by the Board of Directors at the organizational meeting following the stockholders' meeting, each to hold office for a period of one (1) year until the next succeeding annual meeting and until their respective successors have been elected and qualified.

There are no family relationships up to the fourth civil degree either by consanguinity or affinity among the Parent Company's directors, executive officers or persons nominated or chosen by the Parent Company to become its directors or executive officers.

2. Significant Employees

The Group values its human resources and considers the entire manpower force as significant employees. It expects each employee to do his share in achieving its set goals and objectives.

3. Family Relationships

There are no family relationship up to the fourth civil degree either by consanguinity or affinity among the Group's directors, executive officers or persons nominated or chosen by the Group to become its directors and executive officers.

4. Involvement in Certain Legal Proceedings

The above-named executive officers and directors have not been involved in any material legal proceedings in any court or administrative agency of the government during the past five (5) years that will affect their ability as directors and officers of the Group.

a. None of them has been involved in any bankruptcy petition
b. None of them has been convicted by final judgment in a criminal proceeding or being subject to a pending criminal proceeding, both domestic and foreign.
c. None of them has been subject to any order, judgment, or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or

otherwise limiting their involvement in any type of business, securities, commodity or banking activities.

d. None of them has been found by a domestic or foreign court of competent jurisdiction (in civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self – regulatory organization, to have violated a securities or commodities law or regulation.

ITEM 10 - EXECUTIVE COMPENSATION

The aggregate annual compensation during the last two fiscal years and to be paid in ensuing fiscal year 2017 of the Company's Chief Executive Officer and four others most highly compensated executive officers and all other officers and directors as a group are as follows:

Chief Executive Officer and four other most highly compensated executive officers:

	Compensation	Bonuses	Others	Total
FY 2017***	Php32,922,221	Php 8,400,000	Php330,000	Php41,652,221
FY 2016**	31,831,342	8,125,908	330,000	40,287,250
FY 2015	36,038,275	13,133,245	1,198,404	50,369,924

***Refers to Messrs. Shinichi Hayashi, Yoshiyuki Takahashi, Hiroshi Yamada, Masaru Toyota, Tsutomo Todo*
****Estimated amount*

All officers and directors as a group unnamed:

	Compensation	Bonuses	Others	Total
FY 2017*	Php 47,784,856	Php10,670,000	Php980,000	Php59,434,856
FY 2016	46,358,935	11,860,905	974,118	59,193,958
FY 2015	52,379,345	17,860,460	2,149,492	72,389,297

**Estimated amount*
For ensuing year 2017, no significant change is anticipated in the compensation of Directors and Officers.

The Company has no standard arrangement regarding the remuneration of its existing directors and officers aside from the compensation herein stated.

The directors and executive officers receive salaries, bonuses and other usual benefits that are also already included in the amounts stated above. Aside from the said amounts, they have no other compensation plan or arrangement with the registrant.

Each director and executive officers executed an employment contract with the Company for an indefinite period and entitled to receive retirement benefits in accordance with the terms and conditions of the Group's BIR-registered Employees Retirement Plan. There is no plan or arrangement by which a the director and executive officers will receive from the Group in case of a change-in-control of the Group or change in the executive officer's responsibilities following a change-in-control.

The Group has not granted any warrant or options to any of its Directors or Executive Officers.

ITEM 11 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

1. **Security Ownership of Certain Record and Beneficial Owner of more than 5% of any class as of March 31, 2017 and June 30, 2017**

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Ownership and Relationship with Record Owner	Citizenship	No. of Shares	Percentage
Common "B"	Panansonic Corporation ("PC") Japan 1006 Oaza Kadoma, Kadoma City, Osaka 571-8501, Japan Parent Company	Various Stockholders	Non-Filipino	337,994,588	79.96%

Panasonic Corporation (PC) has the power to decide how the PC shares in Panasonic Manufacturing Philippines are to be voted and has authorized Mr. Shinichi Hayashi – Chairman of the Board to vote on the shares.

2. **Security Ownership of Directors and Management**

The following are the securities beneficially owned by directors, nominees and executive officers of the Parent Company as of March 31 & June 30, 2017.

Title of Class	Name of Beneficial Owner	Amount of Beneficial Ownership (Php)	Nature of Beneficial Ownership	Citizenship	Percent
Common "B"	Shinichi Hayashi	1	Direct	Japanese	NIL
Common "B"	Yoshiyuki Takahashi	1	Direct	Japanese	NIL
Common "B"	Masaru Toyota	1	Direct	Japanese	NIL
Common "B"	Hiroshi Yamada	1	Direct	Japanese	NIL
Common "B"	Hiroyuki Tagishi	1	Direct	Japanese	NIL
Common "B"	Eiji Fukumori	1	Direct	Japanese	NIL
Common "B"	Koji Takatori	1	Direct	Japanese	NIL
Common "A"	Emiliano Volante	9,879	Direct	Filipino	.0024
Common "A"	Elizabeth Gildore	1,000	Direct	Filipino	NIL
Common "A"	Atty. Mamerto Mondragon	85,360	Direct	Filipino	.0202

The aggregate number of shares owned of record by all or key officers and directors as a group as of March 31, 2017 and June 30, 2017 is 96,246 shares or approximately 0.02% of the Parent Company's outstanding capital stock.

3. **Voting Trust Holders of 5% or More**

There has been no beneficial owner under the PCD Nominee account who holds more than 5% of the Parent Company's equity securities.

4. **Changes in Control**

The Parent Company is not aware of any change in control or arrangement that may result in change in control of the Company since the beginning of its last fiscal year.

ITEM 12 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During the last two years, there were no transactions was undertaken by the Company in which any director, executive officer, beneficial owner, or any member of their immediate family had a direct or indirect material interest.

There were no director, executive officer, principal stockholder, or any member of their immediate family owns 10% or more of the Company's outstanding shares.

There were no transactions promoters for the past five years.

Details on related party transactions were on Note 22 of the Consolidated Financial Statements which is incorporated herein.

PART IV - CORPORATE GOVERNANCE

ITEM 13 - CORPORATE GOVERNANCE

Please refer to the attached Annex "C". The Attached 2017 Annual Corporate Governance Report (ACGR).

PART V - EXHIBITS AND SCHEDULES

ITEM 14 - EXHIBITS AND REPORTS ON SEC FORM 17-C

The following reports on SEC Form 17-C were filed to SEC:

Date Filed	Item Reported
04/01/2016	Election of Messrs. Hiroyuki Tagishi, Eiji Fukumori & Koji Takatori as new members of the Board effective April 1, 2016 Resignation of Messrs. Yoichi Takemoto, Terumitsu Morimoto & Tadashi Nakamura as Directors effective April 1, 2016
05/04/2016	Approval of Audited Financial Statements for FY 2015 ending March 31, 2016
05/10/2016	Authority to do business transactions with Rizal Commercial Banking Corporation (RCBC) and authorized signatories: Marlon Molano Yoshiyuki Takahashi Sinichi Hayashi
05/18/2016	Ratification of Minutes dated May 10, 2016
05/23/2016	Authority to avail and use of RCBC – Bancnet EGOV Online Facility and to avail RCBC AcessOne Corporate (AOC) RCBC authorized system administrators: Roda Borja Imelda Garcia

06/17/2016	Ratification of the Minutes of June 19, 2016 President's Annual and Financial Reporting Ratification of the Annual Reports and Acts of the Board Election of Directors for year 2016 – 2017 Regular Directors: 1. Mr. Shinichi Hayashi 2. Mr. Yoshiyuki Takahashi 3. Mr. Hiroshi Yamada 4. Mr. Masaru Toyota 5. Mr. Hiroyuki Tagishi 6. Mr. Eiji Fukumori 7. Mr. Koji Takatori Independent Directors: 1. Mr. Emiliano Volante 2. Ms. Elizabeth Gildore Appointment of Sycip, Gorres, Velayo & Co. as the Co.'s external auditor for fiscal year 2016 – 2017
06/17/2016	Election of Corporate Officers & Chairman/Members of Various Board Committees for FY 2016 – 2017 Mr. Shinichi Hayashi — President & Chairman Mr. Yoshiyuki Takahashi — Vice-Chairman of the Board, Executive Director & Treasurer Mr. Hiroshi Yamada — Executive Director Mr. Masaru Toyota — Executive Director &Vice – President PPH Atty. Mamerto Mondragon — Corporate Secretary Election of Chairmen and Members of the Various Board Committees for Fiscal Year 2016 – 2017 Audit Committee: Chairman — Mr. Emiliano Volante Member — Ms. Elizabeth Gildore Member — Mr. Yoshiyuki Takahashi Nomination Committee: Chairman — Mr. Yoshiyuki Takahashi Member — Ms. Elizabeth Gildore Member — Mr. Emiliano Volante Compensation/Remuneration Committee: Chairman — Mr. Yoshiyuki Takahashi Member — Mr. Emiliano Volante Member — Ms. Elizabeth Gildore

	Risk Management Committee: Chairman — Mr. Yoshiyuki Takahashi Member — Mr. Emiliano Volante Member — Ms. Elizabeth Gildore Corporate Governance Committee: Chairman — Mr. Emiliano Volante Member — Ms. Elizabeth Gildore Member — Mr. Yoshiyuki Takahashi
06/26/2016	Authority to sign the Surety Bond application in relation to the Solar Energy System installation project for Jollibee by Mr. Ikuyoshi Fukui
10/20/2016	Authorization of Mr. Shinichi Hayashi, President to sign Deeds of Sale
12/08/2016	Authorization of Mr. Shinichi Hayashi to sign contract / agreement relative to the Company's application for Ecozone Power Management Inc (EPMI)
12/15/2016	Authority to transfer System Sales Office to its principal office address at Ortigas Avenue Extension, Taytay, Rizal from Makati City
12/16/2016	Authorization of Mr. Shinichi Hayashi, President to sign Deeds of Sale
03/02/2017	Authority to sell one (1) share of Valley Golf & Country Club Inc. to Mr. Alfonso L. Gallora
03/23/2017	Authorization of Mr. Jaworski Nieva of Airspeed International Corportion to represent PMPC in processing the application of Import Commodity Clearance (ICC)
03/27/2017	Authority of Mr. Marlon Molano to apply and secure building permit from the City Government of Taytay for the construction of finished goods warehouse Designation of RCBC new authorized password and system administrators Authority to close Peso account with Wealth Bank – Cebu Branch, RCBC Peso account – Sta. Rosa Branch, Citibank Peso and Dollar account – Makati Branch To deposit checks with Acronym name to Security Bank Corporation • PMPC • Panasonic • Panasonic Mfg. Phils. Corp.
03/31/2017	Presentation of List of Nominees for Members of 2017 – 2018 Board of Directors Declaration of regular cash dividend – 20% and 50% special dividend to all stockholders as of April 18, 2017 and payable on May 10, 2017 Write – off negative trade accounts receivable balances as of March 31, 2017 which were not claimed within the prescriptive period of two (2) years

	Write – off of trade accounts receivable deemed uncollectible after reasonable collection efforts have been taken Reversal of last year appropriated retained earning and set – up of new appropriated retained earnings for the year 2017
05/09/2017	Approval of Audited Financial Statements for FY 2016 ending March 31, 2017

Reports under SEC form 17-C, as amended during the last six (6) months:

N ONE

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in Taytay, Rizal on June 30, 2017.

PANASONIC MANUFACTURING PHILIPPINES CORPORATION
REGISTRANT

Pursuant to the requirements of the Securities Regulation Code, this Annual Report has been signed by the following persons in their capabilities and on the date indicated.

By:

SHINICHI HAYASHI
President & Chairman

YOSHIYUKI TAKAHASHI
Treasurer & Vice – Chairman
Executive Director

HIROSHI YAMADA
Executive Director

ATTY. MAMERTO Z. MONDRAGON
Corporate Secretary

Signed on this 30th day of June 2017

SUBSCRIBED AND SWORN to before me this JUL 11 2017, affiants exhibiting to me their passport numbers as follows:

NAMES	PASSPORT NO.	DATE ISSUED	PLACE ISSUED
Shinichi Hayashi	TH9641280	July 08, 2009	Japan
Yoshiyuki Takahashi	TZ1094063	December 15, 2015	Japan
Hiroshi Yamada	TH5907844	May 09, 2008	Japan
Mamerto Mondragon	EC1383417	June 11, 2015	Philippines

ISIDRO SANTIAGO C. MARTINEZ
NOTARY PUBLIC
UNTIL DECEMBER 31, 2018
PTR NO. 6926205, 1-3-17 RIZAL
IBP NO. 1052381, 11-22-16 RIZAL
ATTORNEY'S ROLL NO. 37013
MCLE NO. V0006119, 2-04-15

Doc. No. 422
Page No. 86
Book No. IX
Series of 2017

Annex "A"

Annual Report
Management's Discussions
& Analysis of Operation

Panasonic

Panasonic Manufacturing Philippines Corporation

1967
2017

solid years of partnership with Philippine society

2017
ANNUAL REPORT
For FY 2016 ended March 31, 2017

OUR COMPANY, OUR COMMITMENT

Panasonic Manufacturing Philippines Corporation (PMPC) is a manufacturer, importer and distributor of electronic, electrical, mechanical, electro-mechanical appliances, other types of machines, parts and components, battery and related products bearing the brand name, "Panasonic". PMPC, which is a subsidiary of Panasonic Corporation (PC), Japan is the first Filipino-Japanese joint venture operation in the area of consumer electronics in the country.

The primary products manufactured by the Company are refrigerators, air conditioners, washing machines, and electric fans.

In October 2003, the Company ceased using "National" brand and unified the branding of all its products under the Panasonic brand.

PMPC has a wide base of sales and service distribution centers strategically located at key municipalities, cities, and provinces all over the Philippines.

In 2011, PC made Panasonic Electrics Works Co., Ltd. (PEW) and SANYO Electric Co., Ltd. wholly owned subsidiaries. Consequently, with the said integration, PEW-Philippines and SANYO-Philippines ceased their existence as independent companies in the country. However, some of PEW operations with products under Eco-solutions like solar panel business and other devices, as well as SANYO's commercial refrigeration businesses among others were integrated into the business operation of PMPC's Sales Division, Panasonic Philippines (PPH) effective April 1, 2012.

On March 19, 2013, the Securities and Exchange Commission (SEC) approved the extension of PMPC's corporate life for another 50 years or until May 15, 2063.

In 2016, PMPC marked the initial year of its business operation under the umbrella of Panasonic Appliances (AP) Company.

PMPC recognizes that the primary role of its business is to serve society in return for the use of its resources, and thus devoting its business activities to the progress and development of society and the well-being of the people. This commitment serves as the Company's continuing guidance in carrying out its operation and corporate activities.

CONTENTS

FINANCIAL HIGHLIGHTS

FISCAL YEARS 2016, 2015 & 2014

TOTAL OPERATIONS	FY 2016	FY 2015	FY 2014
NET SALES	**9,974,276,992**	8,124,341,497	6,713,425,158
NET INCOME AFTER TAX	**535,834,543**	250,975,471	162,575,505
Attributable to:			
Equity Holders of Parent Company	**534,334,251**	254,111,531	164,644,760
Minority Interest	**1,500,292**	(3,136,060)	(2,069,255)
EARNINGS PER SHARE	**1.26**	0.60	0.39
TOTAL EQUITY	**4,269,805,582**	3,991,496,463	3,804,127,318
Book Value Per Share	**10.10**	9.44	9.00
WORKING CAPITAL (EOY)	**3,651,523,727**	3,483,995,142	3,204,157,756
(Current Assets - Current Liabilities)			
CURRENT ASSETS RATIO	**2.79**	3.28	3.66

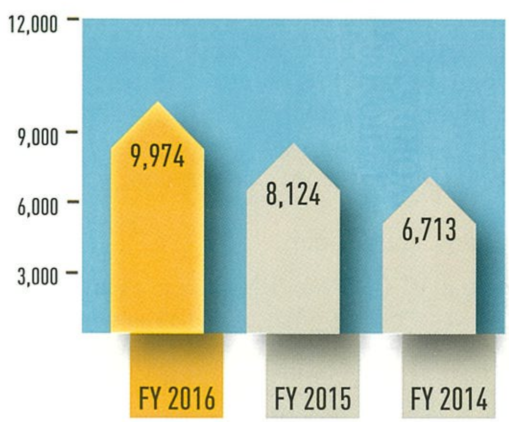
CASH DIVIDENDS

FY 2016 - 20% regular and 50% special cash dividend. Declaration date: March 31, 2017

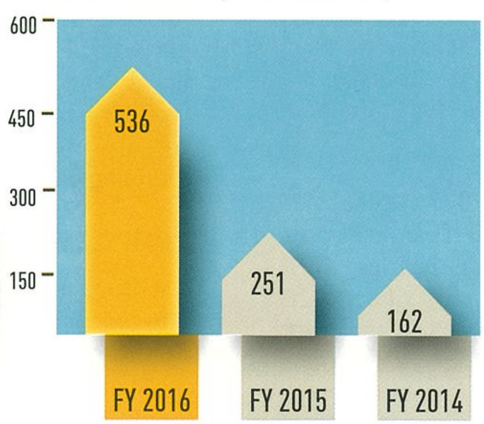
FY 2015 - 20% cash dividend. Declaration date: March 22, 2016

FY 2014 - 10% cash dividend. Declaration: date March 19, 2015

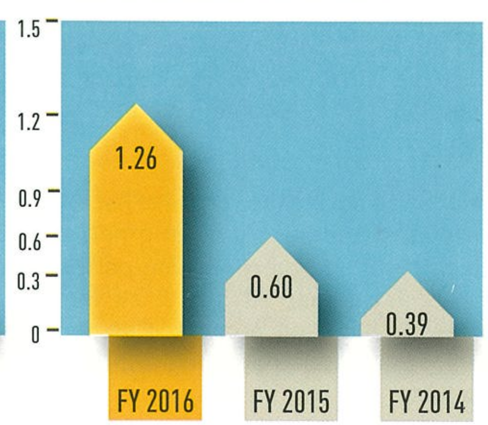
TOTAL SALES (IN MILLIONS)

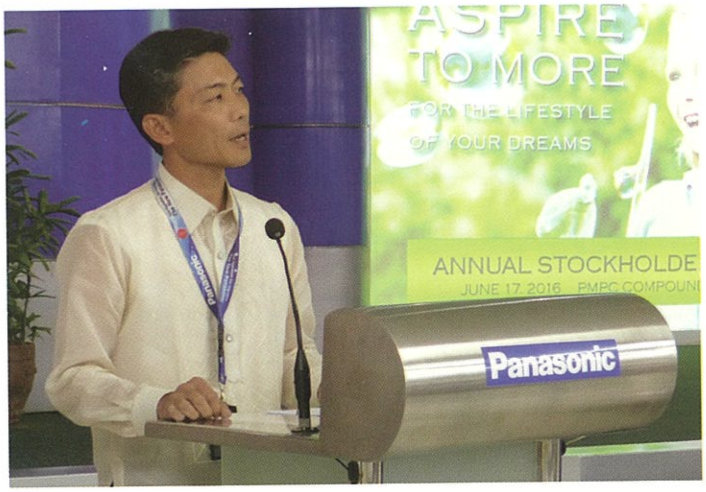


NET INCOME (IN MILLIONS)



NET EARNINGS PER SHARE





MESSAGE TO SHAREHOLDERS

In fiscal year 2016 ending March 31, 2017, we confronted our challenges without fear along with our commitment to build a stronger foundation for further growth by carrying out various initiatives and activities along with our management slogan, "Ride the new wave--Be No. 1". Guided by our corporate fundamentals, we focused on availing of the opportunities for our growth engine products, such as local and imported refrigerators, room air conditioners, and local and imported washing machines. And I am proud to report that our efforts in fiscal year 2016 yielded favorable accomplishments for PMPC, as we successfully posted a total sales of 9.9 billion pesos or 123% of our sales achievement of 8.1 billion pesos in fiscal year 2015.

It is very encouraging to note that the sales of all our locally-produced consumer appliances recorded double digit growths in fiscal year 2016. Compared to our performance in fiscal year 2015, refrigerators achieved 134% with the high acceptance in the market of our locally produced direct cool inverter refrigerators. Consequently, freezers achieved 114%; window-type air conditioners realized 123%; washing machines secured 129%; and electric fan posted 110% sales performance in fiscal year 2016.

Similarly, the sales of imported consumer goods registered a 137% performance against fiscal year 2015 due partly to the increase in the demand for higher capacity refrigerators and washing machines, split type air conditioners, and LED TV sets.

On the other hand, the 99% export sales achievement of our window-type air conditioners versus fiscal year 2015 could be attributed to the impact brought about by the changing market conditions and various disruptions in global economy.

Moreover, during the course of fiscal year 2016, we executed various strategies to strengthen our B2B operations, which resulted in a rewarding performance, posting 147% versus fiscal year 2015 with all the products under B2B achieving two-digit growth. Compared also to fiscal year 2015, system sales products achieved 150%; eco solutions products (solar panels, V-fan, and lighting), 177%; and cold chain products (showcase chillers and commercial microwaves), 125%.

Indeed, we accomplished much in fiscal year 2016 as manifested by our high sales performance in almost all product categories that led our Company to register a profit after tax of 536 million pesos, which is more than double the performance registered in fiscal year 2015. And once again, we were able to prove that working together as a solid team is of great importance in realizing our corporate objectives.

On September 14, 2017, we will be celebrating our Company's 50th anniversary, marking the first golden years of Panasonic solid partnership with Philippine society. PMPC has come a long way since the start of the joint venture operation in 1967, innovating, re-inventing, transforming, and devoting its business activities to the progress and development of society and the well-being of the people.

Our Panasonic Founder, Konosuke Matsushita, professed, "The true mission of an enterprise is to render the economy and the lives of human beings richer and more plentifully endowed day by day, thereby making the society prosperous, peaceful, and happy." This continues to resonate with us at PMPC. And indeed, with humbleness in spirit, one of my sincere commitments upon becoming your Company's president in January last year is to make PMPC a continuously high performing company... a company that always takes prompt and responsible action in responding to customer needs and changes in the market.

Our resolution then to become No. 1 in the industry will continue to be carried out in fiscal year 2017 and beyond. This is indeed one of the greatest gifts we can offer our stockholders, and one of the noblest gifts we can offer our end-users, customers, business partners, and society.

Finally, on behalf of the members of the board, I would like to express my utmost gratitude to all our stockholders for the continued trust and confidence in us. Rest assured that we will double our efforts to realize our growth targets so as to serve our customers and business partners even better by confronting and overcoming the challenges that come our way. And in conveying also my appreciation to our PMPC management team and employees, I enjoin all the members of our PMPC Family to hold on to our corporate fundamentals, always mindful of our Panasonic mission to serve society. We are truly proud of our accomplishments in fiscal year 2016, and we take this as our motivation as we look forward to a continuing growth in 2017, the 50th anniversary of PMPC; in 2018, the 100th anniversary of the founding of Panasonic Corporation... and beyond.

PMPC, our Company... our pride!

SHINICHI HAYASHI
President / Chairman of the Board

FY 2016 AT A GLANCE: a continuing commitment

The combined efforts of all the members of PMPC Family in pursuing and achieving the Company's business goals and targets set for fiscal year 2016 resulted in a favorable performance. And once again, PMPC demonstrated its continuing commitment to contribute in making the lives of people better and happier along with its vision for a sustainable society and a better world....

Making things better by offering innovative products

In response to the market and customers' needs, PMPC introduced and offered various products in fiscal year 2016, including the state-of-the-art refrigerator, which has an energy-saving properties and fresh freezing technology that can keep food fresh and tasty for up to a week; the cuble washer/dryer with powerful washing performance that remove stains in just 34 minutes; and the sky series air conditioner, which is an innovative top flap that can better direct cool air towards the ceiling and eventually results in a feeling of even and all-round coolness. Indeed, PMPC continued its effort not only in developing, but also in offering "Japan Quality" products along with the Company's commitment to provide customers with truly premium lifestyles, and making activities of daily living with extra ease and comfort. Such efforts were carried out to appeal to PMPC's business partners and promote a new image along with the Panasonic Group's slogan "A Better Life, A Better World."

PMPC also launched its 4K UHD TV in conjunction with the announcement of the partnership between Panasonic and NBA, in which Panasonic have been integrated into NBA media and events in the country, including NBA FIT, NBA 3X Philippines and the edition of Jr. NBA/Jr. WNBA Philippines.

Verily, PMPC's success in achieving the Company's business goals and targets for the year in review is another manifestation of its commitment in making things better, which was also recognized by both Panasonic affiliates and business partners. For instance, Panasonic Corporation (PC) honored PMPC with the President's Award for Asia Pacific Consumer Products signed by PC President Kazuhiro Tsuga, and the Business Division Award accorded by Refrigerator Business Division Managing Director Hideo Uemura. Likewise, PMPC was adjudged the "Best Booth" at the 7th Visayas International Construction Equipment, Building Materials, Interior and Exterior Products Exhibition and Technology Forum otherwise known as Philconstruct Visayas 2016. This was followed by the award accorded to PMPC as the Company with the "Most Outstanding Marketing Activities" during the Philconstruct HVAC/R Mindanao 2016 in September, and declared the "Best Booth Design Champion" at the conclusion of the HVAC/R Philippines 2016 in November. Moreover, PMPC received the "Total Sales Achievement Award" and the "Best Booth Award" (White Lines Category) from SM Appliances Center's Installment Fiesta.

Making things better by promoting responsible management

Despite heavy schedule, PMPC managed to accommodate many visitors throughout the fiscal year, including Panasonic Asia Energy Device Division Marketing Strategy Group-Overseas Sales Director Osamu Teshima; Refrigerator Business Division Managing Director Hideo Uemura; Panasonic Logistics Asia Pacific Managing Director Norimichi Kasamori; Panasonic Industrial Devices Materials Singapore Pte. Ltd. Managing Director Hiroshi Kawaguchi and Finance Director Yamamoto; Panasonic Manufacturing Ayuthaya Co., Ltd. Finance Director Beppu Masaaki; Chief HR Officer for South East Asia & Pacific Director and Member of the Board (PA) Ryohei Yumiba; Panasonic Corporation Auditors General Manager Motoo Kume, Manager Tadashi Asano and Makoto Ikeda, Chiefs Haruo Isoi, Mitsuhiro Saito, Mitsunobu Nakatani and Shin Yamazawa; Panasonic Asia Pacific Pte. Ltd. Chief Financial Officer Yoichi Takemoto; Panasonic Corporation Director and Panasonic Asia Pacific President Toru Nishida; Panasonic Corporation Groupwide Brand Communications Division General Manager Rika Fukuda, Panasonic Asia Pacific Pte. Ltd., Director Gan Siew Hua; Panasonic Appliances Air Conditioning Company Director Toshiyuki Takagi and Business Division Executive Kiyoshi Shirato; Panasonic Appliances Company Senior Director HR In-charge Yasuyo Nakamura; Senior Director NSC Operation In-charge Tadashi Nagumo; Former PMPC President Naoya Nishiwaki; Panasonic Corporation External Director Hiroko Ota; Government and External Relations Division, International Relations Department Masato Nakamura; Panasonic Corporation Manufacturing Technology and Engineering Division Associate Director Masayuki Tanaka; All Purpose Appliances Multi-Products Inc., (APAMI) Executive Vice President Hiroshi Nishimura; Nihon Superior Asia SDN, BHD Managing Director Daisuke Watanabe; Panasonic Corporation Executive CIO Makoto Ishii; Osaka Gas Co. Ltd., Hiroko Hirata; AECOM Philippines Consultants Corporation; Eco Solutions Global Marketing Division Director Tetsuro Shikata; Panasonic Appliances Asia Pacific Chief Financial Officer Koji Takatori; Panasonic Appliance Laundry Systems and Vacuum Cleaner Business Division Director Nobuo Yasuhira (former PMPC President); Panasonic Appliances Vietnam Co. Ltd., Managing Director Mitsuhiko Nakamura and Deputy Managing Director Hisato Urushizaki; Panasonic Factory Solutions Asia Pacific Executive Director Yasuo Yamada; and Panasonic Corporation Appliances Company Hiroshi Shiotani.

At the onset of PMPC's business operation, PMPC President Shinichi Hayashi presented the Company's business policy for fiscal year 2016 attended by all PMPC employees, including members assigned in area offices through video conferencing.

In signifying the Company's strong sense of unity and determination to realize its growth target and continuously contribute to society, PMPC participated in the Appliances Company (AP) Global Relay Marathon at PMPC-Taytay compound in April. Joining the 25-kilometer event were members of the top management, senior managers, managers, and PMPC Workers Union officers.

