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 17	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, 2016**

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, 2016 and June 30, 2016 based on stock market price amounted to about ₱318,210,843 and ₱265,807,073 respectively. The price used for this computation is the closing price as of March 31, 2016 is ₱5.04 and June 30, 2016 ₱4.21.

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.

TABLE OF CONTENTS

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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, Bo. 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").

BUSINESS OF ISSUER

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.

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

	Years Ended March 31		
	2016	2015	2014
Domestic	**89.1%**	90.3%	87.8%
Export	**10.9%**	9.7%	12.2%
	100.0%	100.0%	100.0%

Refrigerator	**40.6%**	36.5%	33.2%
Airconditioner	**34.8%**	36.0%	37.9%
Television	**1.1%**	1.5%	1.9%
Washing machine	**9.8%**	11.6%	11.9%
Others & Export	**13.7%**	14.4%	15.1%
	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		
	2016	2015	2014
Philippines	**₱7,238,197**	₱5,935,855	₱5,763,462
Hong Kong	**851,204**	768,971	659,824
Africa	**32,735**	8,599	153,533
Malaysia	**2,177**	-	-
Singapore	**28**	-	11,048
Bangladesh	-	-	8,209
Cambodia	-	-	317
Vietnam	-	-	-
Total Revenue	**₱8,124,341**	₱6,713,425	₱6,596,393

DISTRIBUTION NETWORK

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

The Group has a 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

The year in review was indeed another challenging but fulfilling journey for PMPC's business operation. The Philippine economy has long been characterized as consumption – driven. In the passing of years, it has gained some measures of resiliency to the unfavorable impacts of politics, traffic congestions, and natural disasters or calamities that frequently visit the Philippines.

Bearing these realities in mind, the Company took the high road of upgrading our operational activities in fiscal year 2015, such as among others, the continuous improvement and innovation of our factories, as well as our marketing activities.

Sales groups also implemented various strategies and activities, not only to appeal to our end-users, but also to strengthen our relationship with our dealers, system integrators, distributors, and even holding contract signing with new business partners, such as MSI-ECS for our B2B Group.

Indeed, despite the challenges the Company had to confront in fiscal year 2015, through our concerted efforts, we were able to gain a lot as we carried out our corporate activities with enthusiasm and resolve. Eventually, we were able to receive encouraging recognitions and awards as manifestations of our contributions through our business activities. In fact, even AP accorded PMPC with an "Overseas Special Award. For the details of the activities and programs, including CSR and citizenship, please refer to our Annual Report.

In FY2015, the Company was able to achieve sales growth and eventually posted a total sales of 8.1 billion pesos or 121% of last year's 6.7 billion pesos. As to our performance on a per product basis against last year, locally produced products recorded a 20% growth.

The sales of imported consumer goods, nevertheless, registered a 129% performance against last year due to the increase in the demand for higher capacity refrigerators and washers, as well as our sought-after split type air conditioners. B2B operations posted 116% versus last year, where all the products comprising B2B achieved two-digit growth.

As a result of our achievement of double-digit sales growth, our Company managed to register a profitability amounting to 251 million pesos after tax, which is 53% or 88 million higher than last year.

It is very encouraging to share to our valued stockholders that our new strategies actually spell out our commitment to respond to the aspirations of our customers by constantly challenging ourselves to innovate and develop valuable products, business solutions, and services.

As mentioned to you in passing a while ago, our new "direct cool inverter" refrigerator - for instance - is one of its kind in the local market, exhibiting our capability to develop unique products. And we are doing our very best to continuously improve both the capabilities and capacities of all our factories to respond quickly to the needs of our customers.

Furthermore, our Company's vision to establish PMPC as a "Development-Manufacturing-Sales" company is also a great challenge to us. Thus, we are exerting our best effort to strengthen further our development capability. Basically, we continue to listen to the voice of the market