Expressing their unity to ensure a harmonious relationship within the workplace, PMPC Management and Workers Union signed the new collective bargaining agreement on April 18, 2016 at PMPC Head Office-Taytay.

As part of the Groupwide Cost Busters Project, PMPC participated in the Cost Busters Dendo-Shi Training and Global Leaders Meeting at Panasonic Corporation Headquarters, Japan to build a strong foundation for regional Cost Busters activities and raise awareness. Consequently, PMPC also attended the FY2016 APAC Country Leaders Cost Busters Meeting at Panasonic Asia-Pacific in Singapore and joined the AIS Cost Busters Philippine Neighborhood Collaboration meeting.

PMPC bid farewell to Refrigerator Business Division Adviser, Mr. Yasuhiro Yoshioka; Aircon Business Division Adviser, Mr. Seiji Fukui; Washing Machine/Electric Fan Business Division Head, Mr. Tomohisa Urabe; and Panasonic Philippines' Eco Solutions Country Head, Mr. Ikuyoshi Fukui, on four separate occasions. Taking over their responsibilities were Mr. Kazuo Kiso for Refrigerator Business Division; Mr. Koichi Shimoyanagida for Aircon Business Division; PMPC Executive Director Hiroshi Yamada for Washing Machine/Electric Fan Business Division; and Mr. Yosuke Tanaka for Eco Solutions.

The spirit of camaraderie was shared at PMPC's multi-purpose covered court in July as employees actively showcased their skills and sportsmanship during the 2016 PMPC Sportsfest.

The Company celebrated its 49th anniversary on September 14, 2016, in which PMPC President Shinichi Hayashi highlighted the importance of working together along with the company's objective.

In promoting further the spirit of camaraderie, PMPC held its Employees' Day in September, sharing and enjoying "Larong Pinoy."

Along with Panasonic thrust to strengthen customer satisfaction, PMPC held programs for the Quality Month in November with "Challenge to Achieve Zero Defects" as theme. PMPC employees displayed their support by actively participating in the various activities introduced during the said event.

In October, PMPC conducted its 4th ISMS internal audit in accordance with ISO 27001:2013 covering seven controlled sites including Taytay, Sta. Rosa, Makati, Cebu, Davao and Cagayan de Oro, all of which are practicing ISMS controls in the workplace to ensure confidentiality, integrity and availability of information asset. Aside from the ISMS internal audit, the Information Security aspect of Business Continuity Plan (BCP) testing was carried out in area offices to include Dau, Davao, Cebu and Cagayan de Oro. This is to confirm the availability of information systems and ensure that critical processes are recovered following the occurrence of a disaster or electrical/mechanical failure.

Panasonic organized the Elite Promoters Cup (EPC) last January and held various activities at PMPC-Taytay Auditorium designed to increase sales in two major mass merchandise dealers. Participants, who took part in the event were evaluated on their product knowledge, customer service skills, and sell-out ratio.

Managers from Panasonic Asia-Pacific region were warmly greeted by PMPC members, as the company hosted the FY2016 2nd Factory Management Conference in Asia at PMPC-Taytay last January. The participants were also given a presentation about PMPC and the opportunity to visit the Company's Refrigerator Factory.

PMPC participated in the Advance Persistent Attack (APT) Drill last January to bring awareness on information theft.

Last February, Mr. Junji Hosokawa of Corporate HR Strategy Department and Global HR Department, and Mr. Shinichi Hosone of Panasonic Asia Pacific Pte. Ltd. Singapore visited PMPC and gave an orientation on Panasonic Global Competencies (PGC). It is expected that the implementation of PGC will create a company culture where diverse employees are proactively taking actions based on Basic Business Philosophy (BBP) even during severe business changes.

PMPC together with Global Customer Service organized a Technical Olympics last March envisioned to gain ideas from the Japanese domestic market. It was participated in by Panasonic Authorized Service Center owners and technicians, representatives from Panasonic Appliances (AP) Company Global CS, and PMPC members.



Making things better by promoting environment, health and safety

Along with the Company's continuing effort to promote environmental initiatives, members of PMPC top management, senior managers, managers, and PMPC Workers Union officers took part in celebrating the 46th year of Earth day with environmental awareness programs spiced with a simple "boodle fight" meal.

In celebration of the Environment Month, the message of Panasonic Corporation President Kazuhiro Tsuga was read and shared during the Company's morning assemblies in June. Moreover, as part of its contribution to society and commitment to the environment, PMPC took part in the tree planting activity at the La Mesa Watershed Nature Reserve in Quezon City. The Company also donated waste bins and conducted eco-learning programs to 4,383 5th and 6th grade students to various elementary and high schools in Taytay, Rizal and Sta. Rosa, Laguna.

A one-day Forklift Safety Training workshop was conducted by Toyota Material Handling Philippines in July at PMPC-Sta. Rosa Learning and Wellness Center to enhance the operators' safety awareness and skills in handling forklifts.

In compliance with Rule No. 1948 of the Philippine Occupational Health and Safety Standards, PMPC took part in the earthquake and fire evacuation drills on four separate occasions on October 26, 2016 and February 27, 2017 at PMPC-Sta. Rosa, and on October 28, 2016 and March 30, 2017 at PMPC-Taytay. Similarly, HR-Environment, Health and Safety Team along with the cooperation of Bureau of Fire Protection Taytay Fire Station facilitated a Fire Safety Seminar to provide employees with proper guidance and preparation in an actual emergency situation.

Making things better by promoting corporate citizenship activities

Operating along with the BBP of Panasonic Founder Konosuke Matsushita, who once professed that individuals must cooperate with one another in the neighborhood where they live and the communities of which they are a part "in order to better contribute to the advancement and development of the local community," PMPC carried out various corporate citizenship activities with focus on nation-building.

Panasonic Corporation (Japan) through PMPC and Panasonic Precision Devices Philippines Corporation (PPRDPH), has renewed its commitment to invest in people as it awarded scholarship grants to 22 technical-vocational students in August, and in September to 3 undergraduate students. The scholarship certificates for the vocational category were presented to the recipients by Panasonic Corporation Groupwide Brand Communications Division General Manager for CSR and Citizenship Department Rika Fukuda, school administrators, and members of PMPC top management led by PMPC President Shinichi Hayashi.

One of the recipients of the 2015 Panasonic scholarship, Mr. Matthew David, who is taking up Bachelor of Fine Arts in Industrial Design at the University of the Philippines joined the "Jewelry and Gem Fair 2016" held in Singapore. Mr. David (partly sponsored by PMPC) bagged the First Runner-up Award at the said Fair.

In December, PMPC received at its Taytay Factory the representatives of the recipient-organization of the 2016 Munting Handog, Laking Tuwa ang Tuwa Dulot Project, The Haven for the Elderly (formerly known as Golden Acres). PMPC President Shinichi Hayashi and PMPC Executive Directors Yoshiyuki Takahashi, Hiroshi Yamada and Masaru Toyota, handed over units of Panasonic products and various personal items through its Center Head Hayde Dinglasa, and Social Welfare Officer II Narcimely Vicente, who were very thankful to PMPC for the Company's desire to share the spirit of Christmas to the elderly.

As part of its global "100 Thousand Solar Lanterns Project" and now on its fourth year, PMPC facilitated Panasonic Corporation's donation of 3,900 solar lanterns to 14 humanitarian and non-government organizations in the Philippines last February at PMPC Taytay Auditorium.

PMPC also supported the launching of two books: "The XYZ Files" that trail the history and important chapters of the Administration of former President Fidel V. Ramos (FVR) and the commemorative book on his non-profit organization, Ramos Peace and Development Foundation (RPDEV), entitled "RPDEV @ 15: Our Continuing Voyage for Enduring Peace & Sustainable Development" along with the Company's promotion of nation-building.

Making things better by promoting co-existence and co-prosperity

Since its inception, PMPC believes in operating its business for the benefit of everyone involved. This means that the Company nurtures closer cooperation and connection with the sectors that help in promoting the Company, such as its business partners.

PMPC held a Video Intercom Focus Group Discussion in May attended by participants from property developers, architects and consultants to engage them into a discussion about Panasonic Video Intercom and for them to gain more insights about the product.

The Company, through its Systems Solutions Group officially launched new models of security cameras , C-Series CCTV (Analog) and new E-Series CCTV (IP) in June together with MSI-ECS Philippines Inc., the official distributor for Panasonic CCTV Cameras.

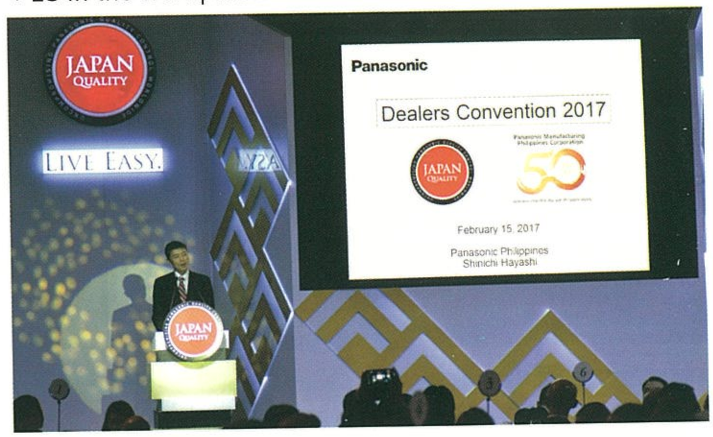
The annual PMPC Stockholders Meeting was held also in June 2016 chaired by PMPC President and Chairman of the Board Shinichi Hayashi. The Chairman reported the results of the company's operations for fiscal year 2015, in which PMPC posted a growth of 21% versus last year.

In December, PMPC celebrated its Commendation Awards Night for business partners, and PMPC President, Mr. Hayashi presented the Company's achievements for FY2015, the first half of FY2016, as well as the programs for FY2017. The event highlighted PMPC's appreciation to all its business partners in continuously supporting the Company's business goals and targets.

Last February, PMPC through PPH (Sales and Marketing Division of PMPC) showcased its growing and latest products during the Dealers' Convention The event was graced by Panasonic Appliances Marketing Asia Pacific Managing Director Yuji Majima, PMPC President Shinichi Hayashi, and PPH Vice President Masaru Toyota. The event also coincided with the unveiling of PMPC's 50th anniversary logo.

Exhibiting its lighter and smaller laser projectors, Panasonic through PMPC's Systems Solutions Group worked on one of the biggest installation and projection mappings in Asia last March at Okada Manila.

The Consumer Protection Division Department of the Trade and Industry-Rizal invited PMPC to grace the forum, "Guide to Repair Shop Improvement" held last March in San Mateo, Rizal and imparted the importance of practicing 5S + 2S in the workplace.



Making things better by promoting people before products

PMPC continued to uphold and impart various development programs to its employees mindful of Panasonic Founder Konosuke Matsushita's belief that no matter how perfectly formed the organization of an enterprise, or how new or effective the methods it has adopted, "without people who can make the best use of them, performance will not improve and the enterprise will not fulfill its mission".

In May, an update on the changes in ISO Standard was presented at PMPC-Taytay, and the requirements of ISO 9001:2015 were introduced, providing participants with the transition guidelines from ISO 9001:2008 to ISO 9001:2015.

Panasonic Asia Pacific Pte. Ltd. Quality and Environment Group (PA-QEG) held the Product Safety Learning Tour for 2016 in August.

Appliances (AP) Company Research and Development Planning Department, Technical Regulation Section, Staff Engineer Yasutomo Ohnishi facilitated a Product Risk Assessment Seminar for Engineering and Quality Center members in August at PMPC-Taytay. The workshop highlighted the necessity for Risk Assessment to explain Product safety and design, compliance to mandatory standards, laws and regulations and meeting performance-based provisions. Certificate of excellence were awarded to participants, who obtained a perfect score in the test conducted after the workshop.

Panasonic Asia Pacific Pte. Ltd. ISM Asia Regional Support Office Manager Phang Nyet Ping led the Information Security Assessment in September at PMPC-Taytay and PPH-Makati Office to observe PMPC's ISM control in the workplace. To further enhance awareness and refresh PMPC employees, a basic ISM training was also conducted.

A series of seminars for Professional Buyer Development Courses were conducted also in September by PA-Asia Pacific Procurement Management Center Managers Gihm Hau Mina and Jane Wang to enhance the procurement expertise and form a professional buyer group at PMPC.

PA Legal and Risk Management Group General Manager Yow Tsung Woon conducted a seminar on Basic Contract Management and Briefing on Revision to Rules on Clean Business Dealings seminar in October. The occasion aimed at providing a clear explanation of the management potential of conflict of interest disclosure.

PMPC along with PPRDPH attended a two-day training to learn the Panasonic way of accounting based on Panasonic Basic Business Philosophy in October. The program was facilitated by Panasonic Financial and Accounting Professional Partners Co., Ltd. Senior Adviser Masahiro Hagiwara.

Moreover, a series of transition training programs were conducted in November for new MM/S1, including Basic Management Skills, and Work Attitude and Values Enrichment. Similar programs were conducted for those employees, who were promoted to MA1/MAS1 in fiscal years 2014 and 2015, particularly on Advanced Management, and Practical Job Coaching and Counselling.

PMPC and other Panasonic companies from Malaysia, Indonesia, India and Thailand, participated at the IEC60335-1:2010 Version 5.0 General Requirement Seminar live broadcast from Japan organized by Panasonic Corporation Technical Regulation of Corporate Engineering Division Manager Haruyoshi Yamamoto and Miss Yuko Nakashima in November.

To ensure fair engagement among business partners and customers, Refrigerator, Washing Machine/Electric Fan and Aircon Business Divisions attended the Conflict of Interest Orientation seminar in three separate occasions: November 29, December 1 and 13, 2016.

Last January, a seminar on Business Marketing and Building Customer Value was held to assist participants in building a loyal network of customers. And to develop the participants' ability in establishing stronger customer relationships through powerful communication skills, a training program on Effective Business Communication and Art of Business Communication was also conducted.

A three-day seminar on Panasonic Pride was organized last February for Washing Machine/Electric Fan Business Division members. The learning activity was aimed at providing the participants with safety updates through videos and orientation, enhanced their working attitude and values through BBP, health and wellness, value quality in the workplace, refresher on Panasonic Code of Conduct and on ISM awareness.

Moreover, last March, PMPC offered a seminar on Maynard Operation Sequence Technique (MOST), particularly for factory engineers, to provide an understanding of the tool, which is expected to help make workflow, faster and productivity, higher. On the same day, a Time and Stress Management Seminar was also offered to show participants on how to effectively manage their time and handle stress, while maintaining the right attitude in dealing with their daily tasks.

Candidates for promotion to MMS/S1 attended pre-requisite courses on Internal Audit Concepts, The PDCA Approach to Problem Solving, Interpersonal Communication and Basic Business Philosophy last March.

FY2016... another rewarding year for PMPC's continuing commitment to serve society, and making things better....

UNCOMPROMISING PANASONIC QUALITY CONTROL WORLDWIDE

JAPAN QUALITY

Panasonic

Panasonic Manufacturing Philippines Corporation
www.panasonic.com/ph

Annex "B"

Consolidated Financial Statements as of March 31, 2017 & 2016

Panasonic

Panasonic Manufacturing Philippines Corporation
Ortigas Avenue Extension, Taytay, Rizal, 1920 Philippines

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Panasonic Manufacturing Philippines Corporation** and its Subsidiary (the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended March 31, 2017, 2016 and 2015, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co, the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signed under oath by the following:

SHINICHI HAYASHI
Chairman & President

YOSHIYUKI TAKAHASHI
Vice – Chairman & Executive Director

HIROSHI YAMADA
Executive Director

Signed on this 9th day of May, 2017

SUBSCRIBED AND SWORN to before me this MAY 23 2017 affiants exhibiting to me their passport numbers as follows:

NAMES	**PASSPORT NO.**	**DATE ISSUED**	**PLACE ISSUED**
Shinichi Hayashi	TH9641280	July 08, 2009	Japan
Yoshiyuki Takahashi	TZ1094063	December 15, 2015	Japan
Hiroshi Yamada	TH5907844	May 09, 2008	Japan

ATTY. JOHN KENNETH T. MORENO
NOTARY PUBLIC
Roll No. 35640
NOTARY PUBLIC
IBP No. [illegible]0752 - [illegible] Nov. 2015
PTR No. 6926227 - 3 Jan. 2017
MCLE No. V-17886-30 March 2016
Appt. No. 16-04 - Dec. 2015
Until Dec. 31, 2017
For Antipolo City, Taytay, Cainta
Province of Rizal

Doc. No. 430
Page No. 86
Book No. XXII
Series of 2017

Panasonic Manufacturing Philippines Corporation and Subsidiary

Consolidated Financial Statements
March 31, 2017 and 2016
and Years Ended March 31, 2017, 2016
and 2015

and

Independent Auditor's Report

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A member firm of Ernst & Young Global Limited

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Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Panasonic Manufacturing Philippines Corporation

Opinion

We have audited the accompanying consolidated financial statements of Panasonic Manufacturing Philippines Corporation and its Subsidiary (the Group), which comprise the consolidated statements of financial position as at March 31, 2017 and 2016, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended March 31, 2017, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended March 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Provision for estimated liabilities

The Group in the ordinary course of its business recognizes provision for estimated liabilities related to expected warranty claims from products sold and other estimated liabilities. This matter is significant to our audit because the determination of whether the provision should be recognized and the estimation of the potential liability from these assessments requires significant estimate and judgment by management. The estimate of the provision for warranty claims requires an analysis of past experience on the level of repairs and returns. The estimate of provision for other estimated liabilities involves inherent uncertainty regarding the outcome of the claim arising from interpretations and applications of statutes applicable to the Group.

The relevant accounting policy and a discussion of significant judgment and estimates for provisions and contingencies are included in Notes 2 and 3 to the consolidated financial statements. The amount of provisions recognized in the consolidated statement of financial position is disclosed in Note 11 to the consolidated financial statements.

Audit response

We reviewed the underlying data used in the estimate for warranty claims by comparing the level of repairs and returns across various product lines applied in the calculation against actual claims. We also tested the mathematical accuracy of management's calculation of warranty claims. We involved our internal specialist in the evaluation of management's assessment on whether any provision for contingencies should be recognized, and the estimation of such amount. We discussed the status of the claims with management and obtained correspondences with the regulatory bodies and opinions from the external legal counsel. We evaluated the position of the Group by considering the statutes applicable to the Group.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended March 31, 2017, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended March 31, 2017 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Aris C. Malantic.

SYCIP GORRES VELAYO & CO.

Aris C. Malantic
Partner
CPA Certificate No. 90190
SEC Accreditation No. 0326-AR-3 (Group A),
May 1, 2015, valid until April 30, 2018
Tax Identification No. 152-884-691
BIR Accreditation No. 08-001998-54-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 5908720, January 3, 2017, Makati City

May 9, 2017

PANASONIC MANUFACTURING PHILIPPINES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31	
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱3,586,649,954**	₱3,292,423,211
Receivables (Note 5)	**1,021,726,443**	993,452,273
Inventories (Note 6)	**1,010,963,594**	692,093,806
Other current assets (Note 9)	**72,956,741**	32,733,517
Total Current Assets	**5,692,296,732**	5,010,702,807
Noncurrent Assets		
Property, plant and equipment (Note 7)	**770,581,457**	752,799,843
Investment properties (Note 8)	**48,350,017**	53,579,081
Deferred tax assets - net (Note 24)	**140,974,388**	140,974,388
Other noncurrent assets (Note 9)	**25,423,812**	28,700,835
Total Noncurrent Assets	**985,329,674**	976,054,147
	₱6,677,626,406	₱5,986,756,954
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 10)	**₱2,036,314,912**	₱1,510,803,593
Income tax payable	**2,152,750**	13,151,466
Finance lease liability (Note 21)	**2,305,343**	2,752,606
Total Current Liabilities	**2,040,773,005**	1,526,707,665
Noncurrent Liabilities		
Finance lease liability (Note 21)	**450,503**	2,323,846
Other liabilities (Note 11)	**366,597,316**	466,228,980
Total Noncurrent Liabilities	**367,047,819**	468,552,826
	2,407,820,824	1,995,260,491
Equity		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Note 12)	**422,718,020**	422,718,020
Additional paid-in capital (Note 12)	**4,779,762**	4,779,762
Other comprehensive income (Notes 9 and 11)	**(71,836,545)**	(110,213,735)
Retained earnings (Note 13)		
Appropriated	**3,427,400,000**	3,192,400,000
Unappropriated	**416,088,354**	412,656,717
	4,199,149,591	3,922,340,764
Non-controlling Interest	**70,655,991**	69,155,699
Total Equity	**4,269,805,582**	3,991,496,463
	₱6,677,626,406	₱5,986,756,954

See accompanying Notes to Consolidated Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended March 31		
	2017	2016	2015
NET SALES (Note 27)	**₱9,974,276,992**	₱8,124,341,497	₱6,713,425,158
COST OF GOODS SOLD (Notes 14 and 27)	**(7,506,888,098)**	(6,320,824,228)	(5,271,770,181)
GROSS PROFIT	**2,467,388,894**	1,803,517,269	1,441,654,977
SELLING EXPENSES (Notes 15 and 27)	**(1,042,798,286)**	(756,704,251)	(720,633,598)
GENERAL AND ADMINISTRATIVE EXPENSES (Notes 16 and 27)	**(892,766,738)**	(826,891,390)	(621,027,078)
OTHER INCOME - net (Notes 20 and 27)	**135,386,222**	179,771,845	116,953,963
INCOME BEFORE INCOME TAX	**667,210,092**	399,693,473	216,948,264
PROVISION FOR INCOME TAX (Notes 23 and 24)	**(131,375,549)**	(148,718,002)	(54,372,759)
NET INCOME	**535,834,543**	250,975,471	162,575,505
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may not be reclassified to profit or loss			
Remeasurement gain (loss) on the net defined benefit liability, net of tax (Note 11)	**38,377,190**	20,937,278	(71,905,631)
TOTAL COMPREHENSIVE INCOME	**₱574,211,733**	₱271,912,749	₱90,669,874
Net income (loss) attributable to:			
Equity holders of the Parent Company (Note 26)	**₱534,334,251**	₱254,111,531	₱164,644,760
Non-controlling interest	**1,500,292**	(3,136,060)	(2,069,255)
	₱535,834,543	₱250,975,471	₱162,575,505
Total comprehensive income (loss) attributable to:			
Equity holders of the Parent Company	**₱572,711,441**	₱275,048,809	₱92,739,129
Non-controlling interest	**1,500,292**	(3,136,060)	(2,069,255)
	₱574,211,733	₱271,912,749	₱90,669,874
Basic/diluted earnings per share (Note 26)	**₱1.26**	₱0.60	₱0.39

See accompanying Notes to Consolidated Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to Equity Holders of the Parent Company								
	Capital Stock (Note 12)	Additional Paid-in Capital (Note 12)	Net Unrealized Gains on AFS Investments (Note 9)	Remeasurement Loss on Retirement Liability (Note 11)	Appropriated Retained Earnings (Note 13)	Unappropriated Retained Earnings (Note 13)	Total	Non-controlling Interest	Total
Balances at April 1, 2016	**₱422,718,020**	**₱4,779,762**	**₱1,380,968**	**(₱111,594,703)**	**₱3,192,400,000**	**₱412,656,717**	**₱3,922,340,764**	**₱69,155,699**	**₱3,991,496,463**
Total comprehensive income	–	–	–	**38,377,190**	–	**534,334,251**	**572,711,441**	**1,500,292**	**574,211,733**
Reversals of appropriation (Note 13)	–	–	–	–	**(196,381,804)**	**196,381,804**	–	–	–
Appropriations (Note 13)	–	–	–	–	**431,381,804**	**(431,381,804)**	–	–	–
Cash dividends (Note 13)	–	–	–	–	–	**(295,902,614)**	**(295,902,614)**	–	**(295,902,614)**
Balances at March 31, 2017	**₱422,718,020**	**₱4,779,762**	**₱1,380,968**	**(₱73,217,513)**	**₱3,427,400,000**	**₱416,088,354**	**₱4,199,149,591**	**₱70,655,991**	**₱4,269,805,582**
Balances at April 1, 2015	₱422,718,020	₱4,779,762	₱1,380,968	(₱132,531,981)	₱3,017,400,000	₱418,088,790	₱3,731,835,559	₱72,291,759	₱3,804,127,318
Total comprehensive income	–	–	–	20,937,278	–	254,111,531	275,048,809	(3,136,060)	271,912,749
Reversals of appropriation (Note 13)	–	–	–	–	(71,300,000)	71,300,000	–	–	–
Appropriations (Note 13)	–	–	–	–	246,300,000	(246,300,000)	–	–	–
Cash dividends (Note 13)	–	–	–	–	–	(84,543,604)	(84,543,604)	–	(84,543,604)
Balances at March 31, 2016	₱422,718,020	₱4,779,762	₱1,380,968	(₱111,594,703)	₱3,192,400,000	₱412,656,717	₱3,922,340,764	₱69,155,699	₱3,991,496,463
Balances at April 1, 2014	₱422,718,020	₱4,779,762	₱1,380,968	(₱60,626,350)	₱2,917,400,000	₱395,715,832	₱3,681,368,232	₱74,361,014	₱3,755,729,246
Total comprehensive income	–	–	–	(71,905,631)	–	164,644,760	92,739,129	(2,069,255)	90,669,874
Reversals of appropriation (Note 13)	–	–	–	–	(210,900,000)	210,900,000	–	–	–
Appropriations (Note 13)	–	–	–	–	310,900,000	(310,900,000)	–	–	–
Cash dividends (Note 13)	–	–	–	–	–	(42,271,802)	(42,271,802)	–	(42,271,802)
Balances at March 31, 2015	₱422,718,020	₱4,779,762	₱1,380,968	(₱132,531,981)	₱3,017,400,000	₱418,088,790	₱3,731,835,559	₱72,291,759	₱3,804,127,318

See accompanying Notes to Consolidated Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended March 31		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱667,210,092**	₱399,693,473	₱216,948,264
Adjustments for:			
Depreciation and amortization (Note 18)	**158,481,381**	157,267,627	191,562,596
Provision for warranty claims and estimated liabilities (Note 11)	**126,130,974**	164,137,525	49,405,324
Interest income (Notes 4 and 20)	**(55,478,130)**	(35,586,781)	(26,249,465)
Retirement and other long-term employee benefits expense (Note 17)	**33,777,726**	37,664,915	27,610,534
Provision for inventory losses (Notes 14 and 16)	**23,221,273**	48,640,089	106,197,519
Provision for (recovery from) credit and impairment losses (Notes 5, 16 and 20)	**(1,793,902)**	(47,708,307)	3,700,000
Unrealized foreign currency exchange (gain) loss (Notes 4, 5 and 10)	**(827,877)**	14,867,471	(349,273)
Loss (gain) on disposal/ retirement of property, plant and equipment and software (Note 20)	**789,590**	(9,564)	573,543
Operating income before changes in working capital	**951,511,127**	738,966,448	569,399,042
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Inventories	**(342,091,061)**	(26,499,998)	(268,395,091)
Receivables	**(25,059,349)**	(193,337,519)	30,145,866
Other current assets	**(45,761,480)**	204,702,495	(6,932,508)
Increase (decrease) in:			
Accounts payable and accrued expenses	**298,260,573**	274,049,179	(62,910,047)
Other liabilities	**(102,167,580)**	(44,581,849)	(39,276,763)
Net cash generated from operations	**734,692,230**	953,298,756	222,030,499
Income taxes paid	**(136,836,009)**	(258,765,971)	(59,810,469)
Contributions to the retirement fund (Note 11)	**(100,000,000)**	(100,000,000)	–
Other retirement liability and long-term employee benefits paid (Note 11)	**(2,548,227)**	(1,860,440)	(1,326,502)
Interest received from bank deposits	**53,948,930**	33,085,981	26,154,465
Net cash provided by operating activities	**549,256,924**	625,758,326	187,047,993
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in other assets	**1,332,082**	(41,022)	21,122,034
Acquisitions of:			
Property, plant and equipment (Notes 7 and 29)	**(171,955,223)**	(90,679,664)	(199,240,248)
Software (Note 9)	**(445,536)**	(294,643)	(1,630,489)
Investment properties (Note 8)	**–**	(4,940,000)	(625,000)
Proceeds from disposal of property, plant and equipment (Note 7)	**2,522,179**	87,349	286,256
Net cash used in investing activities	**(168,546,498)**	(95,867,980)	(180,087,447)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash dividends paid (Note 13)	**(84,543,604)**	(42,271,802)	(42,271,802)
Finance lease liabilities paid (Note 21)	**(2,320,606)**	(4,128,131)	(3,509,390)
Cash used in financing activities	**(86,864,210)**	(46,399,933)	(45,781,192)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (Note 4)	**380,527**	(13,994,068)	663,665
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**294,226,743**	469,496,345	(38,156,981)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**3,292,423,211**	2,822,926,866	2,861,083,847
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱3,586,649,954**	₱3,292,423,211	₱2,822,926,866

See accompanying Notes to Consolidated Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Panasonic Manufacturing Philippines Corporation (the Parent Company) was incorporated in the Philippines on May 14, 1963 and is a subsidiary of Panasonic Corporation (PC or the Ultimate Parent Company) which is incorporated in Japan on December 15, 1935. The Securities and Exchange Commission (SEC) approved on March 19, 2013 the extension of Parent Company's corporate life for another 50 years or until May 15, 2063. The Parent Company holds 40.0% interest in Precision Electronics Realty Corporation (PERC or the Subsidiary), over which the Parent Company has the control over the Subsidiary.

The Parent Company is a manufacturer, importer and distributor of electronic, electrical, mechanical, electro-mechanical appliances, other types of machinery, parts and components, battery and other related products bearing the "Panasonic" brand. The Subsidiary is in the business of realty brokerage and leases out the land to the Parent Company in which the latter's manufacturing facilities are located (see Note 7).

The Parent Company's registered address is Ortigas Avenue Extension, Barrio Mapandan, Barangay San Isidro, Taytay, 1920, Rizal.

2. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying consolidated financial statements of the Parent Company and the Subsidiary (collectively referred to as the "Group") have been prepared on a historical cost basis, except for available-for-sale (AFS) financial assets that have been measured at fair value and inventories that have been measured at lower of cost or net realizable value (NRV). The accompanying consolidated financial statements are presented in Philippine peso (₱), which is also the Parent Company's functional currency. The functional currency of PERC is also the Philippine peso. All values were rounded to the nearest peso except when otherwise indicated.

Statement of Compliance
The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation
The consolidated financial statements include the financial statements of the Parent Company and PERC, a subsidiary which it controls (see Note 3).

Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the Subsidiary and has the ability to affect those returns through its power over the Subsidiary.

The Parent Company controls an investee if, and only if the Parent Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Parent Company's voting rights and potential voting rights

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of its Subsidiary to bring the accounting policies used in line with those used of the Group.

All intragroup transactions, balances, income and expenses are eliminated in the consolidation.

Non-controlling interests are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from Parent Company shareholders' equity. The interest of non-controlling shareholders may be initially measured at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, non-controlling interests consists of the amount attributed to such interests at initial recognition and the non-controlling interest's share of changes in equity since the date of acquisition.

Changes in the Parent Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transaction. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Parent Company.

If the Parent Company loses control over a subsidiary, it:
- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interest;
- derecognizes the related other comprehensive income recorded in equity and recycles the same to profit or loss or retained earnings;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained; and
- recognizes any surplus or deficit in profit or loss in the consolidated statement of comprehensive income.

Changes in Accounting Policies and Disclosures
The Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after April 1, 2016. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise indicated.

Amendments to Philippine Accounting Standards (PAS) 1, *Presentation of Financial Statements, Disclosure Initiative*
The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:

- That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
- That specific line items in the statement of income and other comprehensive income and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

The amendments do not have any impact to the Group.

Amendments to PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets, Clarification of Acceptable Methods of Depreciation and Amortization*
The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

These amendments are applied prospectively and do not have any impact to the Group, since the Group has not used a revenue-based method to depreciate or amortize its property, plant and equipment and intangible assets.

Annual Improvements to PFRS (2012-2014 cycle)
The Annual Improvements to PFRS (2012-2014 cycle) are effective for annual periods beginning on or after April 1, 2016 and are not expected to have a material impact on the Group, unless otherwise stated. They include:

Amendments to PAS 19, *Employee Benefits, Discount Rate: Regional Market Issue*
This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

The following amendments to PFRS and PAS are effective for annual periods beginning April 1, 2016 but are not applicable to the Group:

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28, *Investments in Associates and Joint Ventures*, *Investment Entities: Applying the Consolidation Exception*
- Amendments to PFRS 11, *Joint Arrangements*, *Accounting for Acquisitions of Interests in Joint Operations*
- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*
- Amendments to PAS 27, *Separate Financial Statements*, *Equity Method in Separate Financial Statements*
- *Annual Improvements to PFRS (2012-2014 cycle)*
  - Amendments to PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations, Changes in Methods of Disposal*
  - Amendments to PFRS 7, *Financial Instruments: Disclosures, Servicing Contracts*
  - Amendments to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  - Amendments to PAS 34, *Interim Financial Reporting*, *Disclosure of Information 'Elsewhere in the Interim Financial Report'*

Fair Value Measurement
For measurement and disclosure purposes, the Group determines the fair value of an asset or a liability at initial measurement date or each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfer have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Cash and Cash Equivalents
Cash and cash equivalents in the consolidated statement of financial position comprise cash in banks and time deposits with original maturities of three months or less and are subject to an insignificant risk of change in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and time deposits as defined above.

Financial Instruments
Date of recognition
Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date, the date that an asset is delivered to or by the Group. Settlement date accounting refers to (a) the recognition of an asset on the day it is received by the Group, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the Group.

Initial recognition and classification of financial instruments
All financial instruments are initially measured at fair value. Except for financial instruments carried at fair value through profit or loss (FVPL), the initial measurement of financial instruments includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS investments and loans and receivables. Financial liabilities are classified into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

The Group has no financial assets and liabilities at FVPL and HTM investments as of March 31, 2017 and 2016.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

AFS investments
AFS investments are non-derivative financial assets that are designated as such or do not qualify to be classified or designated as FVPL, HTM or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

When an AFS investment is disposed of, the cumulative gain or loss previously recognized under other comprehensive income is recognized in current operations. The losses arising from impairment of such investments are recognized as 'Provision for impairment losses' in profit or loss.

AFS investments are classified as current assets when it is expected to be sold or realized within twelve months after the reporting date or within the normal operating cycle, whichever is longer.

The Group's AFS investments include investments in equity shares (see Notes 9 and 28).

Loans and receivables
Loans and receivables include non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market and for which the Group has no intention of trading. After initial recognition, loans and receivables are subsequently stated at their amortized cost, reduced by accumulated credit losses, if any.

Loans and receivables are included in current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets. Classified as loans and receivables, are the Group's cash and cash equivalents, receivables and other noncurrent assets.

Other financial liabilities
This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings. The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

Other financial liabilities are classified as current liabilities when it is expected to be settled within twelve months from the reporting date or the Group does not have an unconditional right to defer settlement for at least twelve months from reporting date.

Included in this category are the Group's accounts payable and accrued expenses.

'Day 1' difference
Where the transaction price in a non-active market is different from the fair value based on other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where variables used are made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

Impairment of Financial Assets
The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial asset is deemed to be impaired if, and only if, there is objective criteria of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence includes observable data that comes to the attention

of the Group about loss events such as, but not limited to, significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, probability that the borrower will enter bankruptcy or other financial reorganization.

Loans and receivables
The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and collectively for financial assets that are not individually significant. If there is an objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics such as industry, past due status and term.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Group. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance for impairment losses account.

If a future write-off is later recovered, the recovery is recognized in profit or loss under 'Other income - net' account. Any subsequent reversal of an impairment loss is recognized in profit or loss as reversal of allowance for doubtful accounts, to the extent that the carrying value of the asset does not exceed its amortized cost at reversal date.

AFS investments
In case of equity instruments classified as AFS investments, objective evidence would include a significant or prolonged decline in the fair value of the investments below its cost. The determination of what is significant and prolonged is subject to judgment. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. The Group treats 'significant' generally as 20% or more and 'prolonged' as greater than 12 months for quoted equity securities. When there is evidence of impairment, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized under profit or loss, is transferred from other comprehensive income to profit or loss. Impairment losses on equity investments are not

reversed through current operations. Increases in fair value after impairment are recognized as other comprehensive income.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Derecognition of Financial Instruments
Financial assets
A financial asset or, where applicable, a part of a financial asset or a part of a group of similar financial assets is derecognized when:

- the right to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liability
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Inventories
Inventories are valued at the lower of cost or NRV. NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. Cost is determined primarily using the first-in, first-out method, except for spare parts and supplies, which are determined on a weighted average method. For manufactured inventories, cost includes the applicable allocation of fixed and variable overhead costs.

Creditable Withholding Tax
This pertains to the tax withheld at source by the Group's customers and is creditable against the income tax liability of the Group.

Property, Plant and Equipment
Property, plant and equipment are carried at cost less accumulated depreciation, amortization and any impairment in value except land which is carried at cost less any impairment in value. The initial cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Significant renewals and improvements are capitalized.

Expenditures incurred after the properties have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to income in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

Depreciation and amortization is computed using the straight-line method on land improvements and buildings and improvements over their estimated useful lives and the declining balance method on other property, plant and equipment.

The estimated useful lives of property, plant and equipment are as follows:

	Years
Land improvements	10
Factory machinery, equipment and tools	2-10
Buildings and improvements	5-25
Office furniture, fixtures and equipment	2-5
Transportation equipment	3-5

The useful life and depreciation and amortization methods are reviewed at each reporting date to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

When assets are sold or retired, their cost and accumulated depreciation and amortization and any accumulated impairment losses are eliminated from the accounts and any gain or loss resulting from their disposal is included in profit or loss.

Fully depreciated property, plant and equipment are retained in the accounts until these are no longer in use.

Investment Properties
Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and amortization and any impairment in value. Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged to operations in the period in which the costs are incurred.

Depreciation and amortization is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the investment properties but not to exceed:

	Years
Building	25
Building improvements	5-25

Investment properties are derecognized when either they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Investment properties consist of properties that are held to earn rentals or for capital appreciation or both, and those that are not occupied by entities in the Group.

Software
Software acquired separately is measured on initial recognition at cost. Following initial recognition, software is carried at cost less any accumulated amortization and any accumulated impairment losses.

Amortization of software is computed using the declining balance method over its estimated useful life of 2 to 5 years. The estimated useful life and amortization method for software are reviewed at least at each financial year end to ensure that the period and method of amortization are consistent with the expected pattern of economic benefits from these assets.

The amortization expense on software is recognized in profit or loss under general and administrative expenses. Software is assessed for impairment whenever there is an indication that this asset may be impaired.

Impairment of Nonfinancial Assets
At each reporting date, the Group assesses whether there is any indication that its property, plant and equipment, investment properties and software may be impaired.

Where there is an indication of impairment, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

A previously recognized impairment loss is reversed by a credit to current operations, unless the asset is carried at a revalued amount, in which case, the reversal of the impairment loss is credited to the revaluation increment of the same asset, to the extent that it does not restate the asset to a carrying amount in excess of what would have been determined (net of any accumulated depreciation and amortization) had no impairment loss been recognized for the asset in prior years.

Leases
The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date whether the fulfillment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset.

A reassessment is made only after inception of the lease if one of the following applies:

a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
b) A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

The Parent Company as a lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Finance leases, which transfer to the Parent Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against profit or loss.

The Parent Company as a lessor
Leases where the Parent Company retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as income in profit or loss on a straight-line basis over the lease term.

Business Combinations
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are recognized in profit or loss.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. The measurement period is the period from the date of acquisition to the date the Group receives complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum period of one year.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Equity

Capital stock is measured at par value for all shares issued and outstanding. When the shares are sold at premium, the difference between the proceeds and the par value is credited to 'Additional paid-in capital' account. Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to 'Additional paid-in capital' account. If additional paid-in capital is not sufficient, the excess is charged against the retained earnings.

When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Retained earnings represent accumulated earnings of the Group less any dividends declared.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured regardless of when payment is being made. Revenue is measured at the fair value of the consideration received net of discounts, sales taxes and duties. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements.

The following specific recognition criteria must also be met before revenue and other income are recognized:

Sale of goods
Revenue from sale of goods is recognized when significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of goods. Revenue from sale of goods is measured at the fair value of the considerations received or receivable, net of returns and allowances, trade discounts and volume rebates which include estimated discounts.

Service income
Service income is recognized when the related qualifying services have been rendered by the Parent Company.

Interest income
Interest income is recognized as interest accrues, taking into account the effective yield on the assets.

Dividend income
Dividend income is recognized when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

Rental income
Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease terms.

Sale of scrap
Income from sale of scrap is recognized when the significant risk and rewards of ownership of the scrap have passed to the buyer and the amount of revenue can be measured reliably.

Costs and Expenses
Costs and expenses encompass losses as well as those expenses that arise in the course of the ordinary activities of the Group. Cost and expenses are recognized as incurred. The following specific recognition criteria must be met before costs and expenses are recognized:

Cost of goods sold
Cost of goods sold includes all expenses associated with the specific sale of goods. Cost of goods sold include all materials and supplies used, direct labor, occupancy cost, depreciation of production equipment and other expenses related to production. Such costs are recognized when the related sales have been recognized.

Selling expenses
Selling expenses constitute costs which are directly related to selling, advertising and delivery of goods to customers. These include sales commissions and marketing expenses. Selling expenses are recognized when incurred.

General and administrative expenses
General and administrative expenses constitute costs of administering the business and are recognized when incurred.

Dividends on Common Shares
Dividends on common shares are recognized as a liability and deducted from equity when declared and approved by the Board of Directors (BOD) of the Parent Company. Dividends for the year that are declared and approved after the consolidated statement of financial position date, if any, are dealt with as an event after the financial reporting date and disclosed accordingly.

Earnings Per Share (EPS)
Basic EPS is computed by dividing net income for the year attributable to ordinary equity holders of the parent by the weighted average number of common shares issued and outstanding during the year, after giving retroactive adjustment to any stock dividend declared or stock split made during the year.

Diluted EPS is calculated by dividing the net income attributable to common shareholders by the weighted average number of common shares outstanding during the year adjusted for the effects of any dilutive convertible common shares.

The Group has no dilutive convertible common shares. Thus, basic and diluted EPS are the same.

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized. All other borrowing costs are recognized as expense in the year which they are incurred.

Retirement Costs
The Parent Company operates a funded noncontributory defined benefit retirement plan, which requires contributions to be made to a separate administered fund.

The cost of providing benefits under the defined benefit pension plan is determined by an independent actuary using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current period.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Retirement expenses comprise the following:
- Current service cost
- Net interest on the net defined benefit liability or asset
- Remeasurement of retirement liability

Current service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Retirement expense is recognized as expense in profit or loss.

Remeasurement comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurement is not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Parent Company, nor can they be paid directly to the Parent Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Parent Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefit
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability and expense when they are accrued to the employees. The cost of employee entitlements to annual leave is actuarially computed using the projected unit credit method.

<u>Income Taxes</u>
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The rates and tax laws used to compute the amount are those that have been enacted or substantially enacted as of the reporting date.

Deferred tax
Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating losses carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits from excess credits and unexpired NOLCO can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date, and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recognized.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted as of the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss in the consolidated statement of comprehensive income. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted as of the reporting date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities, and the deferred taxes relate to the same taxable entity and the same taxation authority.

Foreign Currency-denominated Transactions and Translation
Foreign currency-denominated transactions are recorded using the exchange rate at the date of transaction. Foreign currency-denominated monetary assets and liabilities are translated using the prevailing closing exchange rate at reporting date. Exchange gains or losses from foreign currency-denominated transactions and translation are credited or charged to profit or loss.

Operating Segment
Operating segments for management reporting purposes are organized into three major segments according to the nature and user of the products. Common income and expenses are allocated among business segments based on sales or other appropriate bases. Segment assets include operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, net of allowances, provisions and depreciation and amortization. Segment liabilities include all operating liabilities and consist principally of accounts payable and accrued liabilities. Information on business segments is presented in Note 27.

Provisions
Provisions are recognized when the following conditions are present: (a) the Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense under 'Financing costs and other charges' account in the consolidated statement of comprehensive income. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is probable.

Provision for estimated liabilities
Provision for estimated liabilities consists of provision for warranty claims and other liabilities. Provision for warranty claims is recognized for expected warranty claims on products sold, based on percentage of sales. Provision for other liabilities is recognized when all of the conditions mentioned above are present.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Events after the Reporting Period
Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

Standards Issued but not yet Effective
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective in fiscal year 2018
Amendments to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments do not have any impact on the Group's financial position and results of operation. The Group will include the required disclosures in its 2018 consolidated financial statements.

Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*
The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted. Application of amendments will result in additional disclosures in the 2018 consolidated financial statements of the Group.

Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*
The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted. These amendments are not expected to have any impact on the Group.

Effective in fiscal year 2019
Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted. These amendments are not expected to have any impact on the Group.

Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*
The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9. The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

PFRS 15, *Revenue from Contracts with Customers*
PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Group is currently assessing the impact of PFRS 15 and plans to adopt the new standard on the required effective date.

PFRS 9, *Financial Instruments*
PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting and on the amount of its credit losses. The Group is currently assessing the impact of adopting this standard.

Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted. These amendments are not expected to have any impact on the Group.

Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight. These amendments are not expected to have any impact on the Group.

Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. These amendments are not expected to have any impact on the Group.

Effective in fiscal year 2020
PFRS 16, *Leases*
Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of adopting PFRS 16.

Deferred effectivity
Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. Significant Accounting Judgments, Assumptions and Estimates

The preparation of the consolidated financial statements in compliance with PFRS requires the Group to make judgments, estimates and assumptions that affect reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which can cause the assumptions used in arriving at those estimates to change. The effects of any changes in estimates will be reflected in the consolidated financial statements as they become reasonably determinable.

Judgments, assumptions and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Control over PERC

The Group considers that it controls PERC even though it owns less than majority equity interest in PERC. The Parent Company holds a 40.0% equity interest in PERC. The remaining 60.0% of the equity shares in PERC are held by the retirement fund of the Parent Company. The Parent Company determined that it has control over PERC since it has the practical ability to direct the relevant activity of PERC and is exposed to variable returns from PERC. The sole purpose of PERC's establishment and continuing existence is to hold several parcels of land as location for the Parent Company's manufacturing facilities. Thus, the relevant activity of PERC includes the acquisition of parcels of land through funding from the Parent Company and the subsequent lease thereto. The decision to set up the structure of PERC through lease and loan agreements is devised by the Parent Company for it to have location for its facilities since it could not hold more than 40.0% ownership in private lands in the Philippines. The BOD and officers of the Parent Company are also the BOD and officers of PERC.

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

a. *NRV of inventory*

   Inventories are carried at lower of cost or NRV. NRV of inventories are assessed regularly based on the prevailing selling prices of inventories less the estimated costs necessary to sell and to complete. Any increase in NRV will increase the carrying amount of inventories but only to the extent of their original acquisition costs. The carrying value of inventories as of March 31, 2017 and 2016 amounted to ₱1.0 billion and ₱692.2 million, respectively (see Note 6). The amount of write-down of inventories included under cost of goods sold amounted to ₱23.2 million, ₱48.6 million and ₱106.2 million in 2017, 2016 and 2015, respectively (see Note 14).

b. *Allowance for credit losses on receivables*

   The Group reviews its receivable portfolio to assess impairment. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of receivables before the decrease can be identified with an individual receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the customer's payment behavior and known market factors. Recovery from credit losses on receivables amounted to ₱1.8 million and ₱1.3 million in 2017 and 2015, respectively (see Note 20). Provision for credit losses on receivables amounted to ₱7.3 million in 2016 (see Note 17).

The main considerations for impairment assessment include whether any payments are overdue or if there are any known difficulties in the cash flows of the counterparties (e.g., debt restructuring and declaration of bankruptcy). The Group assesses impairment into two areas: individually assessed allowances and collectively assessed allowances.

The Group determines allowance for each significant receivable on an individual basis. Among the items that the Group considers in assessing impairment is the inability to collect from the counterparty based on the contractual terms of the receivables. Receivables included in the specific assessment are the accounts that have been endorsed to the legal department and nonmoving accounts receivable.

For collective assessment, allowances are assessed for receivables that are not individually significant and for individually significant receivables where there is no objective evidence yet of individual impairment. Impairment losses are estimated by taking into consideration the age of the receivables, past collection experience and other factors that may affect collectability.

The carrying value of receivables amounted to ₱1.0 billion and ₱993.5 million as of March 31, 2017 and 2016, respectively (see Note 5).

c. *Present value of benefit obligation*
The determination of the obligation and cost of retirement and other employee benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, expected returns on plan assets and salary increase rates.

While the Group believes that the assumptions are reasonable and appropriate, significant differences between actual experiences and assumptions may materially affect the cost of employee benefits and related obligations.

The retirement liability of the Group under defined benefit plan amounted to ₱28.4 million and ₱152.2 million as of March 31, 2017 and 2016, respectively (see Note 11).

d. *Provisions for estimated liabilities*
Provision for warranty is recognized for expected warranty claims on products sold, based on percentages of sales which range from 0.1% to 0.3%. The Group calculates these percentages based on past experience of the level of repairs and returns.

Other provisions for estimated liabilities include provisions for legal cases and other claims. The Group makes provisions on the basis of management's and its legal counsel's opinion and assessment of the outcome of the claims.

Provisions for estimated liabilities amounted to ₱302.7 million and ₱278.7 million as of March 31, 2017 and 2016, respectively (see Note 11).

e. *Discounts*
The Group estimates various types of discounts based on actual historical availments. These discounts amounted to ₱63.1 million and ₱44.7 million as of March 31, 2017 and 2016, respectively. This is presented net against 'Trade receivables' in the statement of financial position.

f. *Deferred tax assets*
The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces them to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and the level of future taxable profits together with future tax planning strategies considering expected future market or economic conditions and the expected performance of the Group. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Recognized deferred tax assets amounted to ₱141.0 million as of March 31, 2017 and 2016. The Parent Company did not recognize deferred tax asset on other temporary differences as of March 31, 2017 and 2016 since management believes that the benefit from such asset will not be realized in the future (see Note 24).

4. Cash and Cash Equivalents

This account consists of:

	2017	2016
Cash in banks	**₱364,149,954**	₱534,515,869
Cash equivalents	**3,222,500,000**	2,757,907,342
	₱3,586,649,954	₱3,292,423,211

Cash in banks earned annual interest ranging from 0.5% to 1.0% in 2017, 2016 and 2015.

Cash equivalents pertain to time deposits made for varying periods with maturity of up to three months depending on the immediate cash requirements of the Group. Interest on cash equivalents ranged from 0.5% to 2.0% in 2017, 0.5% to 1.8% in 2016, and 0.7% to 1.4% in 2015.

Interest income from cash in banks and cash equivalents amounted to ₱55.5 million, ₱35.6 million, and ₱26.2 million in 2017, 2016 and 2015, respectively (see Note 20). Unrealized foreign exchange gain resulting from translation of foreign currency-denominated cash in banks into Philippine peso amounted to ₱0.4 million and ₱0.7 million in 2017 and 2015, respectively, and unrealized foreign exchange loss resulting from translation of foreign currency-denominated cash in banks into Philippine peso amounted to ₱14.0 million in 2016 (see Note 20).

5. Receivables

This account consists of:

	2017	2016
Trade		
Domestic	**₱833,486,838**	₱757,418,759
Export (Note 22)	**117,143,052**	180,301,491
Non-trade		
Related parties (Note 22)	**61,607,029**	58,943,600
Third parties	**32,644,604**	31,681,947
Employees	**2,852,812**	1,711,840
Others	**1,765,808**	8,614,329
	1,049,500,143	1,038,671,966
Less allowance for credit losses	**27,773,700**	45,219,693
	₱1,021,726,443	₱993,452,273

Trade receivables are non-interest bearing and are generally on 30 to 60-day terms. Trade receivables classified as "domestic" are those claims against local customers. Trade receivables classified as "export" are those claims arising from export sales of air conditioner units to related parties.

The changes in allowance for credit losses on trade receivables in 2017 and 2016 follow:

	2017	2016
Balances at beginning of year	**₱45,219,693**	₱37,928,000
Provision for (recovery from) credit losses (Notes 16 and 20)	**(1,793,902)**	7,291,693
Write-off	**(15,652,091)**	–
Balances at end of year	**₱27,773,700**	₱45,219,693
Collective	**₱27,434,385**	₱29,567,602
Specific	**339,315**	15,652,091
	₱27,773,700	₱45,219,693

As of March 31, 2017 and 2016, the aging analysis of trade and non-trade receivables that are past due but not individually impaired follows:

	2017					
	Neither Past Due nor Individually Impaired	**Past Due but not Individually Impaired**			**Individually Impaired**	**Total**
		1-30 days	**31-60 days**	**Over 60 days**		
Trade						
Domestic	**₱807,128,501**	**₱12,584,365**	**₱5,394,648**	**₱8,040,009**	**₱339,315**	**₱833,486,838**
Export	**117,143,052**	–	–	–	–	**117,143,052**
Non-trade	**98,870,253**	–	–	–	–	**98,870,253**
Total	**₱1,023,141,806**	**₱12,584,365**	**₱5,394,648**	**₱8,040,009**	**₱339,315**	**₱1,049,500,143**

	2016					
	Neither Past Due nor Individually Impaired	Past Due but not Individually Impaired 1-30 days	31-60 days	Over 60 days	Individually Impaired	Total
Trade						
Domestic	₱716,148,239	₱21,012,623	₱1,537,932	₱3,067,874	₱15,652,091	₱757,418,759
Export	180,301,491	–	–	–	–	180,301,491
Non-trade	100,951,716	–	–	–	–	100,951,716
Total	₱997,401,446	₱21,012,623	₱1,537,932	₱3,067,874	₱15,652,091	₱1,038,671,966

Unrealized foreign exchange loss on translation of receivables amounted to ₱0.1 million and ₱6.9 million in 2017 and 2016, respectively, and unrealized foreign exchange gains on translation of receivables amounted to ₱1.3 million in 2015 (see Note 20).

6. Inventories

This account consists of:

	2017	2016
At NRV:		
Finished goods and merchandise	**₱85,702,770**	₱29,112,985
Raw materials	**5,838,086**	3,946,501
	91,540,856	33,059,486
At cost:		
Finished goods and merchandise	**607,138,102**	409,505,209
Raw materials	**295,191,782**	227,514,565
Goods in process	**12,284,449**	18,688,984
Supplies	**4,808,405**	3,325,562
	919,422,738	659,034,320
	₱1,010,963,594	₱692,093,806

The related cost of inventories recorded at NRV amounted to ₱142.5 million and ₱140.4 million as of March 31, 2017 and 2016, respectively. The amount of write-down of inventories included under cost of goods sold amounted to ₱23.2 million, ₱48.6 million and ₱106.2 million in 2017, 2016 and 2015, respectively (see Note 14). The amount of inventories recognized in cost of goods sold during the year amounted to ₱7.5 billion, ₱6.3 billion and ₱5.3 billion in 2017, 2016 and 2015, respectively (see Note 14).

7. Property, Plant and Equipment

The rollforward of this account follows:

	2017						
	Land and Land Improvements	Factory Machinery, Equipment and Tools	Buildings and Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Construction in Progress	Total
Cost							
Balances at beginning of year	₱236,029,162	₱1,421,590,544	₱758,443,322	₱152,586,386	₱114,891,485	₱28,779,183	₱2,712,320,082
Acquisitions	–	44,135,982	7,184,454	12,480,241	19,294,180	88,860,366	171,955,223
Retirements/disposals	–	(77,179,925)	(3,986,846)	(3,659,134)	(11,237,151)	–	(96,063,056)
Reclassification	–	68,082,429	17,845,051	44,960	–	(85,972,440)	–
Balances at end of year	236,029,162	1,456,629,030	779,485,981	161,452,453	122,948,514	31,667,109	2,788,212,249
Accumulated depreciation and amortization							
Balances at beginning of year	2,851,295	1,247,420,645	482,644,558	143,852,823	82,750,918	–	1,959,520,239
Depreciation and amortization (Note 18)	–	90,438,102	33,457,804	10,196,082	16,769,852	–	150,861,840
Retirements/disposals	–	(77,008,867)	(1,632,113)	(3,667,513)	(10,442,794)	–	(92,751,287)
Balances at end of year	2,851,295	1,260,849,880	514,470,249	150,381,392	89,077,976	–	2,017,630,792
Net book value	₱233,177,867	₱195,779,150	₱265,015,732	₱11,071,061	₱33,870,538	₱31,667,109	₱770,581,457

	2016						
	Land and Land Improvements	Factory Machinery, Equipment and Tools	Buildings and Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Construction in Progress	Total
Cost							
Balances at beginning of year	₱236,029,162	₱1,415,060,420	₱752,985,414	₱161,250,790	₱96,413,865	₱4,525,381	₱2,666,265,032
Acquisitions (Note 29)	–	19,963,547	967,908	6,982,398	19,132,165	44,726,646	91,772,664
Retirements/disposals	–	(25,721,660)	(3,694,607)	(15,646,802)	(654,545)	–	(45,717,614)
Reclassification	–	12,288,237	8,184,607	–	–	(20,472,844)	–
Balances at end of year	236,029,162	1,421,590,544	758,443,322	152,586,386	114,891,485	28,779,183	2,712,320,082
Accumulated depreciation and amortization							
Balances at beginning of year	2,851,295	1,180,562,614	453,339,293	148,069,426	70,106,943	–	1,854,929,571
Depreciation and amortization (Note 18)	–	92,579,691	32,999,872	11,352,416	13,298,518	–	150,230,497
Retirements/disposals	–	(25,721,660)	(3,694,607)	(15,569,019)	(654,543)	–	(45,639,829)
Balances at end of year	2,851,295	1,247,420,645	482,644,558	143,852,823	82,750,918	–	1,959,520,239
Net book value	₱233,177,867	₱174,169,899	₱275,798,764	₱8,733,563	₱32,140,567	₱28,779,183	₱752,799,843

The land owned by PERC on which the manufacturing facilities are located is leased by the Parent Company under a twenty-five year lease agreement. Upon expiration of the lease, title to the land will not be transferred to the Parent Company.

As of March 31, 2017, the Group's construction in progress pertains to the improvements of factory machinery and equipment in its Washing Machine Department. As of March 31, 2016, the Group's construction in progress pertains to the improvements of factory machinery and equipment in its Air Conditioner Department and Refrigerator Department building.

The Parent Company entered into a finance lease agreement for the vehicles of its executives. The carrying value of those leased vehicles, included under transportation equipment, amounted to ₱2.4 million and ₱5.0 million as of March 31, 2017 and 2016, respectively (see Note 21).

Loss on disposal and retirement of property, plant and equipment amounted to ₱0.8 million and ₱0.6 million in 2017 and 2015, respectively, while gain on disposal and retirement of property, plant and equipment amounted to ₱9,564 in 2016 (see Note 20). Considerations received from the disposal and retirement of property, plant and equipment amounted to ₱2.5 million, ₱0.1 million and ₱0.3 million in 2017, 2016 and 2015, respectively.

The costs of fully depreciated property, plant and equipment that are still in use amounted to ₱1.5 billion as of March 31, 2017 and 2016.

8. Investment Properties

The Group's investment properties pertain to the Parent Company's building and building improvements under lease agreement with Panasonic Precision Devices Philippines Corporation (PPRDPH) (see Note 21).

The rollforward of this account follows:

	2017		
	Building	**Building Improvements**	**Total**
Cost			
Balances at beginning and end of year	**₱115,251,594**	**₱121,187,923**	**₱236,439,517**
Accumulated depreciation			
Balances at beginning of year	**66,731,096**	**116,129,340**	**182,860,436**
Depreciation (Note 18)	**4,610,064**	**619,000**	**5,229,064**
Balances at end of year	**71,341,160**	**116,748,340**	**188,089,500**
Net book value	**₱43,910,434**	**₱4,439,583**	**₱48,350,017**

	2016		
	Building	Building Improvements	Total
Cost			
Balances at beginning of year	₱115,251,594	₱116,247,923	₱231,499,517
Acquisitions	–	4,940,000	4,940,000
Balances at the end of year	115,251,594	121,187,923	236,439,517
Accumulated depreciation			
Balances at beginning of year	62,121,032	115,675,006	177,796,038
Depreciation (Note 18)	4,610,064	454,334	5,064,398
Balances at end of year	66,731,096	116,129,340	182,860,436
Net book value	₱48,520,498	₱5,058,583	₱53,579,081

The fair value of investment properties is determined using the Sales Comparison Approach. Under the Sales Comparison Approach, a property's fair value is estimated by considering the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. The property being valued is compared with sales of similar properties that have been transacted in the open market. Listings and offerings may also be considered. The last appraisal of the Parent Company's investment properties was as of March 31, 2015.

The aggregate fair value of the investment properties amounted to ₱84.2 million as of March 31, 2017 and 2016.

Rent income recognized under 'Other income - net' amounted to ₱25.0 million, ₱27.7 million and ₱26.7 million in 2017, 2016 and 2015, respectively (see Notes 20 and 22).

Direct operating expenses recognized under 'General and administrative' expenses arising from investment properties that generated rental income amounted to ₱8.0 million, ₱7.3 million and ₱7.9 million in 2017, 2016 and 2015, respectively.

9. Other Current Assets and Other Noncurrent Assets

Other current assets consist of the following:

	2017	2016
Advances to suppliers	**₱39,699,558**	₱–
Prepaid expenses	**30,502,799**	24,288,445
Tax credit certificates (TCCs)	**3,459,909**	3,459,909
Creditable withholding taxes (CWTs)	**2,438,115**	7,976,371
Advances to employees	**356,360**	508,792
	76,456,741	36,233,517
Less allowance for impairment losses	**3,500,000**	3,500,000
	₱72,956,741	₱32,733,517

Other noncurrent assets consist of the following:

	2017	2016
Deposits	**₱15,182,345**	₱16,518,326
Deferred input VAT	**7,333,160**	7,329,261
Available-for-sale investments	**2,341,458**	2,341,458
Software	**566,849**	2,511,790
	₱25,423,812	₱28,700,835

AFS investments include quoted equity shares. The changes in fair value recognized in other comprehensive income amounted to nil in 2017, 2016 and 2015.

The fair value changes in quoted AFS investments are recorded as 'Net unrealized gains (losses) on AFS investments', a component of other comprehensive income under the 'Equity' section of the consolidated statement of financial position amounting to ₱1.4 million as of March 31, 2017 and 2016.

Dividend income earned from AFS investments amounted to nil in 2016, 2015 and 2014.

Movement in allowance for impairment losses is as follows:

	2017	2016
Balances at beginning of year	**₱3,500,000**	₱58,500,000
Recovery (Note 20)	**–**	(55,000,000)
	₱3,500,000	₱3,500,000

The allowance for impairment losses primarily relates to CWTs and TCCs that management assessed will not be fully utilized based on its estimate of future taxable income.

The composition and movements of software follow:

	2017	2016
Cost		
Balances at beginning of year	**₱110,031,822**	₱109,737,179
Additions	**445,536**	294,643
Balances at end of year	**110,477,358**	110,031,822
Accumulated amortization		
Balances at beginning of year	**107,520,032**	105,547,300
Amortization (Note 18)	**2,390,477**	1,972,732
Balances at end of year	**109,910,509**	107,520,032
Net book value	**₱566,849**	₱2,511,790

Loss on retirement of software in 2015 amounted to ₱12,145 (see Note 20).

10. Accounts Payable and Accrued Expenses

Accounts payable consist of:

	2017	2016
Trade payable		
Related parties (Note 22)	**₱400,559,002**	₱325,868,334
Third parties	**348,833,529**	244,800,933
Non-trade payable		
Related parties (Note 22)	**101,338,667**	80,776,268
Accrued expenses		
Third parties	**798,895,831**	680,345,575
Related parties (Note 22)	**16,430,765**	12,506,830
Others		
Dividends payable (Notes 13 and 22)	**295,919,916**	84,543,604
Advances from customers	**62,101,639**	69,635,626
Output VAT - net	**12,235,563**	12,326,423
	₱2,036,314,912	₱1,510,803,593

Trade accounts payable are non-interest bearing and are generally on 30 to 60-day terms.

Accrued expenses to third parties consist of:

	2017	2016
Advertising expenses and sales promotions	**₱377,376,000**	₱345,587,001
Suppliers	**316,706,107**	269,688,517
Salaries and other employee benefits	**31,972,625**	31,833,296
Freight expenses	**18,308,643**	21,950,546
Others	**54,532,456**	11,286,215
	₱798,895,831	₱680,345,575

Other accrued expenses include withholding taxes, professional services fees and accruals for utilities.

Unrealized foreign exchange gain on translation of payables amounted to ₱0.6 million and ₱6.0 million in 2017 and 2016, respectively and unrealized foreign exchange loss on translation of payables amounted to ₱1.7 million 2015 (see Note 20).

11. Other liabilities

This account consists of:

	2017	2016
Provisions	**₱302,694,670**	₱278,731,276
Retirement liability	**39,278,614**	164,402,583
Other long-term employee benefits	**24,624,032**	23,095,121
	₱366,597,316	₱466,228,980

Provisions
The rollforward of this account follows:

	2017		
	Warranty Claims	**Others**	**Total**
Balances at beginning of year	**₱84,990,276**	**₱193,741,000**	**₱278,731,276**
Provisions (Notes 15 and 16)	**71,419,594**	**54,711,380**	**126,130,974**
Claims/usage/reclassifications	**(51,557,570)**	**(50,610,010)**	**(102,167,580)**
Balances at end of year	**₱104,852,300**	**₱197,842,370**	**₱302,694,670**

	2016		
	Warranty Claims	Others	Total
Balances at beginning of year	₱57,834,600	₱101,341,000	₱159,175,600
Provisions (Notes 15 and 16)	59,477,000	104,660,525	164,137,525
Claims/usage/reclassifications	(32,321,324)	(12,260,525)	(44,581,849)
Balances at end of year	₱84,990,276	₱193,741,000	₱278,731,276

Provision for warranty claims are recognized for expected warranty claims on products sold, based on past experience in the level of repairs and returns.

Others primarily consist of provisions for legal cases and other liabilities.

The other information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it may negatively affect the operations of the Group and prejudice the outcome of the litigations and assessments.

Retirement Liability
The Group's retirement liability consists of:

	2017	2016
Retirement liability under defined benefit plan	**₱28,408,279**	₱152,203,017
Others	**10,870,335**	12,199,566
	₱39,278,614	₱164,402,583

The Parent Company has a funded, noncontributory defined benefit retirement plan covering all of its regular employees. The benefits are based on the years of service and percentage of latest monthly salaries.

Other retirement liability pertains to the Parent Company's employee benefits outside its defined benefit plan that it expects to pay to its employees upon retirement.

The principal actuarial assumptions used in determining retirement benefits for the Parent Company's retirement plan are as follows:

	2017	2016
Discount rate		
Beginning	**5.0%**	4.6%
Ending	**5.1%**	5.0%
Salary increase rate		
Beginning	**5.0%**	5.0%
Ending	**5.0%**	5.0%
Average expected future service years	**8.3**	8.9

Changes in retirement liability under defined plan in 2017 and 2016 are as follows:

	2017		
	Present value of defined benefit obligation	**Fair value of plan assets**	**Net defined benefit liability**
Balances at beginning of year	**₱438,481,616**	**(₱286,278,599)**	**₱152,203,017**
Net benefit cost in statement of comprehensive income (Note 17)			
Current service cost	**22,084,640**	**–**	**22,084,640**
Net interest cost	**21,924,081**	**(14,313,930)**	**7,610,151**
	44,008,721	**(14,313,930)**	**29,694,791**
	482,490,337	**(300,592,529)**	**181,897,808**
Actual Contributions	**–**	**(100,000,000)**	**(100,000,000)**
Benefits paid	**(9,382,046)**	**9,382,046**	**–**
Remeasurements in other comprehensive income			
Experience adjustments	**3,641,109**	**–**	**3,641,109**
Actuarial changes arising from changes in financial assumptions	**(3,765,073)**	**–**	**(3,765,073)**
Return on plan assets	**–**	**(53,365,565)**	**(53,365,565)**
	(123,964)	**(53,365,565)**	**(53,489,529)**
Balances at end of year	**₱472,984,327**	**(₱444,576,048)**	**₱28,408,279**

	2016		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Balances at beginning of year	₱427,618,684	(₱182,100,374)	₱245,518,310
Net benefit cost in statement of comprehensive income (Note 17)			
Current service cost	21,828,820	–	21,828,820
Net interest cost	19,670,459	(8,376,617)	11,293,842
	41,499,279	(8,376,617)	33,122,662
	469,117,963	(190,476,991)	278,640,972
Actual Contributions	–	(100,000,000)	(100,000,000)
Benefits paid	(20,243,671)	20,243,671	–
Remeasurements in other comprehensive income			
Experience adjustments	4,901,522	–	4,901,522
Actuarial changes arising from changes in financial assumptions	(15,294,198)	–	(15,294,198)
Return on plan assets	–	(16,045,279)	(16,045,279)
	(10,392,676)	(16,045,279)	(26,437,955)
Balances at end of year	₱438,481,616	(₱286,278,599)	₱152,203,017

Changes in other retirement liability in 2017 and 2016 are as follows:

	Present value of defined benefit obligation	
	2017	2016
Balances at beginning of year	**₱12,199,566**	₱13,569,663
Net benefit cost in statement of comprehensive income (Note 17)		
Current service cost	**840,350**	905,098
Net interest cost	**609,978**	624,205
	1,450,328	1,529,303
	13,649,894	15,098,966
Benefits paid	**(1,444,531)**	(620,195)
Remeasurements in other comprehensive income		
Experience adjustments	**(1,290,960)**	(2,088,108)
Actuarial changes arising from changes in financial assumptions	**(44,068)**	(191,097)
	(1,335,028)	(2,279,205)
Balances at end of year	**₱10,870,335**	₱12,199,566

Other long-term employee benefits

Other long-term employee benefits pertain to accumulated sick leaves and vacation leaves. Based on the Company's policy, employees are entitled to accumulate 10 days of vacation leave and 45 days of sick leave credits which are convertible to cash upon retirement or resignation.

The principal actuarial assumptions used in determining other long-term employee benefits for the Parent Company are as follows:

	2017	2016
Discount rate		
Beginning	**4.9%**	4.5%
Ending	**5.0%**	4.9%
Salary increase rate		
Beginning	**5.0%**	5.0%
Ending	**5.0%**	5.0%
Average expected future service years	**8.3**	8.9
Average accumulated sick leaves	**35.5**	38.8
Average accumulated vacation leaves	**8.9**	8.4

Other long-term employee benefits incurred in 2017, 2016 and 2015 amounted to ₱2.6 million, ₱3.0 million and ₱2.8 million presented under 'Salaries, wages and employee benefits' in the statement of comprehensive income (see Note 17).

The latest actuarial valuation reports of the Parent Company are prepared by an independent actuary as of March 31, 2017.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of March 31, 2017 and 2016, assuming all other assumptions were held constant:

	Increase/ (decrease)	2017	2016
Discount rates	(+1.0%)	**₱448,056,424**	₱415,044,082
	(-1.0%)	**524,012,646**	490,849,740
Future salary increases	(+1.0%)	**523,651,486**	490,447,438
	(-1.0%)	**447,698,922**	414,721,318

Shown below is the maturity analysis of the undiscounted benefit payments:

	2017	2016
Less than 1 year	**₱41,059,591**	₱23,057,505
More than 1 years to 5 years	**171,006,061**	152,461,412
More than 5 years to 10 years	**415,966,451**	384,177,276
More than 10 years to 15 years	**322,496,446**	349,123,406
More than 15 years to 20 years	**122,805,897**	148,120,885

The average duration of the defined benefit obligation at the end of the reporting period is 9.6 years. The Parent Company expects to contribute ₱38.8 million to the defined benefit plan in 2018.

The major categories of plan assets as a percentage of the fair value of the total plan assets are as follows:

	2017	2016
Cash and cash equivalents	**24.0%**	3.4%
Loans and receivables	**12.7%**	19.6%
Investments	**63.3%**	77.0%
Total	**100%**	100.0%

12. **Capital Stock**

Details of capital stock as of March 31, 2017 and 2016 follow:

	Par Value	Shares Authorized	Amount	Shares Issued and Outstanding	Amount
Class A	₱1	169,400,000	₱169,400,000	84,723,432	₱84,723,432
Class B	1	677,600,000	677,600,000	337,994,588	337,994,588
		847,000,000	₱847,000,000	422,718,020	₱422,718,020

a. The Class A shares of stock can be issued to Philippine nationals only, while the Class B shares of stock can be issued to either Philippine or foreign nationals. As of March 31, 2017 and 2016, all Class B shares are issued to foreign nationals only. The Group's Class A shares of stock are listed in the Philippine Stock Exchange.

b. Below is the summary of the Parent Company's track record of registration of securities under the Securities Regulation Code (SRC):

Date	Number of Shares	Issue Price
January 21, 1983	44,100,000	₱1
July 14, 1986	74,042,783	1
January 16, 1992	104,988,723	1

As of March 31, 2017 and 2016 the total number of shares registered under the SRC is 84,723,432 shares being held by 448 stockholders.

Capital management
The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group considers the following as its capital as of March 31, 2017 and 2016:

	2017	2016
Capital stock	**₱422,718,020**	₱422,718,020
Additional paid-in capital	**4,779,762**	4,779,762
Other comprehensive income	**(71,836,545)**	(110,213,735)
Retained earnings		
Appropriated	**3,427,400,000**	3,192,400,000
Unappropriated	**416,088,354**	412,656,717
	₱4,199,149,591	₱3,922,340,764

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

The Parent Company declared cash dividends amounting to ₱296.0 million, ₱84.5 million and ₱42.3 million in 2017, 2016 and 2015, respectively (see Note 13).

The Group and the Parent Company have no externally imposed capital requirements. There were no changes made in the objectives, policies or processes for the years ended March 31, 2017, 2016 and 2015, respectively.

13. Retained Earnings

a. On September 18, 1990, the Parent Company entered into a Merger Agreement with National Panasonic (Phils.) Inc. (NPPI), a related party and the exclusive distributor of the "National" brand of electronic products. The terms and conditions of the merger, as set forth in the Articles of Merger which was approved by the SEC on October 29, 1990, include, among others, the transfer by NPPI to the Parent Company, being the surviving corporation, of all its assets, liabilities and business on the same date. The transaction was accounted for using the pooling of interests method.

   The retained earnings inherited from NPPI before the effectivity of the merger amounting to ₱64.7 million are included in the consolidated statement of financial position under "unappropriated retained earnings". Such is not available for distribution to stockholders in the form of cash or property dividends. Based on the SEC guidelines and after considering this adjustment, the retained earnings available for dividend declaration as of March 31, 2017 and 2016 amounted to ₱210.4 million and ₱267.6 million, respectively.

   In 2017 and 2016, the consolidated retained earnings include the retained earnings of PERC amounting to ₱42.4 million which are not available for dividend declaration.

b. On March 31, 2017, the Parent Company's BOD authorized and directed the reversal of the appropriated retained earnings amounting ₱196.4 million. From the total appropriations of ₱3.4 billion as of March 31, 2017, ₱3.0 billion represents the reinstatement of the previous appropriations for in-plant production of plastic and metal parts, Group's change of IT System and other future projects of the Parent Company. The remaining ₱431.4 million additional appropriations represents appropriations for replacement and upgrading of old machines, molds and dies and other future projects and activities intended to boost B2B sales as growth engine. These projects are expected to be completed starting 2018 onwards.

c. On March 22, 2016, the Parent Company's BOD authorized and directed the reversal of the appropriated retained earnings amounting ₱71.3 million. From the total appropriations of ₱3.2 billion as of March 31, 2016, ₱2.9 billion represents the reinstatement of the previous appropriations for in-plant production for plastic and metal parts, replacement and upgrading of old machines, molds and dies, new freezer model, plans to change the Group's IT System and other future projects of the Parent Company. The remaining ₱246.3 million additional appropriations represent appropriations for solar panel installation in various buildings located in Taytay and Sta. Rosa manufacturing plants, future projects and for activities intended to boost B2B sales as growth engine. These projects are expected to be completed starting 2017 onwards.

d. On March 19, 2015, the Parent Company's BOD authorized and directed the reversal of the appropriated retained earnings amounting to ₱210.9 million and set up of new appropriated retained earnings amounting to ₱310.9 million. The ₱210.9 million appropriation has been utilized for various projects of the Parent Company relating to the completion of buildings and machines, replacement and upgrading of old machines, molds and dies, plans to change the Parent Company's Information Technology (IT) System and other future projects of the Parent Company.

The ₱310.9 million additional appropriations represent appropriations for future projects and for activities intended to boost the business-to-business (B2B) sales as growth engine. These projects are expected to be completed starting 2016 onwards.

e. The Parent Company's BOD declared cash dividends as follows:

	2017	2016	2015
March 31, 2017, 70.0% cash dividends to stockholders of record as of April 18, 2017 payable on May 10, 2017 (₱0.70 per share)	**₱295,902,614**	₱–	₱–
March 22, 2016, 20.0% cash dividends to stockholders of record as of April 7, 2016 payable on April 26, 2016 (₱0.20 per share)	–	84,543,604	–
March 19, 2015, 10.0% cash dividends to stockholders of record as of April 7, 2015 paid on May 4, 2015 (₱0.10 per share)	–	–	42,271,802
	₱295,902,614	₱84,543,604	₱42,271,802

14. Cost of Goods Sold

This account consists of:

	2017	2016	2015
Direct materials	**₱4,002,637,500**	₱3,302,021,488	₱2,902,251,432
Direct labor (Note 17)	**158,298,436**	131,510,624	106,370,509
Manufacturing overhead:			
Indirect labor (Note 17)	**173,742,023**	150,422,231	139,097,739
Depreciation and amortization (Note 18)	**124,331,449**	126,607,179	160,353,615
Electricity, gas and water	**41,606,217**	34,770,245	37,180,432
Repairs and maintenance	**30,467,946**	35,265,985	27,395,817
Research and development	**23,147,498**	48,950,506	15,784,789
Indirect materials	**22,228,502**	17,898,010	18,363,720
Supplies	**15,628,382**	11,442,945	13,330,000
Travel	**13,643,115**	12,025,035	11,772,484
Insurance	**8,640,286**	8,161,089	8,139,019
Taxes and dues	**3,687,502**	3,375,083	5,028,450
Provision for inventory write-down (Note 6)	**2,272,167**	2,719,803	43,291,331
Others (Note 19)	**22,948,933**	13,951,454	6,574,856
Total manufacturing overhead	**482,344,020**	465,589,565	486,312,252
Total manufacturing costs	**4,643,279,956**	3,899,121,677	3,494,934,193
Goods in process (Note 6):			
Beginning of year	**18,688,984**	7,604,847	4,388,285
End of year	**(12,284,449)**	(18,688,984)	(7,604,847)
Cost of goods manufactured	**4,649,684,491**	3,888,037,540	3,491,717,631
Finished goods and merchandise (Note 6):			
Beginning of year	**438,618,194**	451,686,900	410,403,248
Purchases	**3,090,481,585**	2,373,606,696	1,758,430,014
Provision for inventory write-down	**20,944,700**	46,111,286	62,906,188
End of year	**(692,840,872)**	(438,618,194)	(451,686,900)
	₱7,506,888,098	₱6,320,824,228	₱5,271,770,181

15. Selling Expenses

This account consists of:

	2017	2016	2015
Freight	**₱424,713,447**	₱317,953,857	₱260,561,578
Sales promotions	**395,657,236**	283,615,405	370,894,037
Advertising and commissions	**151,008,009**	95,657,989	46,558,642
Provision for warranty claims (Note 11)	**71,419,594**	59,477,000	42,619,341
	₱1,042,798,286	₱756,704,251	₱720,633,598

16. General and Administrative Expenses

This account consists of:

	2017	2016	2015
Salaries, wages and employees benefits (Note 17)	**₱293,874,887**	₱292,478,416	₱228,903,729
Technical assistance fees (Note 22)	**171,371,146**	138,719,105	117,537,813
Brand license fees (Note 22)	**66,162,508**	43,686,057	36,502,094
Provision for other estimated liabilities (Note 11)	**54,711,380**	104,660,525	6,785,983
Repairs and maintenance	**42,153,841**	22,294,157	26,198,110
Depreciation and amortization (Note 18)	**34,149,932**	30,660,448	31,208,981
Taxes and dues	**33,894,449**	28,169,316	23,968,002
Travel	**30,942,233**	30,670,689	29,945,467
Outsourcing	**29,398,293**	14,519,146	10,507,410
Rent (Note 21)	**23,031,643**	21,641,538	14,882,001
Communication	**18,739,760**	13,933,728	13,841,820
Insurance	**13,757,171**	5,940,825	15,363,618
Allocated costs	**12,269,915**	9,656,692	7,054,032
Freight and storage	**9,508,697**	7,883,691	6,625,270
Supplies	**9,259,797**	8,681,130	7,679,192
Electricity, gas and water	**7,118,685**	8,565,628	8,459,973
Provision for credit losses (Note 5)	**–**	7,291,693	–
Provision for impairment losses	**–**	–	5,000,000
Others (Note 19)	**42,422,401**	37,438,606	30,563,583
	₱892,766,738	₱826,891,390	₱621,027,078

Others include entertainment, amusement and recreation, research and development, product testing, credit investigation costs and others.

17. Salaries, Wages and Employee Benefits

This account consists of:

	2017	2016	2015
Compensation	**₱500,263,756**	₱429,754,194	₱362,722,590
Other employee benefits (Note 11)	**94,506,471**	110,005,112	84,038,853
Net retirement benefit expense (Note 11)	**31,145,119**	34,651,965	27,610,534
	₱625,915,346	₱574,411,271	₱474,371,977

Personnel expenses are shown in the consolidated statement of comprehensive income as follows:

	2017	2016	2015
Cost of goods sold (Note 14)	**₱332,040,459**	₱281,932,855	₱245,468,248
General and administrative expenses (Note 16)	**293,874,887**	292,478,416	228,903,729
	₱625,915,346	₱574,411,271	₱474,371,977

18. Depreciation and Amortization

Details of depreciation and amortization follow:

	2017	2016	2015
Property, plant and equipment (Note 7)	**₱150,861,840**	₱150,230,497	₱183,883,449
Investment properties (Note 8)	**5,229,064**	5,064,398	4,662,147
Software (Note 9)	**2,390,477**	1,972,732	3,017,000
	₱158,481,381	₱157,267,627	₱191,562,596
Cost of goods sold (Note 14)	**₱124,331,449**	₱126,607,179	₱160,353,615
General and administrative expenses (Note 16)	**34,149,932**	30,660,448	31,208,981
	₱158,481,381	₱157,267,627	₱191,562,596

19. Entertainment, Amusement and Recreation (EAR) Expenses

Details of EAR expenses required to be disclosed under Revenue Regulations No. 10-2002 of the Bureau of Internal Revenue, which authorizes the imposition of a ceiling on EAR expenses, follow:

	2017	2016	2015
General and administrative expenses (Note 16)	**₱61,808**	₱198,446	₱123,914
Cost of goods sold (Note 14)	**–**	15,283	–
	₱61,808	₱213,729	₱123,914

20. Other Income - net

This account consists of:

	2017	2016	2015
Interest income (Note 4)	**₱55,478,130**	₱35,586,781	₱26,249,465
Service income (Note 22)	**43,382,598**	55,455,991	56,070,948
Rent income (Notes 8 and 22)	**24,961,148**	27,741,133	26,702,604
Foreign currency exchange gain (loss) (Notes 4, 5 and 10)	**(15,141,954)**	(16,322,862)	939,040
Income from scrap sales	**10,771,195**	7,068,299	5,978,218
Recovery of allowance for credit and impairment losses (Notes 5 and 9)	**1,793,902**	55,000,000	1,300,000
Gain (loss) on disposal/ retirement of property, plant and equipment and software (Notes 7 and 9)	**(789,590)**	9,564	(573,543)
Miscellaneous	**14,930,793**	15,232,939	287,231
	₱135,386,222	₱179,771,845	₱116,953,963

21. Lease Agreements

Finance lease - as lessee
The Parent Company leases certain motor vehicles with terms of three years. At the end of the lease term, the title to the property passes to the Parent Company. The Parent Company is required to pay the monthly principal and interest amounts specified in the lease agreements.

Total principal and interest payments amounted to ₱2.3 million, ₱4.1 million, and ₱3.5 million in 2017, 2016 and 2015, respectively.

The future minimum lease payable as of March 31 under these lease agreements follow:

	2017		2016	
	Minimum payments	**Present value of payments**	Minimum payments	Present value of payments
Within one year	**₱2,484,194**	**₱2,305,343**	₱3,188,669	₱2,752,606
After one year but not more than five years	**469,762**	**450,503**	2,521,955	2,323,846
Total minimum lease payments	**2,953,956**	**2,755,846**	5,710,624	5,076,452
Less amounts representing finance charges	**(198,110)**	**–**	(634,172)	–
Present value of minimum lease payments	**₱2,755,846**	**₱2,755,846**	₱5,076,452	₱5,076,452

Operating lease - as lessor
The Parent Company has an operating lease agreement on its building and building improvements with PPRDPH. In 2016, the contract for a period of two (2) years commencing March 1, 2014 to February 29, 2016 has been extended for additional two (2) years commencing on March 1, 2016 to February 28, 2018 and shall automatically be renewed unless terminated by either party upon servicing of at least three (3) years (see Note 22).

The future minimum lease receivables under this non-cancellable operating lease follow:

	2017	2016
Within one year	**₱18,748,657**	₱25,368,473
After one year but not more than five years	**–**	18,748,657
	₱18,748,657	₱44,117,130

Operating lease - as lessee
The Parent Company entered into cancellable operating leases of condominium units for its officers ranging from 1 year to 5 years renewable under certain terms and conditions. In 2017, 2016 and 2015, total rental expense from the lease of condominium units amounted to ₱23.0 million, ₱21.6 million and ₱14.9 million, respectively (see Note 16).

22. Related Party Transactions

The Parent Company has entered into various transactions with related parties. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, such as affiliates. Related parties may be individuals or corporate entities. Transactions with related parties are made substantially on the same terms as with other individuals and businesses and are generally settled in cash.

The companies under common control of the Ultimate Parent Company (referred to as affiliates) that the Parent Company has transactions are as follows:

- Panasonic Appliances
- Panasonic Appliances Cold Chain (Thailand) Co., Ltd.
- Panasonic Asia Pacific Pte. Ltd.
- Panasonic Australia Pty, Ltd.
- Panasonic AVC Networks Kuala Lumpur Malaysia Sdn. Bhd.
- Panasonic Commercial Equipment Systems Co., Ltd.
- Panasonic Consumer Marketing Asia Pacific
- Panasonic Corporation
- Panasonic Eco Solutions Asia Pacific
- Panasonic Ecology Systems
- Panasonic Ecology Systems (Hong Kong)
- Panasonic Ecology Systems (Thailand)
- Panasonic Factory Solutions Asia Pacific
- Panasonic Hong Kong Co. Ltd.
- Panasonic Industrial Devices Automation Control Sales Asia Pacific
- Panasonic Industrial Devices Materials Singapore Pte. Ltd.
- Panasonic Industrial Devices Sales (M) Sdn. Bhd.
- Panasonic Logistics Asia Pacific
- Panasonic Malaysia Sdn. Bhd.
- Panasonic Management Malaysia Sdn. Bhd.
- Panasonic Manufacturing Ayuthaya Co., Ltd.
- Panasonic Manufacturing Indonesia Eco System Division
- Panasonic Manufacturing U.K. Ltd.
- Panasonic New Zealand Ltd.
- Panasonic Precision Devices Philippines Corporation
- Panasonic Procurement (China) Co., Ltd.
- Panasonic Procurement Asia Pacific
- Panasonic Procurement Malaysia Sdn. Bhd.
- Panasonic Singapore
- Panasonic System Networks Co., Ltd.
- Panasonic System Solutions Asia Pacific
- Panasonic Systems Asia Pacific
- Panasonic Systems Communications Company of Asia Pacific
- Panasonic Taiwan Co., Ltd.
- PT. Panasonic Gobel Energy Indonesia
- PT. Panasonic Manufacturing Indonesia

As a result of the related party transactions, the Parent Company has outstanding balances with related parties as follows. Amounts due from and due to related parties are non-interest bearing and are normally settled within one year.

	2017		
	Nature, terms and conditions	**Amount/ Volume**	**Outstanding Balance**
Ultimate Parent Company			
Non-trade receivables	Related to promo support, 30-day term, non-interest bearing, unsecured	**(₱1,027,098)**	**₱608,710**
	Related to expenses incurred in Corporate Social Responsibility activities, 30-day term, non-interest bearing, unsecured	**(920,942)**	**729,109**
Trade payable	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	**(1,934,625)**	**490,698**
Non-trade payables	Related to brand license fees payable equivalent to 1.0% of the sales price of the products bearing the brand "KDK" and "Panasonic", non-interest bearing, payable semi-annually, unsecured	**12,872,179**	**32,556,935**
	Related to technical assistance fees payable equivalent to 3.0% of selected products, non-interest bearing, payable semi-annually, unsecured	**7,690,220**	**68,781,732**
Dividends payable	Dividends declared by the Parent Company	**168,997,294**	**236,596,212**
Accrued expenses	Related to compensation and welfare expenses of certain employees, payable quarterly, non-interest bearing, unsecured	**539,108**	**7,330,523**
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	**615,778**	**1,474,107**
	Accrued expenses related to export sales of the ACD (e.g. sales promo, after sales service)	**(603,255)**	**1,292,199**
	Related to certain expenses paid in behalf of the Company, 30-day term, non-interest bearing, unsecured	**1,551,316**	**1,551,316**
	Related to training fees incurred, non-interest bearing, unsecured	**(586,420)**	**–**
Technical assistance fees	Related to technical assistance fees incurred equivalent to 3.0% of selected products	**171,371,146**	**–**
Brand license fees	Related to brand license fees incurred equivalent to 1.0% of the sales price of the products bearing the brand "KDK" and "Panasonic"	**66,162,508**	**–**
Affiliates			
Trade receivables	Sale of airconditioner units products, 30-day term, non-interest bearing, unsecured, no impairment	**(63,158,439)**	**117,143,052**
Non-trade receivables	Related to service income from rendering services in the form of general advice and assistance fees, 30-day term, non-interest bearing, unsecured, no impairment	**8,156,585**	**8,156,585**

(Forward)

	2017		
	Nature, terms and conditions	**Amount/ Volume**	**Outstanding Balance**
	Related to electricity consumption charged by the Parent Company to a lessee-affiliate, 30-day term, non-interest bearing, unsecured, no impairment	**(₱3,671,627)**	**₱–**
	Related to promo support, 30-day term, non-interest bearing, unsecured, no impairment	**10,742,536**	**48,635,409**
	Related to commission income, 30-day term, non-interest bearing, unsecured	**(7,619,083)**	**–**
	Related to certain expenses paid in behalf of affiliates, 30-day term, non-interest bearing, unsecured, no impairment	**(2,996,942)**	**3,477,216**
Trade payable	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	**76,625,293**	**400,068,304**
Accrued expenses	Related to expenses payable for management fee, 30-day term, non-interest bearing, unsecured	**(2,375,212)**	**–**
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	**292,561**	**292,561**
	Accrued expenses related to product development cost of Aircon	**4,490,059**	**4,490,059**
Rent income	Related to rental income on investment properties, 30-day term, non-interest bearing, unsecured, no impairment	**24,961,148**	**–**
Service income	Related to service income earned from rendering services in the form of general advice and assistance fees	**43,382,598**	**–**

	2016		
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
Ultimate Parent Company			
Non-trade receivables	Related to promo support, 30-day term, non-interest bearing, unsecured	(₱3,256,075)	₱1,635,808
	Related to expenses incurred in Corporate Social Responsibility activities, 30-day term, non-interest bearing, unsecured	1,254,258	1,650,051
Trade payable	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	2,102,890	2,425,323
Non-trade payables	Related to brand license fees payable equivalent to 1.0% of the sales price of the products bearing the brand "KDK" and "Panasonic", non-interest bearing, payable semi-annually, unsecured	4,493,351	19,684,756
	Related to technical assistance fees payable equivalent to 3.0% of selected products, non-interest bearing, payable semi-annually, unsecured	12,978,597	61,091,512
Dividends payable	Dividends declared by the Parent Company	33,799,460	67,598,918

(Forward)

	2016		
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
Accrued expenses	Related to compensation and welfare expenses of certain employees, payable quarterly, non-interest bearing, unsecured	₱1,499,766	₱6,791,415
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	(2,978,514)	858,329
	Accrued expenses related to export sales of the ACD (e.g. sales promo, after sales service)	437,813	1,895,454
	Related to certain expenses paid in behalf of the Company, 30-day term, non-interest bearing, unsecured	(579,447)	–
	Related to training fees incurred, non-interest bearing, unsecured	81,513	586,420
Technical assistance fees	Related to technical assistance fees incurred equivalent to 3.0% of selected products	138,719,105	–
Brand license fees	Related to brand license fees incurred equivalent to 1.0% of the sales price of the products bearing the brand "KDK" and "Panasonic"	43,686,057	–
Affiliates			
Trade receivables	Sale of airconditioner units products, 30-day term, non-interest bearing, unsecured, no impairment	57,393,536	180,301,491
Non-trade receivables	Related to service income from rendering services in the form of general advice and assistance fees, 30-day term, non-interest bearing, unsecured, no impairment	(5,582,031)	–
	Related to electricity consumption charged by the Parent Company to a lessee-affiliate, 30-day term, non-interest bearing, unsecured, no impairment	(2,059,079)	3,671,627
	Related to promo support, 30-day term, non-interest bearing, unsecured, no impairment	30,553,993	37,892,873
	Related to commission income, 30-day term, non-interest bearing, unsecured	7,619,083	7,619,083
	Related to certain expenses paid in behalf of affiliates, 30-day term, non-interest bearing, unsecured, no impairment	1,504,021	6,474,158
Trade payable	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	103,768,778	323,443,011
Accrued expenses	Related to expenses payable for management fee, 30-day term, non-interest bearing, unsecured	1,968,803	2,375,212
	Related to allocated costs charged to the Company for certain services, 30-day term, non-interest bearing, unsecured	(4,789,888)	–
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	–	–

(Forward)

	2016		
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
	Accrued expenses related to product development cost of Aircon	₱–	₱–
Rent income	Related to rental income on investment properties, 30-day term, non-interest bearing, unsecured, no impairment	27,741,133	–
Service income	Related to service income earned from rendering services in the form of general advice and assistance fees	55,455,991	–

	2015		
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
Ultimate Parent Company			
Non-trade receivables	Related to promo support, 30-day term, non-interest bearing, unsecured	₱548,670	₱4,891,883
	Related to expenses incurred in Corporate Social Responsibility activities, 30-day term, non-interest bearing, unsecured	395,793	395,793
Trade payable	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	(1,625,619)	322,433
Non-trade payables	Related to brand license fees payable equivalent to 1.0% of the sales price of the products bearing the brand "KDK" and "Panasonic", non-interest bearing, payable semi-annually, unsecured	(5,620,870)	15,191,405
	Related to technical assistance fees payable equivalent to 3.0% of selected products, non-interest bearing, payable semi-annually, unsecured	3,438,987	48,112,915
Dividends payable	Dividends declared by the Parent Company	–	33,799,458
Accrued expenses	Related to compensation and welfare expenses of certain employees, payable quarterly, non-interest bearing, unsecured	(4,642,298)	5,291,649
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	2,389,113	3,836,843
	Accrued expenses related to export sales of the ACD (e.g. sales promo, after sales service)	(4,132,984)	1,457,641
	Related to certain expenses paid in behalf of the Company, 30-day term, non-interest bearing, unsecured	579,447	579,447
	Related to training fees incurred, non-interest bearing, unsecured	504,907	504,907
Technical assistance fees	Related to technical assistance fees incurred equivalent to 3.0% of selected products	117,537,813	–
Brand license fees	Related to brand license fees incurred equivalent to 1.0% of the sales price of the products bearing the brand "KDK" and "Panasonic"	36,502,094	–

(Forward)

	2015		
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
Affiliates			
Trade receivables	Sale of airconditioner units products, 30-day term, non-interest bearing, unsecured, no impairment	(₱32,337,165)	₱122,907,955
Non-trade receivables	Related to service income from rendering services in the form of general advice and assistance fees, 30-day term, non-interest bearing, unsecured, no impairment	(622,008)	5,582,031
	Related to electricity consumption charged by the Parent Company to a lessee-affiliate, 30-day term, non-interest bearing, unsecured, no impairment	(69,624)	5,730,706
	Related to promo support, 30-day term, non-interest bearing, unsecured, no impairment	4,322,268	7,338,880
	Related to commission income, 30-day term, non-interest bearing, unsecured	–	–
	Related to certain expenses paid in behalf of affiliates, 30-day term, non-interest bearing, unsecured, no impairment	4,383,293	4,970,137
Trade payable	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	30,157,464	219,674,233
Accrued expenses	Related to expenses payable for management fee, 30-day term, non-interest bearing, unsecured	111,324	406,409
	Related to allocated costs charged to the Company for certain services, 30-day term, non-interest bearing, unsecured	(1,027,906)	4,789,888
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	–	–
	Accrued expenses related to product development cost of Aircon	–	–
Rent income	Related to rental income on investment properties, 30-day term, non-interest bearing, unsecured, no impairment	26,702,604	–
Service income	Related to service income earned from rendering services in the form of general advice and assistance fees	56,070,948	–

Receivable from and payable to related parties are presented under 'Receivables' and 'Accounts payable and accrued expenses', respectively.

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances as at March 31, 2017 and 2016 are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. In 2017, 2016 and 2015, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

The Parent Company has interest-bearing loans receivable from its Subsidiary amounting to ₱154.0 million as of March 31, 2017 and 2016, respectively. The 12.0% nominal annual interest is to be paid on a monthly basis while the principal is payable on its maturity date, March 31, 2026.

The carrying amount of the receivable in the Parent Company's books and payable in the Subsidiary's books amounted to ₱154.0 million as of March 31, 2017 and 2016, respectively, which were eliminated in the consolidation. The net expenses in the Parent Company's books and net revenue in the Subsidiary's books amounted to ₱28.9 million and ₱19.1 million, ₱28.9 million and ₱26.8 million and ₱28.9 million and ₱25.6 million in 2017, 2016 and 2015, respectively. These balances and transactions were eliminated in the consolidation.

Key Management Personnel
The Group's key management personnel include the president and directors. The compensation of key management personnel consists of:

	2017	2016	2015
Short-term employee benefits	**₱59,193,958**	₱72,389,297	₱46,303,571
Post-employment benefits	**4,635,894**	5,237,935	3,740,807
	₱63,829,852	₱77,627,232	₱50,044,378

There are no agreements between the Group and any of its key management personnel providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Parent Company's retirement plan.

Transactions with the Retirement Fund
Under PFRS, certain post-employment benefit plans are considered as related parties.

The Parent Company's retirement plan is in the form of different investments being managed by the Parent Company. The Board of Trustees (BOT) of the retirement plan is mandated to approve the plan, trust agreement, investment plan including any amendments or modifications thereto, and any other activities of the plan. Certain members of the BOD of the Parent Company are represented in the BOT. The BOT manages the plan based on the mandate as defined in the trust agreement. The retirement fund has 60.0% interest in the subsidiary of the Parent Company amounting to ₱58.3 million and 5.1% interest in the Parent Company amounting to ₱148.5 million and ₱105.8 million as of March 31, 2017 and 2016, respectively.

The fair value of the net plan assets of the fund by each classes as at the end of the reporting period are as follows:

	2017	2016
ASSETS		
Cash and cash equivalents	**₱106,493,130**	₱9,710,047
Loans and receivables	**56,459,479**	56,014,762
Investments	**281,623,439**	220,553,790
	₱444,576,048	₱286,278,599

As of March 31, 2017 and 2016, certain loans and receivables amounting to ₱56.5 million and ₱56.0 million, respectively, are receivables of the retirement fund from certain employees of the Parent Company. These are being deducted from the monthly salary of the employees and are payable within 12 months. Investments pertain to equity instruments which have quoted market prices except for the investment in PERC amounting to ₱58.3 million and investment properties pertaining to a parcel of land held for capital appreciation amounting to ₱7.8 million.

There are no other transactions or outstanding balances by the Parent Company, or its related parties, with the retirement plan of the employees of the Parent Company as of March 31, 2017 and 2016.

23. Registration with the PEZA

The Parent Company is registered with the Philippine Economic Zone Authority (PEZA) pursuant to the provision of Republic Act (RA) No. 7916 (otherwise known as the "Special Economic Development Zone Act of 1995"), for Ecozone Export Enterprise for the manufacture of air conditioners and related service parts. Under the terms and conditions of its registration, the Parent Company is subject to certain requirements primarily related to the monitoring of its registered activities.

As a PEZA registered nonpioneer enterprise, the Parent Company's existing Board of Investments (BOI) operations, which were transferred to PEZA, are entitled to certain tax benefits and nontax incentives provided for the original project by the aforementioned law, which includes, among others, income tax holiday (ITH) for three years for incremental sales of air-conditioners starting April 1, 2003, 5.0% gross income taxation for air conditioners in lieu of national and local taxes, tax and duty-free importation of capital equipment and raw materials, exemption from realty taxes on machinery for four years from the date of acquisition, employment of foreign nationals and others. Any local sale of its registered products shall be subject to a separate application and prior PEZA approval.

The Parent Company's BOI registration is deemed cancelled upon approval of its PEZA registration.

The Parent Company also agrees that a first lien shall automatically be constituted upon any of its real or personal property found, existing and/or located in its registered operations to answer for any and all outstanding obligations or accounts owing, due and/or payable by the Parent Company to PEZA in the future, if any.

24. Income Taxes

The provision for income tax consists of:

	2017	2016	2015
Current			
RCIT	**₱111,283,852**	₱135,656,305	₱43,963,563
Gross income tax (GIT)	**20,091,697**	13,061,697	10,409,196
	₱131,375,549	₱148,718,002	₱54,372,759

The reconciliation of income before income tax computed at the statutory tax rate to provision for income tax as shown in the consolidated statements of comprehensive income follows:

	2017	2016	2015
Income tax at statutory income tax rate	**₱200,163,028**	₱119,908,042	₱65,084,479
Additions to (reductions in) income taxes resulting from:			
Income from PEZA registered activities	**(43,066,554)**	(21,231,574)	(14,741,500)
Non-deductible expenses (non-taxable income)	**(13,012,595)**	16,133,589	14,036,567
Income subjected to final tax	**(11,258,169)**	(8,617,431)	(7,874,839)
Movement in unrecognized deferred tax assets	**(1,450,161)**	42,525,376	(2,131,948)
	₱131,375,549	₱148,718,002	₱54,372,759

The components of the Group's net deferred tax assets follow:

	2017	2016
Deferred tax assets:		
Provisions for estimated liabilities and other accruals	**₱61,259,897**	₱14,348,585
Unamortized past service cost	**43,906,684**	29,507,917
Allowance for inventory losses	**20,370,000**	30,353,679
Retirement liability	**19,170,794**	56,249,311
Allowance for credit and probable losses	**9,382,110**	14,615,908
Unrealized foreign currency exchange loss - net	–	4,460,241
	₱154,089,485	₱149,535,641
Deferred tax liabilities:		
Net book value of replacement and burned property, plant and equipment	**₱10,516,997**	₱8,561,253
Unrealized foreign currency exchange gain - net	**2,598,100**	–
	13,115,097	8,561,253
	₱140,974,388	₱140,974,388

The Group did not recognize deferred tax assets on temporary differences related to provisions for estimated liabilities and other accruals amounting to ₱24.1 million and ₱19.3 million as of March 31, 2017 and 2016, respectively.

The Group assessed that it may not be probable that sufficient taxable income will be available in the foreseeable future against which these tax benefits can be realized.

In addition, the Group has certain activities entitled to tax benefits and nontax incentives granted by PEZA. As such, no deferred tax assets were set up on certain gross deductible temporary differences amounting to ₱13.7 million and ₱16.0 million in 2017 and 2016, respectively.

As of March 31, 2017, the Group has no excess MCIT over RCIT and NOLCO that can be credited against regular corporate income tax.

25. Contingencies

The Group is contingently liable for lawsuits and tax assessments arising from the ordinary course of business. In the opinion of management and its legal counsels, the ultimate liability for the said lawsuits and tax assessments, if any, would not be material in relation to the Group's financial position and operating results.

26. Basic/Diluted Earnings Per Share

Basic earnings per share is calculated by dividing the net income attributable to the equity holders of the Parent Company by the weighted average number of common shares outstanding during the year. Diluted earnings per share is the same as the basic earnings per share as there are no potential dilutive shares outstanding.

The following are the income and share data used in the basic/diluted earnings per share computation:

	2017	2016	2015
Net income attributable to the equity holders of the Parent Company (a)	**₱534,334,251**	₱254,111,531	₱164,644,760
Weighted average number of common shares (b) (Note 12)	**422,718,020**	422,718,020	422,718,020
Basic/diluted earnings per share (a/b)	**₱1.26**	₱0.60	₱0.39

There have been no other transactions involving common shares or potential common shares between the reporting date and the date of the completion of the consolidated financial statements.

27. Reporting Segments

For management purposes, the Group's business segments are grouped in accordance with that of Parent Company's (PC) lines of business, which are grouped on product basis follow: GCMS (Global Consumer Marketing Sector), SNC (System Network and Communication) and others. Under this structure, each business domain will integrate its research and development, manufacturing and sales, thereby establishing an autonomous structure that expedites business operations to accelerate growth.

Products under each business segment are as follows:

GCMS - This segment includes audio, video primarily related to selling products for media and entertainment industry. This also includes home appliance and household equipment primarily related to selling for household consumers.

SNC - This segment includes office automation equipment such as telecommunication products, security system and projectors primarily related to selling for business consumers.

Others - This segment includes supermarket refrigeration such as cold room, showcases and bottle coolers primarily related to selling to supermarkets and groceries. This also includes solar panel which is primarily a project-based selling.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, current and deferred taxes are managed on a group basis and are not allocated to operating segments.

The Group's segment information for the fiscal years ended March 31 is as follows (in thousands):

	2017				
	GCMS	**SNC**	**Others**	**Adjustments/ Eliminations**	**Total**
Statement of Comprehensive Income					
Net sales	**₱9,313,903**	**₱512,848**	**₱147,526**	**₱–**	**₱9,974,277**
Cost of goods sold (Note 14)	**(6,921,889)**	**(414,769)**	**(170,230)**	**–**	**(7,506,888)**
Selling expenses (Note 15)	**(1,105,504)**	**(54,112)**	**116,818**	**–**	**(1,042,798)**
General and administrative expenses (Note 16)	**(756,381)**	**(43,646)**	**(92,740)**	**–**	**(892,767)**
Other income - net (Note 20)	**122,383**	**5,464**	**7,539**	**–**	**135,386**
	₱652,512	**₱5,785**	**₱8,913**	**₱–**	**₱667,210**
Statement of Financial Position					
Segment assets	**₱3,826,684**	**₱277,305**	**₱2,432,663**	**₱140,974[1]**	**₱6,677,626**
Segment liabilities	**2,007,333**	**86,193**	**312,142**	**2,153[2]**	**2,407,821**
Other Segment Information					
Capital expenditures[3] (Notes 7, 8 and 9)	**₱126,254**	**₱712**	**₱45,435**	**₱–**	**₱172,401**
Depreciation and amortization[4] (Note 18)	**109,070**	**2,798**	**46,613**	**–**	**158,481**
Interest income[5] (Note 20)	**–**	**–**	**55,478**	**–**	**55,478**

1. Segment assets do not include deferred tax assets amounting to ₱141.0 million.
2. Segment liabilities do not include income tax payable amounting to ₱2.2 million.
3. Capital expenditures include acquisition of property, plant and equipment and software costs.
4. Depreciation and amortization is divided between cost of goods sold and general and administrative expenses.
5. Interest income is included in other income.

	2016				
	GCMS	SNC	Others	Adjustments/ Eliminations	Total
Statement of Comprehensive Income					
Net sales	₱7,657,396	₱356,722	₱110,223	₱–	₱8,124,341
Cost of goods sold (Note 14)	(5,905,040)	(293,464)	(122,320)	–	(6,320,824)
Selling expenses (Note 15)	(779,043)	(20,346)	42,685	–	(756,704)
General and administrative expenses (Note 16)	(747,885)	(44,918)	(34,088)	–	(826,891)
Other income - net (Note 20)	168,190	5,841	5,741	–	179,772
	₱393,618	₱3,835	₱2,241	₱–	₱399,694
Statement of Financial Position					
Segment assets	₱3,500,013	₱241,704	₱2,104,066	₱140,974[1]	₱5,986,757
Segment liabilities	1,686,927	66,206	228,976	13,151[2]	1,995,260
Other Segment Information					
Capital expenditures[3] (Notes 7, 8 and 9)	₱71,041	₱401	₱25,565	₱–	₱97,007
Depreciation and amortization[4] (Note 18)	108,235	2,777	46,256	–	157,268
Interest income[5] (Note 20)	–	–	35,587	–	35,587

1. Segment assets do not include deferred tax assets amounting to ₱141.0 million.
2. Segment liabilities do not include income tax payable amounting to ₱13.2 million.
3. Capital expenditures include acquisition of property, plant and equipment, investment properties and software costs.
4. Depreciation and amortization is divided between cost of goods sold and general and administrative expenses.
5. Interest income is included in other income.

	2015				
	GCMS	SNC	Others	Adjustments/ Eliminations	Total
Statement of Comprehensive Income					
Net sales	₱6,325,441	₱311,045	₱76,939	₱–	₱6,713,425
Cost of goods sold (Note 14)	(4,903,075)	(258,786)	(109,909)	–	(5,271,770)
Selling expenses (Note 15)	(676,736)	(21,419)	(22,479)	–	(720,634)
General and administrative expenses (Note 16)	(569,100)	(28,655)	(23,272)	–	(621,027)
Other income - net (Note 20)	53,532	930	62,492	–	116,954
	₱230,062	₱3,115	(₱16,229)	₱–	₱216,948
Statement of Financial Position					
Segment assets	₱2,963,836	₱217,303	₱2,123,435	₱149,948[1]	₱5,454,522
Segment liabilities	1,254,789	39,450	355,154	1,001[2]	1,650,394
Other Segment Information					
Capital expenditures[3] (Notes 8, 9 and 10)	₱85,946	₱7,594	₱112,729	₱–	₱206,269
Depreciation and amortization[4] (Note 18)	142,574	1,470	47,519	–	191,563
Interest income[5] (Note 20)	–	–	26,249	–	26,249

1. Segment assets do not include deferred tax assets amounting to ₱150.0 million.
2. Segment liabilities do not include income tax payable amounting to ₱1.0 million.
3. Capital expenditures include acquisition of property, plant and equipment, investment properties and software costs.
4. Depreciation and amortization is divided between cost of goods sold and general and administrative expenses.
5. Interest income is included in other income.

Geographic Information

The tables below show the revenue information of the Parent Company based on the location of the customer (in thousands):

	2017	2016	2015
Philippines	**₱9,099,559**	₱7,238,197	₱5,935,855
Hongkong	**841,527**	853,409	768,971
Africa	**33,191**	32,735	8,599
Total revenue	**₱9,974,277**	₱8,124,341	₱6,713,425

The Parent Company has two customers each representing 10.0% or more of the Parent Company's total revenue amounting to ₱2.9 billion in 2017 and ₱1.9 billion in 2016.

28. Financial Risk Management Objectives and Policies

Risk management structure

All policy directions, business strategies and management initiatives emanate from the BOD which strives to provide the most effective leadership for the Group. The BOD endeavors to remain steadfast in its commitment to provide leadership, direction and strategy by regularly reviewing the Group's performance. For this purpose, the BOD convenes at least once a month.

The Group has adopted internal guidelines setting forth matters that require BOD approval. Under the guidelines, all new investments, any increase in investment in businesses and any divestments require BOD approval.

The Group's principal financial instruments consist of cash and cash equivalents, receivables and AFS investments. The main purpose of these financial instruments is to raise finances for the Group's operations. The Group has various other financial instruments such as, accounts payable and accrued expenses, dividends payable and technical assistance fees payable which arise from normal operations.

The main risks arising from the Group's financial instruments are liquidity risk, market risk and credit risk. The Group also monitors the market price risk arising from all financial instruments.

Liquidity Risk
The Group's objective is to maintain a balance between continuity of funding and flexibility through collection of receivables and cash management. Liquidity planning is being performed by the Group to ensure availability of funds needed to meet working capital requirements.

Overall, the Group's funding arrangements are designed to keep an appropriate balance between equity and debt to give financing flexibility while continuously enhancing the Group's business.

The tables below summarize the maturity profile of the financial assets and liabilities, based on the contractual undiscounted payments as of March 31:

	2017				
	Less than 30 days	1 to 3 months	3 to 12 months	1 to 5 years	Total
Financial Assets					
Cash and cash equivalents	₱846,839,192	₱2,744,719,196	₱–	₱–	₱3,591,558,388
Receivables					
Trade					
Domestic	833,486,838	–	–	–	833,486,838
Export	117,143,052	–	–	–	117,143,052
Non-trade	96,874,520	1,995,733	–	–	98,870,253
	1,894,343,602	2,746,714,929	–	–	4,641,058,531
AFS investments	–	–	–	2,341,458	2,341,458
Other assets	356,360	–	–	15,182,345	15,538,705
	1,894,699,962	2,746,714,929	–	17,523,803	4,658,938,694
Financial Liabilities					
Accounts payable and accrued expenses*	1,554,194,701	76,014,511	390,373,001	–	2,020,582,213
Finance lease liability	546,891	521,982	1,415,321	469,762	2,953,956
	1,554,741,592	76,536,493	391,788,322	469,762	2,023,536,169
	₱339,958,370	₱2,670,178,436	(₱391,788,322)	₱17,054,041	₱2,635,402,525

**Excludes statutory liabilities amounting to ₱15,732,699.*

	2016				
	Less than 30 days	1 to 3 months	3 to 12 months	1 to 5 years	Total
Financial Assets					
Cash and cash equivalents	₱1,663,733,500	₱1,630,800,783	₱–	₱–	₱3,294,534,283
Receivables					
Trade					
Domestic	757,418,759	–	–	–	757,418,759
Export	180,301,491	–	–	–	180,301,491
Non-trade	95,587,642	3,903,043	750,869	710,162	100,951,716
	2,697,041,392	1,634,703,826	750,869	710,162	4,333,206,249
AFS investments	–	–	–	2,341,458	2,341,458
Other assets	508,792	–	–	16,518,326	17,027,118
	2,697,550,184	1,634,703,826	750,869	19,569,946	4,352,574,825
Financial Liabilities					
Accounts payable and accrued expenses	1,170,201,590	51,032,589	262,078,187	–	1,483,312,366
Finance lease liability	213,896	830,359	2,144,414	2,521,955	5,710,624
	1,170,415,486	51,862,948	264,222,601	2,521,955	1,489,022,990
	₱1,527,134,698	₱1,582,840,878	(₱263,471,732)	₱17,047,991	₱2,863,551,835

**Excludes statutory liabilities amounting to ₱27,491,227.*

Market Risk

Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of financial instruments. The Group manages market risks by focusing on two market risk areas such as foreign currency risk and equity price risk.

Foreign currency risk

Exposure to currency risk arises from sales and purchases in currencies other than the Parent Company's functional currency. Foreign currency risk is monitored and analyzed systematically and is managed by the Group. The Group ensures that the financial assets denominated in foreign currencies are sufficient to cover the financial liabilities denominated in foreign currencies.

As of March 31, 2017 and 2016, the foreign currency-denominated financial assets and financial liabilities in original currencies and their Philippine Peso (PHP) equivalents are as follows:

	2017		
	USD	**JPY**	**Equivalents in PHP**
Financial assets			
Cash and cash equivalents	**814,418**	**162,018,566**	**113,532,723**
Receivables	**2,648,991**	**3,835,336**	**134,593,927**
	3,463,409	**165,853,902**	**248,126,650**
Financial liabilities			
Accounts payable and accrued expenses	**11,477,278**	**4,916,523**	**577,905,812**

	2016		
	USD	JPY	Equivalents in PHP
Financial assets			
Cash and cash equivalents	9,109,577	70,122,401	448,435,411
Receivables	4,433,208	843,327	204,583,746
	13,542,785	70,965,728	653,019,157
Financial liabilities			
Accounts payable and accrued expenses	3,861,200	6,707,432	180,636,196

The following tables demonstrate the sensitivity to a reasonably possible change in the US dollar (USD) and Japanese yen (JPY) currency rates, with all variables held constant, of the Group's income before tax from continuing operations (due to changes in the fair value of monetary assets and liabilities).

	Increase/ decrease in USD rate	Effect on income before tax
2017	**+8%**	**29,775,976**
	-8%	**(34,954,406)**
2016	+8%	(33,039,306)
	-8%	38,785,273

	Increase/ decrease in JPY rate	Effect on income before tax
2017	**+7%**	**(4,723,136)**
	-7%	**5,434,146**
2016	+7%	(1,723,984)
	-7%	1,983,509

The sensitivity analysis has been determined assuming the change in foreign currency exchange rates has occurred at the reporting date and has been applied to the Group's exposure to currency risk for financial instruments in existence at that date, and all other variables, interest rates in particular, remain constant.

The stated changes represent management assessment of reasonable possible changes in foreign exchange rates over the period until the next annual report date.

There is no impact on the Group's equity other than those already affecting profit or loss.

Equity Price Risk
The Group's exposure to equity price pertains to its investments in quoted shares of the Parent Company which are classified as AFS investments in the consolidated statements of financial position. Equity price risk arises from the changes in the level of equity indices and the value of individual stocks traded in the stock exchange.

The effect on equity (as a result of a change in fair value of equity instruments held as available-for-sale at March 31, 2017 and 2016) due to a reasonably possible change in equity indices is not material to the consolidated financial position of the Group.

Credit Risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss. With respect to credit risk arising from financial assets of the Group, which comprise of cash and cash equivalents, receivables, AFS investments and other assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of the instrument.

The Group manages credit risk by assessing the creditworthiness of its counterparties. The Group trades only with recognized, creditworthy third parties. It is the Group's practice that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

As of March 31, 2016, the Group does not hold collateral or other credit enhancement for cash and cash equivalents, AFS investments, receivables and refundable meralco deposits (included in other assets). Thus, carrying values represent maximum exposure to credit risk. In 2017, the Group acquired credit insurance for its domestic trade receivables, which covers both fully secured and partially secured receivables. Other than for domestic trade receivables, the Group's maximum exposure to credit risk is equivalent to the carrying value of the Group's financial assets as of March 31, 2017.

Risk concentrations of the maximum exposure to credit risk
Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Group's financial strength and undermine public confidence.

As of March 31, 2017, the Group had one customer that owed it more than ₱150.0 million or 15% of the total trade receivables outstanding. As of March 31, 2016, the Group had no concentration of risks in its trade receivables.

As of March 31, 2017, the Group's maximum exposure to credit risk pertaining to domestic trade receivables follows:

Carrying Value	Fair Value of Credit Enhancement	Maximum Exposure to Credit Risk	Financial Effect of Credit Enhancement
₱805,713,138	₱538,198,770	₱267,514,368	₱538,198,770

The tables below summarize the credit quality of the Group's financial assets (gross of allowance for credit and impairment losses) as at March 31, 2017 and 2016:

	2017			
	Neither Past Due nor Individually Impaired		**Past Due or Individually Impaired**	
	High Grade	**Standard Grade**		**Total**
Cash and cash equivalents	**₱3,586,649,954**	**₱–**	**₱–**	**₱3,586,649,954**
Receivables				
Trade				
Domestic	–	**807,128,501**	**26,358,337**	**833,486,838**
Export	**117,143,052**	–	–	**117,143,052**
Non-trade	**66,225,649**	**32,644,604**	–	**98,870,253**
	183,368,701	**839,773,105**	**26,358,337**	**1,049,500,143**
AFS investments	–	**2,341,458**	–	**2,341,458**
Other assets	**15,538,705**	–	–	**15,538,705**
Total	**₱3,785,557,360**	**₱842,114,563**	**₱26,358,337**	**₱4,654,030,260**

	2016			
	Neither Past Due nor Individually Impaired		Past Due or Individually Impaired	
	High Grade	Standard Grade		Total
Cash and cash equivalents	₱3,292,423,211	₱–	₱–	₱3,292,423,211
Receivables				
Trade				
Domestic	–	716,148,239	41,270,520	757,418,759
Export	180,301,491	–	–	180,301,491
Non-trade	69,269,769	31,681,947	–	100,951,716
	249,571,260	747,830,186	41,270,520	1,038,671,966
AFS investments	–	2,341,458	–	2,341,458
Other assets	17,027,118	–	–	17,027,118
Total	₱3,559,021,589	₱750,171,644	₱41,270,520	₱4,350,463,753

The credit quality of financial assets was determined as follows:

Cash and cash equivalents - are composed of bank deposits and money market placements made with reputable financial institutions and hence, graded as "high grade".

Receivables - high grade receivables are receivables from related parties and employees while standard grade receivables are receivables from dealers who pay within the Group's normal credit terms.

AFS investments - the quoted investments are graded as "standard grade" since these are investments in known companies but have recorded impairment in previous years.

Other assets - pertains to deposits in refundable meralco deposits and advances to employees which are considered as "high grade" since collectibility of the refund is reasonably assured.

Fair Value Measurement
The methods used by the Group in estimating the fair value of its assets and liabilities follow:

Cash and cash equivalents, receivables and other assets
Carrying amounts of cash in banks, cash equivalents and receivables maturing within twelve (12) months are assumed to approximate their fair values. This assumption is applied to liquid assets and the short-term elements of all other financial assets.

AFS investments
Fair values are based on quoted prices published in the markets. For investments that are not quoted, the investments are carried at cost less allowance for impairment losses due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value.

Investment properties
The fair value of the investment properties has been determined by an independent appraiser using market data (or direct sales comparison) approach. This approach relies on the comparison of recent sale transactions or offerings of similar properties which have occurred and/or with close proximity to the subject property.

The Group has determined that the highest and best use for the investment properties is its current use.

Accounts payable and accrued expenses
Carrying amounts of accounts payable and accrued expenses approximate their fair values due to the short-term nature of the transactions.

Finance lease liability
Fair value was estimated using the discounted future cash flow methodology using the Group's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued.

The following tables summarize the carrying amount and fair values of the assets and liabilities, with carrying values not equal to fair value or whose fair values are required to be disclosed:

	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
2017					
Fair Value is Required to be Disclosed					
Investment properties	**₱48,350,017**	**₱–**	**₱–**	**₱84,169,667**	**₱84,169,667**
Finance lease liability	**₱2,755,846**	**₱–**	**₱–**	**₱2,953,955**	**₱2,953,955**

	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
2016					
Fair Value is Required to be Disclosed					
Investment properties	₱53,579,081	₱–	₱–	₱84,169,667	₱84,169,667
Finance lease liability	₱5,076,452	₱–	₱–	₱5,710,624	₱5,710,624

Description of significant unobservable inputs to valuation:

Account	**Valuation Technique**	**Significant Unobservable Inputs**
Investment properties	Sales Comparison Approach	Price per square meter, size, shape, location, time element and discount
Finance lease liability	Discounted cash flow method	7.4% - 7.8% risk premium rate

The significant unobservable inputs to valuation of investment properties pertain to:

Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of the lot size differences on land value.
Shape	Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.
Location	Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road.
Time element	An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investor's perceptions of the market over time. In which case, the current data is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.

Significant increases (decreases) in price per square meter and size of investment properties would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in discount would result in a significantly lower (higher) fair value of the properties.

29. Notes to Statements of Cash Flows

The Group's noncash investing and financing activities include the acquisition of vehicles under finance lease amounting to ₱1.0 million and ₱4.8 million in 2016 and 2015, respectively, classified under 'Property, plant and equipment' (see Notes 7 and 21).

30. Approval of the Release of Consolidated Financial Statements

The accompanying consolidated financial statements were approved and authorized for issue by the Parent Company's BOD on May 9, 2017.

Annex “C”

Annual Corporate Governance Report

COVER SHEET

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S.E.C. Registration Number

P A N A S O N I C M A N U F A C T U R I N G

P H I L I P P I N E S C O R P O R A T I O N

(Company's Full Name)

O R T I G A S A V E N U E E X T E N S I O N

T A Y T A Y R I Z A L

(Business address: No. Street City / Town / Province)

MARLON MOLANO

Contact Person

635 2260

Company Telephone Number

0 3 3 1

Month Day

2010

Fiscal Year

A C G R

FORM TYPE

0 6 1 7

Month Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

Top be accomplished by SEC Personnel concerned

LCU

CASHIER

MAY 3 0 2017

RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year: Fiscal Year **2016**

2. Exact Name of Registrant as Specified in its Charter: **PANASONIC MANUFACTURING PHILIPPINES CORP. (PMPC)**

3. Ortigas Avenue Extension, Taytay, Rizal — 1920
   Address of Principal Office — Postal Code

4. SEC Identification Number: **23022**

5. (SEC Use Only)
   Industry Classification Code

6. BIR Tax Identification Number: **000-099-692-000**

7. 632-635-2260 to 65
   Issuer's Telephone number, including area code

8. ....
   Former name or former address, if changed from the last report

TABLE OF CONTENTS

A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	Nine (9)

Actual number of Directors for the year	Nine (9)

(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive Director(ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID)[1]	Elected when (Annual /Special Meeting)	No. of years served as director
Koji Takatori	NED	Panasonic Corp. Japan	Panasonic Corp. Japan	4/01/16	6/17/16	Annual	1 yr.
Shinichi Hayashi	ED	Panasonic Corp. Japan	Panasonic Corp. Japan	6/17/16	6/17/16	Annual	2 years
Hiroshi Yamada	ED	Panasonic Corp. Japan	Panasonic Corp. Japan	2/01/14	6/17/16	Annual	2.5 yrs.
Yoshiyuki Takahashi	ED	Panasonic Corp. Japan	Panasonic Corp. Japan	6/19/15	6/19/16	Annual	2 years
Masaru Toyota	ED	Panasonic Corp. Japan	Panasonic Corp. Japan	6/14/14	6/17/16	Annual	2 years
Eiji Fukumori	NED	Panasonic Corp. Japan	Panasonic Corp. Japan	4/01/16	6/17/16	Annual	1 year
Hiroyuki Tagishi	NED	Panasonic Corp. Japan	Panasonic Corp. Japan	4/01/16	6/17/16	Annual	1 year
Elizabeth P. Gildore	ID	M. Molano	No Relationship	6/19/15	6/17/16	Annual	2 years
Emiliano Volante	ID	M. Molano	No Relationship	October 2010	6/17/16 3.3 yrs.	Annual	6.4 yrs.

(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.
The Board delineated the PMPC's corporate governance policy on the rights of the stockholders in relation to: (1) right to vote on all matters that require approval (2) Pre-emptive right to all stock issuances of the corporation (3) Right to information (4) Right to receive dividends and (5) Appraisal right.

(c) How often does the Board review and approve the vision and mission?
The Board annually reviews the company's vision and mission if it remains consistent with the company's objectives and Corporate Charter.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group[2]

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

[1] Reckoned from the election immediately following January 2, 2012.
[2] The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Koji Takatori	*Panasonic Asia Pacific Pte. Ltd.,*	*Non-Executive*
Eiji Fukumori	*Panasonic Asia Pacific Pte, Ltd*	*Non-Executive*
Hiroyuki Tagishi	*Panasonic Asia Pacific Pte. Ltd.*	*Non-Executive*

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:
None. All our directors do not have either directorship responsibility or relationship with other listed companies that may have impact on PMPC's governance policy and procedures.

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

All of our directors do not have relationship which links them to significant shareholders in the company and/or in its group.

Director's Name	Name of the Significant Shareholder	Description of the relationship

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:
The Board have adopted the five (5) directorship limiting guideline in other companies. The guidelines are stipulated in the Manual on Corporate Governance that is being followed by the nominating committee. Most of the local directors are directors of PMPC only while resident Japanese directors hold at most two (2) directorships (usually affiliates).

A director is also required to notify his/her incumbent Board before accepting a directorship in another company. This is for the Board to be able to assess if his/her present responsibilities and commitment to the company will be affected and if the director can still adequately provide what is expected of him/her.

	Guidelines	Maximum Number of Directorships in other companies
Executive Director		5
Non-Executive Director		5
CEO		2

(e) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Koji Takatori	*1*	-	*NIL*
Shinichi Hayashi	*1*	-	*NIL*
Masaru Toyota	*1*	-	*NIL*
Hiroshi Yamada	*1*	-	*NIL*
Yoshiyuki Takahashi	*1*	-	*NIL*
Eiji Fukumori	*1*	-	*NIL*
Hiroyuki Tagishi	*1*	-	*NIL*
Emiliano Volante	*9,879*	-	*NIL*
Elizabeth Gildore	*1,000*	-	*NIL*
TOTAL	***10,886***		

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes [ ] No [X]

Identify the Chair and CEO:

Chairman of the Board	*Shinichi Hayashi*
CEO/President	*Shinichi Hayashi*

The role of the Chairman of the Board and CEO/President are performed by one person. However, the role of each position is separately specified in the Company's Manual on Corporate Governance.

As a measure to ensure objectivity, check and balance on the Board, a lead director from the ranks of independent directors is planned to be created. The Board pre-selected the Chairman of the Audit Committee as the Board lead director pending the final resolution from the Board. The role of the lead director is also specified in the Company's Manual on Corporate Governance.

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
Role	*Presides over meeting of the Board*	*General supervision of the business, affairs, property of the company*
Accountabilities	*Provides strategic leadership to the Board, and to participate in Board decision-making.*	*Ensures that all orders and resolution of the Board are carried into effect including the company's strategic objectives.*
Deliverables	*Oversight over the company's strategic objectives*	*Submits to the Board and stockholder at the annual meeting, a complete report of the operations of the Company for the preceding year, and the state of its affairs.*

3) Explain how the board of directors plans for the succession of the CEO/Managing Director/President and the top key management positions?

PMPC has succession policy in place that establishes professional development program and succession planning for personnel who are qualified to be officers of the company. The objective of the succession plan is to ensure the orderly identification and selection of new CEO/Executive Officer in case the need arises, whether such opening exists by reason of an anticipated retirement, an unanticipated departure, increaser of in the number of officer or otherwise.

However, the approval of the Panasonic Parent Company in Japan is required for the position of CEO/President, and Japanese directors to be assigned at PMPC. The company's policy on succession planning includes among others identifying prospective personnel who shall be part the pool of personnel that will undergo the professional development program both local and abroad. These personnel are intended to be groomed as part of executive management in the future when the need arises.

4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

PMPC has written policy and procedures on board diversity policy that are currently in place. PMPC recognizes and embraces the benefits of having a diverse Board, and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage. The Board includes and make good use of differences in the skills, regional and industry experience, background, race, gender and other distinctions between Directors. These differences are considered in determining the optimum composition of the Board. All Board appointments are made on merit, in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective. The Board has female independent director with appropriate qualification and skills on board.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

All incumbent non-executive and independent directors have served PMPC and/or other Panasonic affiliated companies for many years. Even the independent directors have previously served as finance managers/consultant of PMPC.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	**Non-Executive**	**Independent Director**
Role	*Direct and active management of the business of the Company. See that all orders and resolution of the Board are carried into effect.*	*Participate in the Board Decision making. Provide professional advice on matters of significant importance.*	• *Assist the Board in fulfilling its corporate governance responsibilities.* • *Oversee the assessment of Internal Control over Governance, Risk Management and Operation. Provide objective and independent judgment/opinion on all matters which require Board resolution.*
Accountabilities	*Accountable to the Board and stockholders re execution of Board resolution, strategies and business result.*	*Accountable to the Board Stockholders re all resolution and decisions made.*	*Accountable to the Board and Stockholders re all resolution and decisions made.*
Deliverables	*Submit to the Board after the close of each fiscal year and to the Stockholder at the annual meeting, a complete*	• *Ensure there is strong and efficient Governance system in place.*	• *Report the state of the Company's Internal Control System over the Company's governance process, risk*

	Executive	Non-Executive	Independent Director
	report of the operations of the Company for the preceding year, and the state of its affair.	• *Report to the stockholders the state of its governance affairs and the result of business operation*	*management and operation.* • *Recommend Internal and external auditors to the Board and stockholders.* • *Review the audit and non-audit fees of external auditor.*

Provide the company's definition of "independence" and describe the company's compliance to the definition.

"Independence" shall mean a person other than an officer or employee of the corporation, its parent or subsidiaries, or any other individual having a relationship with the corporation, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Both of PMPC's amended by-laws and manual on corporate governance include the definition of independence. PMPC Independent Directors annually sign the SEC's certification of independent director.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

The Board's independent directors shall serve for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from re-election as such in the same company, but may continue to qualify for nomination and election as a non-independent director. In the instance that a company wants to retain an independent director who has served for nine years, the Board shall provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting.

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors	*Nomination Committee/ Stockholders*	Qualifications/Experience/Past Performance/Manual on Corporate Governance
(ii) Non-Executive Directors	*Nomination Committee/ Stockholders*	Qualifications/Experience/Past Performance/Manual on Corporate Governance
(iii) Independent Directors	*Nomination Committee/ Stockholders*	Qualifications/Experience/Past Performance/ Manual on Corporate Governance
b. Re-appointment		
(i) Executive Directors	*Nomination Committee/*	Performance/Deliverables based on Charter/Manual on

	Stockholders	Corporate Governance.
(ii) Non-Executive Directors	*Nomination Committee/ Stockholders*	Performance/Deliverables based on Charter/Manual on Corporate Governance.
(iii) Independent Directors	*Nomination Committee/ Stockholders*	Performance/Deliverables based on Charter/Manual on Corporate Governance.
c. Permanent Disqualification		
(i) Executive Directors	*SEC Code of Corporate Governance. By-laws*	• *Convicted judicially of an offense involving moral turpitude or fraudulent act or transgression* • *Willful violation of SEC Code and Corporate Code.* • *Judicially declared to be insolvent* • *Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years.*
(ii) Non-Executive Directors	*SEC Code of Corporate Governance. By-laws*	• *Convicted judicially of an offense involving moral turpitude or fraudulent act or transgression* • *Willful violation of SEC Code and Corporate Code.* • *Judicially declared to be insolvent* • *Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years.*
(iii) Independent Directors	*SEC Code of Corporate Governance. By-laws*	• *Convicted judicially of an offense involving moral turpitude or fraudulent act or transgression* • *Willful violation of SEC Code and Corporate Code.* • *Judicially declared to be insolvent* • *Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years.* • *Transaction with the company whether direct or indirect and whether material or immaterial other than his fees and shareholding in the course of his being an independent director.* • *Elected as independent director who becomes officer, employee or consultant of the same corporation.* • *An Independent Director who have served for nine 9 years which include the cooling period of two years.*
d. Temporary Disqualification		
(i) Executive Directors	*SEC Code of Corporate Governance*	• *Refusal to comply with the disclosure requirements of SEC Securities Regulation Code* • *Absence in more than fifty (50)% percent of all regular and special meetings of the Board* • *Dismissal or termination for cause as director of any corporation covered by the Code of Corporate Governance.* • *If any of the judgment orders cited in the grounds for permanent disqualification has not become final*
(ii) Non-Executive Directors	*SEC Code of Corporate Governance*	• *Refusal to comply with the disclosure requirements of SEC Securities Regulation Code* • *Absence in more than fifty (50)% percent of all regular and special meetings of the Board* • *Dismissal or termination for cause as director of any corporation covered by the Code of Corporate Governance.* • *If any of the judgment orders cited in the grounds for permanent disqualification has not become final*
(iii) Independent Directors	*SEC Code of Corporate Governance*	• *Absence in more than fifty (50)% percent of all regular and special meetings of the Board* • *Dismissal or termination for cause as director of any corporation covered by the Code of Corporate Governance.* • *If any of the judgment orders cited in the grounds for permanent disqualification has not become final*

		• *Beneficial equity ownership of independent director in the corp. and its subsidiaries and affiliates exceed two (2%) percent of subscribed capital stock.*
e. Removal		
(i) Executive Directors	*By-laws/Corporation Code/ Manual on SEC Code of Corporate Governance*	*Directors can be subjected to removal by resolution of the Board anytime, with or without cause, provided a majority of the Board shall vote in favor of thereof.*
(ii) Non-Executive Directors	*By-laws/Corporation Code/ Manual on SEC Code of Corporate Governance*	*Directors can be subjected to removal by resolution of the Board anytime, with or without cause, provided a majority of the Board shall vote in favor of thereof.*
(iii) Independent Directors	*By-laws/Corporation Code/ Manual on SEC Code of Corporate Governance*	*Directors can be subjected to removal by resolution of the Board anytime, with or without cause, provided a majority of the Board shall vote in favor of thereof.*
f. Re-instatement		
(i) Executive Directors	*Dependent on Parent Co.*	-
(ii) Non-Executive Directors	*Dependent on Parent Co.*	-
(iii) Independent Directors	*SEC Securities Regulation Code/Manual on Corporate Governance*	*Rei-instatement of independent director beyond nine years for is subjected to rigorous review, taking into account the need for progressive change in the Board to ensure an appropriate balance of skills and experience. However, the shareholders may, in exceptional cases, choose to re-elect an independent director who has served for nine years. In such instances, the Board must provide a meritorious justification for the re-election*
g. Suspension		
(i) Executive Directors	*Manual on Corporate Governance and Code of Conduct*	• *Violation of Manual on Corporate Governance and Code of Conduct*
(ii) Non-Executive Directors	*Manual on Corporate Governance and Code of Conduct*	• *Violation of Manual on Corporate Governance and Code of Conduct*
(iii) Independent Directors	*SEC Securities Regulation Code/Manual on Corporate Governance*	• *Beneficial ownership exceeds 2% of subscribed capital stock of the company or any of the company's subsidiaries or affiliates.* • *Business transaction with the Company whether direct or indirect*

Voting Result of the last Annual General Meeting

Name of Director	Votes Received
Koji Takatori	*Unanimous*
Shinichi Hayashi	*Unanimous*
Masaru Toyota	*Unanimous*
Hiroshi Yamada	*Unanimous*
Yoshiyuki Takahashi	*Unanimous*
Eiji Fukumori	*Unanimous*
Hiroyuki Tagishi	*Unanimous*
Emiliano Volante	*Unanimous*
Elizabeth Gildore	*Unanimous*

6) Orientation and Education Program

(a) Disclose details of the company's orientation program for new directors, if any.

PMPC sponsored a seminar on Corporate Governance for all new and existing directors and officers. In addition, a copy of the Company's Manual on Corporate Governance is provided to every new director or officer assigned at PMPC. In addition, executive directors attended an in-house management continuing management educational program usually initiated and facilitated by the Panasonic Head Office in Japan.

For newly elected directors, they were appraised by the Corporate Governance Committee on corporate governance matters and a copy of the Company's Manual on Corporate Governance were provided to each Japanese director. The company scheduled an orientation program for the newly elected director to be conducted by duly accredited third party service provider that specializes on corporate governance orientation program.

(b) State any in-house training and external courses attended by Directors and Senior Management[3] for the past three (3) years:

PMPC Directors and officers attended the Corporate Governance Seminar. However, newly assigned or elected Japanese directors are schedule to attend an orientation seminar on corporate governance.

(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Koji Takatori			
Shinichi Hayashi			
Hiroshi Yamada	*September 18,2014*	*Corporate Governance*	*SGV & CO*
Masaru Toyota	*September 18,2014*	*Corporate Governance*	*SGV & Co.*
Yoshiyuki Takahashi	-	-	-
Eiji Fukumori	-	-	-
Atty. Mondragon	*September 18, 2014*	*Corporate Governance*	*SGV & Co.*
Elizabeth Gidlore	*July 9, 2015*	*Corporate Governance*	*SGV & Co.*
Emiliano Volante	*September 18,2014*	*Corporate Governance*	*SGV & Co.*
Hiroyuki Tagishi	-		

B. CODE OF BUSINESS CONDUCT & ETHICS

1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	*Duty to disclose existing or potential financial and business interest. Audit Committee*	*Duty to disclose existing or potential financial and business interest. Audit Committee*	*Duty to disclose existing or potential financial and business interest to his superior.*

[3] Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

	determines possible conflict of interest.	*determines possible conflict of interest*	*Manager who abets and condones conflict of interest is subject to termination.*
(b) Conduct of Business and Fair Dealings	*Mandatory compliance to conduct fair business dealings*	*Mandatory compliance to conduct fair business dealings*	*Mandatory compliance to conduct fair business dealings*
(c) Receipt of gifts from third parties	*Material gift from third parties not allowed to avoid perceived and potential conflict of interest.*	*Material gift from third parties not allowed to avoid perceived and potential conflict of interest.*	*Material gift from third parties not allowed to avoid perceived and potential conflict of interest.*
(d) Compliance with Laws & Regulations	*Oversee the company's compliance with relevant laws and regulation*	*Ensure compliance with relevant laws and regulations*	*Strict observe compliance with relevant laws and regulations.*
(e) Respect for Trade Secrets/Use of Non-public Information	*Information received from third parties is treated with utmost confidentiality and protected. Strictly confidential and confidential information are protected from non-user of the information. Personal Information protected. Non-public info strictly enforced using insider trading policy.*	*Information received from third parties is treated with utmost confidentiality and protected. Strictly confidential and confidential information are protected from non-user of the information. Personal Information protected. Non-public info strictly enforced using insider trading policy.*	*Information received from third parties is treated with utmost confidentiality and protected. Strictly confidential and confidential information are protected from non-user of the information. Personal Information protected. Non-public info strictly enforced using insider trading policy.*
(f) Use of Company Funds, Assets and Information	*Oversee that the Use of company fund, assets and info. is strictly for business purposes only to create value for stakeholders. Strictly confidential and confidential information are protected from non-user of the information.*	*Ensure that the use of company fund, assets and info. is strictly for business purposes only to create value for stakeholders. Strictly confidential and confidential information are protected from non-user of the information.*	*Use of company fund, assets and info. is strictly for business purposes only to create value for stakeholders. Strictly confidential and confidential information are protected from non-user of the information. Employees is bound not disclose to third parties any confidential information learned while performing their services, including trade secrets, without permission of the Company.*
(g) Employment & Labor Laws & Policies	*Oversee the following employees relation:* • *Equal employment opportunity right.* • *Committed to human resource development* • *Upholds Respect Human Rights* • *Compliance with local labor laws and policies*	*Ensure the following employees relation:* • *Equal employment opportunity right.* • *Committed to human resource development* • *Upholds Respect Human Rights* • *Compliance with local labor laws and policies*	*Employee should follow policies related to the following:* • *Human resource development* • *Respect Human Rights* • *Compliance with local labor laws and policies*
(h) Disciplinary action	*Directors are subject to Corporate Governance rules and regulation and Code of Conduct*	*Management is subject to Corporate Governance rules and regulation and Code of Conduct*	*Employee is subject to Corporate Governance rules and regulation and Code of Conduct*
(i) Whistle Blower	*Oversee that a whistleblower policy is in place and working effectively as intended. Directors are covered under the whistleblower policy.*	*Ensure that whistleblower system is in place. Ensure that an employee is not to be subjected to retaliation either from management or any personnel. Senior management is also subjected to the whistleblower policy.*	*Every employee is covered under the whistleblower policy. Employees, who whistle blow and acting in good faith are protected from retaliation from management or from any personnel*
(j) Conflict Resolution	Oversee the development of a complaints management framework which includes policy and a set of procedures	Ensure the development of a complaints management framework which includes policy and a set of procedures	Execution of the complaints management framework which includes policy and a set of procedures that have

	that have confirmed by the Board.	that have confirmed by its Executive Board.	confirmed by its management. All business units are required to develop and maintain a Complaints Management System (CMS).

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

Yes. Every newly appointed director, senior management and employee are oriented with the Company's Code of Conduct through the Company's Human Resource Department (HRD). The company's Code of Conduct is available in the company's website for the easy access and information of PMPC employees.

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

PMPC's Code of Conduct is disseminated during pre-employment orientation, along with the distribution of code of ethics booklet, and finally, a self-assessment survey is conducted by affiliated company to determine level of compliance. The company's Code of Conduct is also readily available through the company's e-library which can be readily accessed by all employees anytime during business hours. Updates on Code of Conduct are periodically facilitated by HRD.

4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	*Separate Disclosure. Requires the approval of the Treasury and Executive Director. Audit Committee is also required to review material related party transaction to determine if it is in the best interest of the company. PMPC discloses its of significant related transaction in accordance with PAS No. 24*
(2) Joint Ventures	*Separate Disclosure. Requires the approval of the Treasury and Executive Director. Audit Committee is required to review material related party transaction to determine if it is in the best interest of the company. PMPC discloses its of significant related transaction in accordance with PAS No. 24*
(3) Subsidiaries	*Separate Disclosure. Requires the approval of the Treasury and Executive Director. Audit Committee is required to review material related party transaction to determine if it is in the best interest of the company. PMPC discloses its of significant related transaction in accordance with PAS No. 24*
(4) Entities Under Common Control	*Separate Disclosure. Requires the approval of the Treasury and Executive Director. Audit Committee is required to review material related party transaction to determine if it is in the best interest of the company. PMPC discloses its of significant related transaction in accordance with PAS No. 24*
(5) Substantial Stockholders	*Not allowed due to possible conflict of interest.*
(6) Officers including spouse/children/siblings/parents	*PMPC officers are not allowed to do business with PMPC either directly or indirectly.* *PMPC shall disclose key management personnel compensation in total and for each of the following categories:* • *Short-term employee benefits* • *Post-employment benefits* • *Other long-term benefits* • *Termination benefits* • *Share-based payments*

(7) Directors including spouse/children/siblings/parents	*PMPC has a policy which requires directors to inform the Board about their business, financial and other interest.* *Director is not allowed to conduct business with PMPC whether direct or indirect. This rule extends to relatives up to 4th degree consanguinity or affinity.*
(8) Interlocking director relationship of Board of Directors	*PMPC has a policy which requires board members to abstain from participating in the Board discussion on a particular agenda when they are conflicted.*

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	*None*
Name of Officer/s	*None*
Name of Significant Shareholders	*None*

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.
PMPC has policies on Conflict of Interest, Related Party Transaction and Insider Trading in place that determine and resolve any possible conflict of interest between the PMPC and Directors. Recently, it has also adopted the newly enacted law on Transfer Pricing to ensure that transactions between the company and its group are purely in arms-length.

	Directors/Officers/Significant Shareholders
Company	• *If a director has an interest in a matter under consideration by the board, the director is not allowed to participate in those discussions and the board follows any further appropriate processes.* • *Audit Committee Review related party transaction independently* • *Disclosure of all related party transactions in the Company's Annual Financial Statement and/or Report.* • *PMPC Independent Directors annually sign the SEC's certification of independent director.* • *Disclosure of beneficial ownership by directors and officers* • *Adoption of Accounting Standards on Related Party Transaction (PAS) No. 24.* • *Shareholders have the rights of action and remedies which are readily accessible in order to redress the conduct of a company which treats them inequitably. Minority shareholders are afforded with protection and remedies against abusive or oppressive conduct*
Group	

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,[4] commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:
None.

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship

[4] Family relationship up to the fourth civil degree either by consanguinity or affinity.

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:
None.

Names of Related Significant Shareholders	Type of Relationship	Brief Description

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:
None.

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

	Alternative Dispute Resolution System
Corporation & Stockholders	*The Finance Officer, Compliance and Corporate Secretary are the personnel in-charge with respective dispute resolution. PMPC uses its Conflict Resolution Policy as a guideline to resolve conflicts.*
Corporation & Third Parties	*The Finance Officer, Compliance and Corporate Secretary are the personnel in-charge with respective dispute resolution. PMPC uses its Conflict Resolution Policy as a guideline to resolve conflicts.*
Corporation & Regulatory Authorities	*The Finance Officer, Compliance and Corporate Secretary are the personnel in-charge with respective dispute resolution. PMPC uses its Conflict Resolution Policy as a guidelines to resolve conflicts.*

C. BOARD MEETINGS & ATTENDANCE

1) Are Board of Directors' meetings scheduled before or at the beginning of the year?
Yes.

2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the Fiscal Year Apr. 1, 2016 to Mar. 31 2017	No. of Meetings Attended	%
Chairman	Shinichi Hayashi	June 17, 2016	14	14	100%
Vice Chairman	YOshiyuki Takahashi	June 17, 2016	14	14	100%
Member	Hiroshi Yamada	June 17,2016	14	14	100%
Member	Masaru Toyota	June 17,2016	14	14	100%

Board	Name	Date of Election	No. of Meetings Held during the Fiscal Year Apr. 1, 2016 to Mar. 31 2017	No. of Meetings Attended	%
Member	Hiroyuki Tagishi	June 17, 2016	14	14	100%
Member	Koji Takatori	June 17,2016	14	14	100%
Member	Eiji Fukumori	June 17,2016	14	14	100%
Independent	Elizabeth Gildore	June 17, 2016	14	14	100%
Independent	Emiliano Volante	June 17, 2016	14	14	100%

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?
Yes. Non-executive and/or independent directors met five (5) times in FY 2016.

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.
Yes. The majority of the directors shall constitute a quorum for the transactions of the business at any meeting, but a less number may be adjourned any meeting from time to time and the meeting may be held as adjourned without further notice. The resolution at any meeting of the Board of Directors shall always require an affirmative vote of at least majority of the quorum dully assembled as the Board.

5) Access to Information

(a) How many days in advance are board papers[5] for board of directors meetings provided to the board?
Two (2) days before the Board meeting

(b) Do board members have independent access to Management and the Corporate Secretary?
Board members have independent and full access to Management and the Corporate Secretary as provided for by the Company's Manual on Corporate Governance. Management is bound and/or required to submit to the Board any report or information which the latter may require. The Audit Committee reports to PMPC once a week to meet the Internal Audit and the management, if necessary.

(c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc.? Yes.

(i.) *Assists the Board and the board committees in the conduct of their meetings, including preparing an annual schedule of Board and committee meetings and the annual board calendar, and assisting the chairs of the Board and its committees to set agendas for those meetings;*
(ii.) *Safe keeps and preserves the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the corporation;*
(iii.) *Keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advises the Board and the Chairman on all relevant issues as they arise;*
(iv.) *Works fairly and objectively with the Board, Management and stockholders and contributes to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including shareholders;*
(v.) *Advises on the establishment of board committees and their terms of reference;*
(vi.) *Informs members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five working days in advance, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;*
(vii.) *Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so;*
(viii.) *Performs required administrative functions;*
(ix.) *Oversees the drafting of the by-laws and ensures that they conform with regulatory requirements; and*
(x.) *Performs such other duties and responsibilities as may be provided by the SEC.*

[5] Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.
Yes. The Company's duly appointed Corporate Secretary is a lawyer specializing in BIR and SEC rules and regulations. He has been a corporate secretary of the Company since 1975.

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes [X]   No [ ]

Committee	Details of the procedures
Executive	*PMPC's manual on corporate governance has a provision that requires management to provide information to the Executive Committee before the scheduled meeting in order for the latter to have an understanding of issue and formulate intelligent question. The Corporate Secretary prepares the Board meeting agenda and disseminate before the scheduled Board Meeting.*
Audit	*The Audit Committee receives information from the Head of the Internal Audit with respect to Internal Audit issues at least one (1) week before the scheduled Board Meeting. The Corporate Secretary prepares the Board meeting agenda and disseminate before the scheduled Board Meeting.*
Nomination	*PMPC's manual on corporate governance has a provision that requires management to provide information to the Nomination Committee before the scheduled meeting in order for the latter to have an understanding of issue and formulate intelligent question. The said committee may also seek external advice to obtain relevant information relation to matter that needs to be resolved.*
Remuneration	*PMPC's manual on corporate governance has a provision that requires management to provide information to the Remuneration Committee before the scheduled meeting in order for the latter to have an understanding of issue and formulate intelligent question. The said committee may also seek external advice to obtain relevant information relation to matter that needs to be resolved.*
Others (specify)	

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:
PMPC's Manual on Corporate Governance has provision that allow directors to seek external advice on matters that need specific or specialized skills. However, specific procedures are yet to be established.

Procedures	Details

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

There were no changes introduced by the Board of Directors on existing policies that may have significant impact on the Company's business during Fiscal Year 2016. Except for the adoption of various corporate governance policies to comply with the SEC's Code of Corporate Governance and to improve the governance processes of the Board.

Existing Policies	Changes	Reason

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers: *The remuneration of CEO and the Top 4 management is basically set by the Panasonic Corp in Japan. The Company has no standard arrangement regarding the remuneration of its existing directors and officers aside from the compensation herein stated.*

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	Remuneration of CEO is set in Japan Head Office	Remuneration of Japanese Officers are set in Japan Head Office
(2) Variable remuneration	-do-	-do-
(3) Per diem allowance	-do-	-do-
(4) Bonus	-do-	-do-
(5) Stock Options and other financial instruments	-do-	-do-
(6) Others (specify)	-	-

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

The Company has no standard arrangement regarding the remuneration of its existing directors and officers aside from the compensation herein stated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors			
Non-Executive Directors			

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years. *YES.*

Remuneration Scheme	Date of Stockholders' Approval

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	**35.8 Million**		
(b) Variable Remuneration			
(c) Per diem Allowance			
(d) Bonuses	**7.1Million**		
(e) Stock Options and/or other financial instruments			
(f) Others (Specify)	**1.2 million**		
Total	**44.1 Million**		

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances			
2) Credit granted			
3) Pension Plan/s Contributions			
(d) Pension Plans, Obligations incurred			
(e) Life Insurance Premium			
(f) Hospitalization Plan			
(g) Car Plan			
(h) Others (Specify)			
Total			

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to

stock rights, options or warrants over the company's shares:
None. The Company has not granted any warrant or options to any of its Directors or Executive Officers.

Director's Name	Number of Direct Option/Rights/ Warrants	Number of Indirect Option/Rights/ Warrants	Number of Equivalent Shares	Total % from Capital Stock

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:
There were no amendments of incentive programs during the last fiscal year 2016.

Incentive Program	Amendments	Date of Stockholders' Approval

5) Remuneration of Management

Identify the five (5) members of management who are <u>not</u> at the same time executive directors and indicate the total remuneration received during the financial year: *None. Members of the management are executive directors as well.*

Name of Officer/Position	Total Remuneration

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	4			With Approved Charter	Exercises all the powers of the Board in the management and direction of	• Serve as the operating arm of the Board in all matters relating to corporate	Execute all resolution and direction of the Board.

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
					the affairs of the company	governance • May approve all major policies and oversees all major risk taking activities on a more detailed basis.	
Audit	1		2	With Approved Charter	Monitors and evaluates the adequacy and effectiveness of the Company's internal control system	Provide oversight on the overall management of operating risks, financial reporting and control, internal audit and external auditors, quality compliance with the corporate governance manual.	Power to create internal Audit Dept., appointment and removal of Internal Audit Head.
Corporate Governance	1		2	With Approved Charter	Oversee the company's compliance on Corporate Governance matters.	1. Review the company's Manual of Corporate Governance. 2.Recommend any changes that are designed to: a. Ensure stockholders' right are maintained and secured; b. Ensure timely and effective communication with stockholders; c. Make the policies consistent with PMPC's core values; d. Promote good governance that would continue to be part of PMPC's culture; 3. Advise the Board on the company's public reporting of information on Corporate Governance practices and issues with regulatory agencies.	Approve proposed policies on Corporate Governance. Review/assess the Board Governance Performance. Review Related Party Transaction. Assess the performance of the Board.
Nomination	1		2	With Approved Charter	Ensure that the Board is made up of individuals of proven integrity and competence.	Reviews and evaluates the qualifications of all persons nominated to position in the Co. which require the appointment of the Board.	Set and approved the required qualification of directors and officers.

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Remuneration	1		2	With Approved Charter	Ensure that the compensation of the Board is at par with the best company in order to retain the services of director and officer of the Co.	Evaluate and recommend compensation package of director and officer.	Approved the compensation package of directors and officers of the Co.
Risk Mgt.	1		2	With Approved Charter	Oversee the risk management process of the Co. to ensure that all relevant risks affecting the Co. are taken into consideration and addressed	Nurture a culture of risk management across the enterprise, proposes guidelines and reviews on a regular basis, risk management structures, limits, issues and measurement across the Company to meet and comply with regulatory and international standards on risk measurement and management	Approved the Company's Risk Appetite. Oversee the result of the Annual Risk Assessment.

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Shinichi Hayashi	June 17, 2016	4	4	100%	l yr.
Member (ED)	Hiroshi Yamada	June 17, 2016	4	4	100%	2 yr.
Member (ED)	Masaru Toyota	June 17, 2016	4	4	100%	3.1 yrs.
Member (ED)	Yoshiyuki Takahashi	June 17, 2016	4	4	100%	2 yrs.

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Emiliano Volante	June 17, 2016	5	5	100%	2 yrs.
Member (ED)	Yoshiyuki Takahashi	June 17, 2016	5	5	100%	2 yrs.
Member (ID)	Elizabeth Gildore	June 17, 2016	5	5	100%	2 yrs.

Disclose the profile or qualifications of the Audit Committee members.

The Chairman of the Audit Committee is a formerly head of PMPC Finance Department. Other two Audit Committee members have financial management background as well. The female independent director is formerly the Head of Finance of Sales Division of the Company. The profile and qualification of Audit Committee *members are also duly and fully disclosed in the Company's annual report.*

Describe the Audit Committee's responsibility relative to the external auditor.

The Audit Committee oversees the external auditor's scope and activities relative to the annual financial statement audit. It also reviews the annual audited financial statement before its presentation to the Board for approval. The approval of audit and non-audit related fees are reviewed and approved by the Audit Committee. Recently, the Audit Committee adopted a policy on Assessment of Suitability and Independence of External Auditor Policy and Procedures. The objective of the policy is to assess the integrity and independence of external auditors and exercising effective oversight to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process.

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Yoshiyuki Takahashi	June 17, 2016	4	4	100%	2 yrs.
Member (ID)	Emiliano Volante	June 17, 2016	4	4	100%	2 yrs.
Member (ID)	Elizabeth Gildore	June 17, 2016	4	4	100%	2 yrs.

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Yoshiyuki Takahashi	June 17, 2016	3	3	100%	2 yrs.
Member (ID)	Elizabeth Gildore	June 17, 2016	3	3	100%	2 yrs.
Member (ID)	Emiliano Volante	June 17, 2016	3	3	100%	2 yrs.
Member						

(e) Risk Management Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Yoshiyuki Takahashi	June 17, 2016	5	5	100%	2 yrs.
Member (ID)	Elizabeth Gildore	June 17, 2016	5	5	100%	2 yrs.
Member (ID)	Emiliano Volante	June 17, 2016	5	5	100%	2 yrs.

(f) Corporate Governance Committee

Provide the same information on all other committees constituted by the Board of Directors:

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Emiliano Volante	June 17, 2016	5	5	100%	2 yrs.
Member (ED)	Yoshiyuki Takahashi	June 17, 2016	5	5	100%	2 yrs.

Member (ID)	Elizabeth Gildore	June 17, 2016	5	5	100%	2 yrs.

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:
There were no changes in the committee membership occurred during the preceding year.

Name of Committee	Name	Reason
Executive		
Audit		
Nomination		
Remuneration		
Risk Management		
Corporate Governance		
Others (specify)		

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	• Machinery, Equipment, Moulds, Dies and Factory Structures • Adoption of System Application Product (SAP) System to replace the old BAAN System • Solar Panel Installation • Construction of Multi-Purpose Facility. • Construction of Logistic Facility	• Increased in production capacity • Significantly improved efficiency and generation of required and critical reports. Integration of various function and increase coordination. • Savings in Factory Electricity • Increased in warehousing capacity • Increased logistic capacity
Audit	• Reviewed and/or assessed the company internal control over financial reporting, governance process, risk management and operation. • Proposed Corporate Govt policies • Reviewed various proposed policies on Corporate Governance.	• Improvement of Corporate Governance Processes. • Various improvements on internal control over financial reporting, governance process, risk management and operation.
Corporate Governance	• Assessed the Governance Process • Adoption of ASEAN Corporate Governance • Adoption of various Corporate Governance Policies • Reviewed and approved of various Governance Policies and Procedures	• Compliance with Code of Corporate Governance for Public Listed Companies • Compliance with ASEAN Scorecard • Implementation of various governance policies
Nomination	• Finalized the list of recommended directors and officers for 2016 stockholders' meeting.	• List of directors and officers • Implementation of Succession Planning and Procedures

	• Adoption of Succession Planning Policy and Procedures • Adoption of Board Diversity Policy	• Implementation of Board Diversity Policy
Remuneration	• Review and update the compensation program for directors and executive management	• Updated Compensation Program
Risk Management	• Annual Risk Assessment • Overseeing of Risk Management Process • Monitor the status of the Company's significant risk	• Compliance Risk • Business Continuity Risk • Disaster Recovery Plan Risk • Operational Risk • Health and Safety Risk

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	• Improve the content of Annual Report to include the best practices in Corporate Governance. • Annual Schedule of Board Meeting • Assignment of Lead Director	• Disclosure of best practices in Corporate Governance. • Preparation of Annual Scheduled Board Meeting • Strengthen the objectivity, check and balance in the board
Audit	• Annual Audit Committee Report. • Audit Committee Meetings	• Disclose the status of the Company's Internal Control system in the Company's Annual Report • Disclosure of Audit Committee Meetings.
Nomination	• Attendance of Director during Board Meeting. • Training and/or continuing education program attended by directors. • Orientation program for new directors • Nominating Committee Meetings	• Disclosure of list Directors attendance during Board Meetings. • Disclosure of training and continuing education program attended by directors • Disclosure of orientation program for new directors. • Disclosure of Nominating Committee Meetings
Remuneration	• Details of remuneration package for each director and officer • Remuneration Committee Meetings.	• Disclosure details of remuneration package for each director and officer. • Disclosure of Remuneration Committee Meetings
Risk Management	• Review of company's material control.	Disclose in the annual report that the Board has conducted a review of the Company's material control
Corporate Governance	• Full implementation of Code of Corporate Governance for Public Companies. • Adoption of Global Best in Non-financial disclosure	• Corporate Governance Compliance.

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

The company recognizes risks are associated with achieving value-based objectives. Managing these risks forms *an essential part of PMPC's business. The aim of risk management with PMPC is to provide reasonable assurance that it understand the risks associated with achieving its business objectives and it responds appropriately to these risks at all levels within the organization. This is achieved by ensuring that at all times:*

- *Risks are properly identified, assessed, managed and reported;*
- *Risk ownership is taken and communicated;*
- *Resources are effectively and efficiently allocated to manage risks;*
- *Risks that could significantly affect our employees, the company, our suppliers or our clients are suitably managed;*
- *The company is compliant with regulatory and legal requirements.*

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof; *None. No statement was included that the directors have reviewed the effectiveness of the Company's risk management system.*

(c) Period covered by the review; *None*

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; *PMPC Risk Management System is reviewed at least once a year.*

(e) Where no review was conducted during the year, an explanation why not.
In accordance with SEC's program to improve the corporate governance practices of public listed company, beginning fiscal year 2017 the company shall include in the annual report and other SEC reports a statement that the company's directors have reviewed the effectiveness and adequacy of the risk management system and an explanation why it failed to review the same.

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Employee Safety and Management	• *Ensure employee safety Plan and management*	• *To eliminate and/or reduce injury or death related manufacturing operations.*
Business Continuity Management	• *Resumption and Recovery Plans for People Assets* • *Resumption and Recovery Plans for Facilities and Office Space* • *IT Systems Resumption and Recovery Plans*	• *To ensure emergency response, resumption and recovery, restoration and permanent recovery of the Company operations and business activities during a business interruption event.*
Supply Chain Management (SCM)	• *Effective and efficient Sales and Operation Planning should be in place to ensure resource maximization and customer satisfaction.* • *Ensure operational continuity and less interruption along the supply chain.*	• *Minimize business interruption along supply chain* • *Ensure availability of raw materials and customer product at the right place and right time.* • *Maximize Company Resources*
Compliance with Laws and Regulation	• *Compliance with all related laws rules and regulation to avoid unnecessary penalty and/or sanction.* • *Compliance with the new Accounting Standards and Tax Law*	• *Ensure compliance with Laws and Implementing Rules and Regulations* • *Ensure immediate adoption of new Accounting Standard and Tax Law and Regulations*

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Quality Problems/Accident	• *Ensure the safety of consumers* • *Minimize quality problems and market claims brought about by defective products.* • *Minimize the company's legal exposure brought about by defective products.* • *Strictly implementation of quality corrective and preventive action plan and procedure.*	• *To ensure quick response and apply proper disposition to quality abnormalities/market quality risk problems* • *To establish accurate quality information for continuous improvement of market quality, parts/product and recurrence prevention.*
Trade Secret Breach	• *To safeguard confidential information of commercial value against accidental, inadvertent or willful misappropriation, misuse, sabotage, loss or theft.*	• *To ensure that the company's competitive trade secrets are protected from competitors, and unauthorized access by third party*
Cartels	• *To prevent company from possible involvement cartel and its related activities.* • *To prevent company from possible legal exposure as a resulting from cartel related activities.*	• *To prevent company involvement from cartel related activities and to ensure compliance with local laws*
Supply Chain Management /Supply Chain Disruption	• *Effective and efficient Sales and Operation Planning should be in place to ensure resource maximization and customer satisfaction.* • *Ensure operational continuity and less interruption along the supply chain.*	• *Minimize business interruption along supply chain* • *Ensure availability of raw materials and customer product at the right place and right time.* • *Maximize Company Resources*
Information Security Risks	• *The company's information assets contain mechanisms to ensure the confidentiality, integrity and availability of resources owned and controlled by PMPC. These controls must protect the enterprise's information assets, and the business processes they support, against unauthorized use, disclosure, transfer, modifications or destruction, whether accidental or intentional, or the denial of availability of these assets or business processes to authorized users.*	• *Tot establishes the policies that institute the standards and procedures that are to be followed to assure that PMPC's information assets and resources, both technological and not, are appropriately protected when authorizing the access to networked information, assets and systems.*
Business Continuity Management	• *Resumption and Recovery Plans for People Assets* • *Resumption and Recovery Plans for Facilities and Office Space* • *IT Systems Resumption and Recovery Plans*	• *To ensure emergency response, resumption and recovery, restoration and permanent recovery of the Company operations and business activities during a business interruption event.*

Natural Disasters	• *Minimize the impact of natural disaster to company's operation, property and possible casualty to company's personnel.* • *Resumption and Recovery Plans for People Assets* • *Resumption and Recovery Plans for Facilities and Office Space* • *IT Systems Resumption and Recovery Plans*	• *To minimize the impact of natural disaster on the organization operation* • *To ensure the company's readiness when natural disaster strikes* • *Ensure the safety and well-being of company personnel during natural calamities.* • *Resumption of company's operation*

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
a.) Transfer pricing
b.) Capital allocation
c.) Corporate actions
d.) Significant transfer and disposal of company's asset
e.) Related Party Transactions that are not arm's length

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	**Risk Assessment** **(Monitoring and Measurement Process)**	**Risk Management and Control** **(Structures, Procedures, Actions Taken)**
Employee Safety and Management	Employee Health and Safety (EHS) as measurement and monitoring mechanism.	• New Employee Orientation and Training in place • Conducted assessments that address job task design / redesign, materials flow and employee efficiency. • Implemented a new employee orientation and training program. • Established a wellness-management program. • Implemented or improved your injury management programs. • Conducted employee perception surveys to better understand employees' perceptions on the impact of environmental, health and safety programs as a way to improve your operations • Internal Audit
Business Continuity Management	The Business Continuity Management Group (BCMG) and the Information Solutions Group (ISG) is responsible to the Business Continuity Management	• Developed Resumption and Recovery Plans for People Assets • Developed Resumption and Recovery Plans for Facilities and Office Space • Developed IT Systems Resumption and Recovery Plans • Internal Audit
Supply Chain Management	Management should preside during Sales and Operation Planning approval and review.	• Policy on Sales, Operation and Planning in place • Established Cross-functional and cross firm involvement using Supply Chain Mgt. Process

		• A Culture of Collaborative Sales & Operation Planning in place • Conducted Annual Assessment of the SCM • Internal Audit
Compliance with Laws and Regulation	The following Section should monitor compliance with laws and regulations: • Accounting and/or Finance. • Tax section • Compliance Officer • Factory • Environmental and Health and Safety Officers	• Policy on Accounting Standards and Tax Control in place • In house Compliance officer • Hired only qualified employee that understands related laws and regulation. • Attended seminars relative to new Accounting Standards, laws and regulations • Internal Audit

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	**Risk Assessment** **(Monitoring and Measurement Process)**	**Risk Management and Control** **(Structures, Procedures, Actions Taken)**
Quality Problems/Accident	• *Annual Risk Assessment –Factory Process* • *Quality Assessment Center Group*	• *Policy on quality corrective and preventive action plan and procedure* • *Quality Control of Incoming Raw Materials* • *Quality Control of Finished Goods.* • *Factory Process defect monitoring* • *Implementation of supply chain management.*
Trade Secret Breach	• *Annual Risk Assessment - Information Technology* • *Information Security Risk Management Committee*	• *Full implementation of Information Security Management(ISM).* • *Physical Security* • *Biometrics* • *Information Technology Access and Security* • *Employee ad third party Non-disclosure Agreement*
Cartel	• *Risk assessment survey - Anti-cartel compliance program* • *Board oversight*	• *Anti- cartel compliance program* • *Integration of the anti-cartel compliance program into the compliance and ethics infrastructure so that it is not isolated.* • *Standards and policies designed to prevent and detect cartels. Standards include codes of conduct and organizational policies that incorporate values, such as commitment to free-market competition.*
Supply Chain Management /Supply Chain Disruption	• *Supply Chain Management Committee*	• *Supply Chain Management Policy* • *Sales and Operation Planning Procedures* •
Information Security Risks	• *Risk assessment – Information Security Management* • *Information Security Management Committee*	• *Information Security Management Policy* • *Physical Security* • *Use of Biometrics to access to safeguard access to restricted location* • *Security over Information Technology Resources.*

		• *Classification of Confidential Information.*
Business Continuity Management	• *Annual Risk Assessment* • *Risk Management Committee*	• *Business Continuity Management Policy and Procedures.* • *IT Disaster Recovery Plan* • *Emergency Response Plan* • *Annual failover testing of IT System*
Natural Disaster	• *Annual Risk Assessment* • *Assessment of Building and Structures* • *Risk Management Committee* • *Crisis Management Committee*	• *Emergency preparedness and response control procedure* • *Business Continuity Plan (BCM)* • *IT Disaster Recovery Plan*

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
Risk Management Committee	*Board Risk Management Oversight Committee*	• *Manage Risk within Risk Appetite* • *Identify & Prioritize Business Risks* • *Evaluate the Effectiveness of Risk Mitigation Activities* • *Ensure Gaps in Effectiveness are Addressed for High Priority Risks* • *Improve Enterprise Risk Management ("ERM") Infrastructure* • *Annually review and provide statement on the overall status of the company's internal control system.*

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;
The Internal Control System is defined for the company using the COSO's Internal Control – Integrated Framework and Enterprise Risk Management Framework to address internal control related risk. COSO defines internal control as "a process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations."

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;
There was no statement disclosure that the directors reviewed the effectiveness of internal control system. However, the company has internal audit that performs the assessment of the Company's governance process, risk management and operation. The Internal Audit reports functionally with the Audit Committee.

(c) Period covered by the review. *The period covered by review is Fiscal Year 2016. However, there was no disclosure on the company's annual report or other SEC reports regarding the status of the company's internal control system.*

(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and
The Company's internal controls are primarily reviewed by the Company's Internal Auditors based on the Board

approved annual audit plan. The content of the annual audit plan includes the audit of internal control over financial statement preparation and reporting, governance, risk management and operation. The Audit Committee which oversees the company's Internal Audit quarterly reviews and reports annually to the Board on the overall status of the company's internal controls to ensure that it remain effective to achieve the objectives of the business units, system or operation. Both the Internal Audit and Audit Committee use the COSO's Internal Control – integrated framework and Sarbanes Oxley (SOX) to assess the internal control systems.

The Board's annual assessment of internal control considers:

- *the changes since the last annual assessment in the nature and extent of significant risks, and the company's ability to respond to changes in its business and the external environment;*
- *the scope and quality of management's ongoing monitoring of risks and of the system of internal control, and, where applicable, the work of its internal audit function and other providers of assurance;*
- *the extent and frequency of the communication of the results of the monitoring to the board (or board committee(s)) which enables it to build up a cumulative assessment of the state of control in the company and the effectiveness with which risk is being managed;*
- *the incidence of significant control failings or weaknesses that have been identified at anytime during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the company's financial performance or condition; and*
- *the effectiveness of the company's public reporting processes.*

(e) Where no review was conducted during the year, an explanation why not.
In accordance with SEC's Code of Corporate Governance, PMPC shall fully disclose and state the reasons in the annual report and other SEC reports in the event the Board does not conduct a review the company's internal control system.

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
Internal Audit Section Manager	• *Corporate Governance* • *Internal Control over Financial Reporting* • *Accounting* • *Risk Management* • *Operations*	*In-house*	*Andrei R. Tibi*	*Report functionally to the Audit Committee and administratively to the CEO/President*

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

The appointment and removal of the Internal Auditor and External Auditor require the approval of the Audit Committee in accordance with Code of the Corporate Governance and other implementing rules and regulations of the SEC.

(c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

The Internal Audit reports functionally to the Audit Committee and administratively to the CEO/ President. It has full access to all records, properties and personnel as provided for by its Internal Audit Charter and Manual *on Corporate Governance.*

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them. *There was no resignation and re-assignment of internal audit staff. The company shall disclose the reason/s in case of re-assignment or resignation of internal audit staff.*

Name of Audit Staff	Reason

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	Achieved 90% of Annual Audit Schedule and Activities
Issues[6]	Noted and rectified non-compliance with governmental agency
Findings[7]	Noted and addressed operational non-compliance established policies and procedures.
Examination Trends	Effective Sales and Operation Planning / Supply Chain Management

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

1) Preparation of an audit plan inclusive of a timeline and milestones;
2) Conduct of examination based on the plan;
3) Evaluation of the progress in the implementation of the plan;
4) Documentation of issues and findings as a result of the examination;
5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
6) Conduct of the foregoing procedures on a regular basis.]

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	Implementation
Manual on Corporate Governance	*Implemented*
Accounting Standard & Tax Control Policy	*Implemented*
Conflict of Interest Policy	*Implemented*
Related Party Transaction	*Implemented*
Insider Trading Policy	*Implemented*
Risk Management Policy	*Implemented*
Business Continuity Management (BCM)	*Implemented*
Disaster Recovery Plan (DRP)	*Implemented*
Audit Committee Charter	*Implemented*
Internal Audit Charter	*Implemented*
Nomination Committee Charter	*Implemented*
Remuneration Committee Charter	*Implemented*
Risk Management Committee Charter	*Implemented*
External Complaint and Resolution Policy	*Implemented*

[6] "Issues" are compliance matters that arise from adopting different interpretations.

[7] "Findings" are those with concrete basis under the company's policies and rules.

Fraud Statement Policy	*Implemented*
Stockholders' Meeting Policy & Procedures	*Implemented*
Assessment of Suitability and Independence of External Auditors Policy	*Implemented*
Board Committees Policy & Procedures	*Implemented*
Board Diversity Policy	*Implemented*
Fraud Response Plan	*For Approval*
Investor Relation Policy	*Implemented*
Disclosure Rule Policy & Procedures	*Implemented*
Board Succession Plan	*Implemented*
Board Corporate Governance Charter	*Implemented*
Emergency Executive Committee Charter	*For Approval*
Related Party Transaction Committee Charter	*For Approval*

(g) Mechanisms and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	**Financial Analysts**	**Investment Banks**	**Rating Agencies**
• *Internal auditors report functionally to Audit Committee.* • *Audit Committee Assess the suitability and independence of External Auditors annually.*	*Audit Committee Review result of Financial Analysis Report*	*The Board reviews investment of Institutional Investors*	*Audit Committee reviews reports of Rating Agencies*
• *Meeting with Audit Committee without Management*			
Audit Committee Reviews Audited Financial Statement before final approval of the board and audit Fees.			
Limits on the non-audit services of external auditors. Non-audited related engagement of external auditor subject to Audit Committee review and approval			

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

The following officers and directors attest to the Company's full compliance with SEC's Corporate Governance:

- *Chairman of the Board/ CEO*
- *Independent Directors*
- *Compliance Officer*

H. ROLE OF STAKEHOLDERS

1) Disclose the company's policy and activities relative to the following:

	Policy	Activities
Customers' welfare	• Product Safety Policy • Restriction of Hazardous Substance (RoHs) • Product Recall Policy. • Conflict Resolution Policy	• Quality Assurance Control Group in place • Major market claims rectified and addressed • Customer Compliant hotline/section
Supplier/contractor selection practice	• Contractor and Supplier Review Policy	• Supplier Accreditation and Performance Review • Green Procurement • Clean Procurement • Supplier Association
Environmentally friendly value-chain	• Sustainability Policy	• Cost Buster Activities • Tree Planting on denuded mountain areas • Production of energy efficient Products • Use of energy efficient appliance inside the office • CO2 Emission Reduction Program & Activities
Community interaction	• Corporate Social Responsibility	• Home Building with Habitat for Humanity. • Donation of Panasonic Products to Humanitarian & Non-humanitarian Govt. Agencies. • Donation to Disaster Stricken Communities. • Sponsorship scholarship program of students
Anti-corruption programmes and procedures?	• Code of Conduct • Conflict of interest policy • Related Party Transaction Policy • Insider Trading Policy • Fraud Statement Policy • Whistleblower policy • Anti-money laundering Policy • Fraud Response Plan	• Seminars • Dissemination of policy • Whistleblower hotline • Disclosure of Related Party Transaction • Disclosure of Business Interest by Directors and Officers • Internal Auditing
Safeguarding creditors' rights	• Prompt payment of Creditors	• Online payments • E-Business

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?
YES. Environment, Health and Safety (EHS) of the report.

3) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?

1. *Annual Employee Medical Check-Up.*
2. *Provision of safe, Healthy and Environment Friendly Workplace.*
3. *Compliance to Government Regulations and other requirements.*
4. *Pollution, Accident and Incident Prevention.*
5. *Sustainable use of natural resources.*
6. *Management and Control of EHS hazards*
7. *Continuous improvement o EHS performance.*

(b) Show data relating to health, safety and welfare of its employees.

PMPC's Program on Safety and Health:

1. *Annual physical examination of all employees.*

2. *Annual Work environment and ambient air measurement*
3. *Annual audiometric and heavy metals in blood testing for workers exposed to noise and materials containing heavy metals.*
4. *Annual fire safety awareness*
5. *Annual sports competition*
6. *Unscheduled random drug testing*
7. *Monthly laboratory testing of drinking water*
8. *Daily Morning Exercise of all employees*
9. *Awareness seminar on different emergency situations for employees*
10. *EHS awareness and company policy orientation of contractors and suppliers*
11. *Regular plant safety inspection*
12. *Regular Meeting of Health & Safety Committee*
13. *Assessment of EHS Management System through internal and external audits*
14. *Corporate enhancement of production working areas.*

Annual Accident/Illness Exposure Data Report (January to December 2016)

Exposure Data	
No. of Employees	639
Total Hours Worked By All Employees During the Year	804,996
Injury Summary	
Total-All Disabling Injuries/Illness	0
Total-Non-Disabling Injuries	2
Frequency Rate	0.00
Severity Rate	0.00

(c) State the company's training and development programs for its employees. Show the data.

"The training and development programs at Panasonic Manufacturing Philippines Corporation (PMPC) are designed along with the basic objective of human resources, which is to develop people who anticipate and respond to the changes based on Panasonic's Management Philosophy (BBP), and take on challenges for creating new business by overcoming difficult and severe situations. Moreover, at PMPC, the aspirations of staff members are respected to maximize their capabilities so that all employees can achieve their own goals. Consequently, this will motivate employees in their life and work and create a strong organization which respects others so as to achieve the company goals. Thus, the importance to know, to develop, and to value and respect each employee is not only the responsibility of our HR Group, but a major responsibility of PMPC managers in each workplace as well.

In FY2016 (ending March 31, 2017), despite the inevitable changes in PMPC's organization responding to the needs of time, the Company was able to carry out and implement various training and development programs from orientation of new employees to providing post-Panasonic employment seminars to retirees. Within the fiscal year in review, the Company was able to implement 26 classroom seminars/workshops and 10 orientation programs catering to 517 PMPC employees. Likewise, the company was able to serve 172 public participants with its seminars offered to the general public. On the other hand, mentoring, coaching, and on-the-job training activities were carried out by every manager in the workplace with dedication and commitment."

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.

The following are the company's reward and compensation policy in addition to short-term financial measures:

- *Christmas Bonus & Mid-Year Bonus*
- *Appreciation Bonus (if Business Plan is achieved)*
- *Discounted Panasonic Appliance*
- *Employee Appreciation Program*
- *External (Abroad)Training and Development Program*
- *Loyalty & Service Award*

4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.
PMPC has whistleblower policy in place for handling complaints by employees concerning illegal (including corruption) and unethical behavior. Employee that may have legitimate information on illegal and unethical behavior is protected from retaliation from either from an employee or management. It has also policies on Conflict of Interest, Related Party Transaction and Fraud to compliment the whistleblower policy.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
Panasonic Corporation (Japanese)	337,994,588	79.96 %	Various Owners

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Shinichi Hayashi	1	-	NIL
Hiroshi Yamada	1	-	NIL
Masaru Toyota	1	-	NIL
Yoshiyuki Takahashi	1	-	NIL
Atty. Mamerto Mondragon	85,360	-	.0202%
TOTAL	**85,549**		**.0202%**

2) Does the Annual Report disclose the following:

Key risks	YES
Corporate objectives	YES
Financial performance indicators	YES
Non-financial performance indicators	YES
Dividend policy	YES
Details of whistle-blowing policy	NO
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	YES
Training and/or continuing education program attended by each director/commissioner	NO
Number of board of directors/commissioners meetings held during the year	NO
Attendance details of each director/commissioner in respect of meetings held	NO
Details of remuneration of the CEO and each member of the board of directors/commissioners	NO

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

- *No regulation or the company has not adopted the above disclosure requirements. The company shall disclose the above mentioned items next annual report in FY 2017.*
- *The remunerations of CEO and each member of the Board of Directors are disclosed in aggregate amount only.*

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
Sycip, Gorres, Velayo & Co. (SGV)	₱2 Million	None

4) Medium of Communication

List down the model/s of communication that the company is using for disseminating information.
The company uses the following medium of communication to disseminate information: Company Website, Interim Reporting, Newspaper, Registered Mail, Email, Telephone and Fax.

5) Date of release of audited financial report: *FY 2012 May 7, 2012 / FY 2013: May 29, 2014/FY 2014: May 2015, FY 2015: May 2016/ FY 2016: May 26, 2017*

6) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	*YES*
Financial statements/reports (current and prior years)	*YES*
Materials provided in briefings to analysts and media	*YES*
Shareholding structure	*YES*
Group corporate structure	*YES*
Downloadable annual report	*YES*
Notice of AGM and/or EGM	*YES*
Company's constitution (company's by-laws, memorandum and articles of association)	*YES*

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

The company shall disclose its Company's constitution (company's by-laws and article of incorporation) in its website.

7) **Disclosure of RPT**

RPT	Relationship	Nature	Value
Purchases	Parent	Purchases of materials, merchandise and parts	26,917,170
Technical assistance fees	Parent	Related to technical assistance agreements with PC, non-interest bearing, payable semi-annually, Unsecured	117,537,813
Brand license fees	Parent	Related to trademark license agreements with PC ,non-interest bearing, payable semi-annually, Unsecured	36,502,094
Non-trade payables	Parent	Related Promo support	5,459,033
Non-trade payable	Parent	Related to receivable from PERC, non-interest bearing, unsecured	5,695,255
Accrued expense	Parent	Related to compensation and welfare expense of certain employees, payable quarterly, non-interest bearing, unsecured	43,703,026
	Parent	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured.	6,239,210

RPT	Relationship	Nature	Value
	Parent	Accrued expenses related to export sales of the ACD (e.g. sales promo, after sales service)	1,457,641
Dividend payable	Parent	Dividends declared to stockholders of the Parent Company	33,799,458
Sales	Affiliates	Sale of various products, 30-day term, noninterest bearing, unsecured, no impairment	778,196,330
Purchases	Affiliates	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	2,478,851,237
Receivables Non-trade	Affiliates	Related to service agreements, 30-day term, noninterest bearing, unsecured, no impairment	22,872,917
Receivables Non-trade	Affiliates	Related to electricity consumption charged by the Company, 30-day term, non-interest bearing, unsecured, no impairment	80,404,535
Receivables Non-trade	Affiliates	Related to service income from rendering services in the form of general advice and assistance fees, 30 day term, non-interest bearing, unsecured, no impairment	56,070,948
Receivables Non-trade	Affiliates	Related to rental income on investment property, 30-day term, non-interest bearing, unsecured, no impairment	28,211,198
Receivables Non-trade	Affiliates	Related to certain expenses paid by the Company in behalf of affiliates, 30 day term, non-interest bearing, unsecured, no impairment.	8,193,914
Accrued Expenses	Affiliates	Related to expenses payable for PA management fee, 30 day term, non-interest bearing, unsecured	7,254,032
	Affiliates	Related to allocated cost charged to the Company for certain services, 30-day term, non-interest bearing, unsecured.	7,054,032

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?
All related party transaction shall require the approval of Treasurer and Executive Director. Material related party transactions require the review of Audit and Audit Committee before approval of the Board.

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

Quorum Required	*Holders of a majority of the subscribed capital stock shall constitute a quorum.*

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	*Majority vote of Board of Directors*
Description	*Corporate power is delegated to the Board of Directors by stockholder who holds majority of the company's subscribed and outstanding stocks the power of ratify, approve, amend, and revoke any corporate act.*

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	**Stockholders' Rights not in The Corporation Code**
Right to attend and vote in person or by proxy at stockholders' meeting.	*In cases of merger, acquisition or takeover, the Board appoints an Independent Party (Audit Committee) to evaluate the fairness of the transaction.*
Right to elect and remove directors.	
Right to approve certain corporate acts	
Right to adopt and amend or repeal the by-laws or adopt new by-laws	
Right to compel the calling of meetings when for any cause there is no authorized person to call such a meeting	
Right to issuance of certificate or stocks or other evidence of stock ownership and be registered as a stockholder	
Right to receive dividends when declared	
Right to participate in the distribution of corporate assets upon dissolution.	
Right to transfer of stocks in the corporate books.	
Right to pre-emption in the issue of shares.	
Right to inspect corporate books and records.	
Right to be furnished the most recent financial statements upon request and to receive financial report of the corporation's operations.	
Right to demand payment for the value of his shares and withdraw from the corporation in certain cases (Appraisal right)	
Right to bring individual and representative or derivative suits	
Right to enter into voting trust agreements.	
Right to have the corporation voluntarily dissolved.	

Dividends

Declaration Date	Record Date	Payment Date
March 31, 2017	*April 18, 2017*	*May 10, 2017*
March 22, 2016	*April 7, 2016*	*April 26, 2016*
March 19, 2015	*April 7, 2015*	*May 4, 2015*
March 20, 2014	*April 10, 2014*	*May 8, 2014*
March 21, 2013	*April 12, 2013*	*May 8, 2013*

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	Communication Procedure
Notice of Stockholders Meeting	*Website and Registered Mail*
Participation during Stockholders Meeting	*Actual participation during Stockholders Meeting.*
Specific time slot for question and answer portion is adopted to ensure that Stockholders have the opportunity to ask and raise question during stockholders' meeting.	*Questions are directed to the Board, Individual Directors or Board Committees.*
Medium of Communication is in English which is common and secondary language of most Filipinos.	*English and/or local dialect whichever the stockholder prefers to communicate.*
Accessible venue of the Annual Stockholders' Meeting.	*Notice of Stockholders' Meeting via registered mail.*
Meals & refreshment and Gifts	*Annual Practice given to all stockholders*

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
   a. Amendments to the company's constitution
   - *Stockholders have the right to actively participate on corporate matters that require resolution, decision and approval including but not limited to amendments to the company's constitution based on the company's policy on manual of corporate governance and Corporation Code of the Philippines.*

   b. Authorization of additional shares
   - *Stockholders have the right to actively participate on corporate matters that require resolution, decision and approval including but not limited to authorization of additional shares based on the company's written policy on manual of corporate governance and Corporation Code of the Philippines*

   c. Transfer of all or substantially all assets, which in effect results in the sale of the company.
   - *Stockholders have the right to actively participate on corporate matters that require resolution, decision and approval including but not limited to transfer of all or substantially all assets, which in effect results in the sale of the company based on the company's written policy on manual of corporate governance and Corporation Code of the Philippines.*

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up? *YES*
   a. Date of sending out notices: May 26, 2016
   b. Date of the Annual/Special Stockholders' Meeting: June 17, 2016

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.
   Mrs. Myrla Nogales, a stockholder, congratulated the officers and employees of Panasonic Manufacturing Philippines Corporation (PMPC) for a successful and profitable year. However, she commented that while PMPC is still a Filipino and Japanese corporation, she noted that all regular members of the Board of Directors are Japanese. She suggested that the company management should consider having Filipino regular members of the Board of Directors which has been a practice since the beginning.

   Mr. Shinichi Hayashi replied that the suggestion of Mrs. Nogales will be taken up by the management.

5. Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining
Various Resolutions (SEC Form 20-IS)	Majority	None	None

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions: *None. Votes were accounted as unanimous only which is then reported by the corporate secretary to the SEC.*

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:
There were no modifications made in the 2016 Annual Stockholders' Meeting regulations which remained consistent annually. The Company has a written policy on Stockholders' Meeting policy and procedures.

Modifications	Reason for Modification
No modifications made	

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	Shinichi Hayashi Yoshiyuki Takahashi Hiroshi Yamada Masaru Toyota Emiliano Volante Elizabeth Gildore Atty. Mamerto Mondragon	June 17, 2016	Poll	83%	17%	100%
Special	Shinichi Hayashi Yoshiyuki Takahashi Hiroshi Yamada Masaru Toyota Hiroyuki Tagishi Koji Takatori Eiji Fukumori Atty. Mamerto Mondragon Eizabeth Gildore Emiliano Volante	April 1, 2016 May 4, 2016 May 10, 2016 May 23, 2016 June 24, 2016 October 20, 2016 December 8, 2016 Dec. 15, 2016 Dec. 16, 2016 Jan. 13, 2017 March 2, 2017	Show of hands	-	-	-

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?
Yes. The Company's independent/external auditor is responsible to handle and count the votes at the annual stockholders' meeting. Except in cases where voting by ballot is applicable, voting and counting shall be by viva voce. If by ballot, the counting shall be supervised by the Corporate Secretary and independent auditors (SGV & Co.) of the Company.

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.
Yes.

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	*Required*
Notary	*Not Required*

	Company's Policies
Submission of Proxy	*Required*
Several Proxies	*One Proxy*
Validity of Proxy	*Required*
Proxies executed abroad	*Applicable*
Invalidated Proxy	*Applicable*
Validation of Proxy	*Applicable*
Violation of Proxy	*Applicable*

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
PMPC's Annual Stockholder's Policy and Procedures and By-laws	*Notices of Annual Stockholders Meeting shall be sent at least **28** days before the meeting.*

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	*All stockholders that are entitled to receive the definitive information statements and other report.*
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	*21 days before the Annual Stockholders' Meeting. Date of actual distribution: May 26, 2016*
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	*21 days before the Annual Stockholders' Meeting. Date of actual distribution: May 26, 2016*
State whether CD format or hard copies were distributed	*CD Format Distributed but Stockholders may be provided with hard copies of the annual report upon request.*
If yes, indicate whether requesting stockholders were provided hard copies	*YES. Requesting stockholders were provided with hard copies of the report.*

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	*Yes*
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	*Yes*
The auditors to be appointed or re-appointed.	*Yes*
An explanation of the dividend policy, if any dividend is to be declared.	*Yes*
The amount payable for final dividends.	*Yes*
Documents required for proxy vote.	*Yes*

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
Right to vote on all matters that require their consent or approval	*Implemented*
Pre-emptive right to all stock issuances	*Implemented*
Right to inspect corporate books and records	*Implemented*
Right to information;	*Implemented*
Right to dividends;	*Implemented*
Appraisal right.	*Implemented*

(b) Do minority stockholders have a right to nominate candidates for board of directors? *Yes. The company has a policy on its manual of corporate governance that provides minority stockholders the right to nominate candidates for Board of Directors.*

K. INVESTORS RELATIONS PROGRAM

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.
All external and internal communications relative to corporate governance matters are handled by our Corporate Disclosure Officer and Authorized Spokesperson. The Company's communication policy is embodied and detailed in The Disclosure Rule and Investor Relation Program policies delineate the Company's communication policy. The objective of the policy are as follows:
   a) *Serve as a statement of the Group's disclosure policies and procedures and to ensure consistent disclosure practices throughout the Group;*
   b) *Reinforce the Group's commitment to comply with disclosure obligations imposed by all applicable legal and regulatory requirements on disclosure of material information;*
   c) *Ensure all parties encompassed by the Policy understand their duty to protect the confidentiality of material information;*
   d) *Provide guidance and structure in disseminating corporate information to, and in dealing with, shareholders, stakeholders, media representatives, analysts and the investing public;*
   e) *Improve stakeholders' understanding of the Group's business and enhance the Group's corporate image by practicing openness, accessibility and transparency;*
   f) *Provide a framework of processes and procedures upon which the Group can successfully implement its investor relations program; and*
   g) *Designate Disclosure Policy Officers to help achieve the above objectives.*

The Disclosure Rule and Investor Relation Program Policies are reviewed annually whether it needs to be updated based on the changing conditions and circumstances of the company. The approval of company announcement is dependent on the materiality of the information to be announced but ultimately the major announcement is finally approved by the Executive Management and the Board before its communication.

2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	*To provide stockholders' and stakeholders an easy and multiple access to Company's relevant information.*
(2) Principles	*To provide channels for disseminating information based on equal, timely and cost efficient access to relevant information by users.*
(3) Modes of Communications	*Corporate Website, Interim Reporting, Newspaper, Registered Mail, Email, Telephone and Fax*
(4) Investors Relations Officer	*Atty. Mamerto Mondragon / Mr. Marlon Molano* *Tel. No. 635-22-60*

3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

The approval of Panasonic Corporation, head office, in Japan is required before PMPC can enter into extraordinary transactions and sales of substantial portion of corporate assets. The Company strictly follow its policies on Disclosure Rules and Investor Relation Program in case of significant acquisitions.

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

The Audit Committee is the duly appointed independent party that reviews and checks the transaction price of related party transaction There is plan to create Board Related Party Transaction Committee to handle the review the Company's material related party transactions.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
Local Panasonic Scholarship Program	*Technical and vocational students*
Munting Handog, Laking Tuwa Ang Dulot Program	*Underprivilege Children*
Home Building with Habitat for Humanity	*Teachers/Soldier/Displaced Families*
100 Thousand Solar Lanterns Donation Project	*Humanitarian and Non-humanitarian Gov't Org.*
Panasonic Eco Picture Diary Contest	*Elementary School Children*
Panasonic Eco Learning Program	*Elementary School Children*
Support to "SILAKBO" for Sta. Rosa watershed	*Laguna Communities*
Tree Planting at La Mesa Water Shed	*La Mesa Water Shed*

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	*Benchmark performance against Manual on Corporate Governance*	*Manual on Corporate Governance*
Board Committees	*Benchmark performance against Charter*	*Committee Charter*
Individual Directors	*Director Self Assessment*	*Performance/ Accomplishment*
CEO/President	*President Self Assessment*	*Performance /Accomplishment*

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees.

Violations	Sanctions
1. In case of first violation,	Reprimand
2. Suspension from office shall be imposed in case of second violation.	Suspension duration depends on the gravity of violation.
3. Third violation	Maximum penalty or removal from office

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of ___________ on May 30, 2017.

SIGNATURES

SHINICHI HAYASHI
Chairman of the Board/ CEO

EMILIANO VOLANTE
Independent Director

ELIZABETH GILDORE
Independent Director

Atty. MAMERTO MONDRAGON
Compliance Officer

SUBSCRIBED AND SWORN to before me this MAY 30 2017th day of May 2017, affiant(s) exhibiting to me their __________________, as follows:

NAME/NO.	DATE OF ISSUE	PLACE OF ISSUE
1. Shinichi Hayashi/ Passport No. TH9641280	JULY 8, 2009 - 2019	JAPAN
2. Elizabeth Gildore/ Community Tax No. 016-89-018765	Sept. 17, 2015	Antipolo City
3. Emiliano Volante / Community Tax No. 19252387	Jan. 12. 2017	Marikina City

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ATTY. CRISPINO T. PABLO, JR.
Notary Public until December 31, 2017
Commission No. 16-09 / Roll No. 49638
PTR No. 3840371/01-13-2017 RIZAL
IBP LIFETIME No. 06272 RIZAL
MCLE COMPLIANCE No. V-0022925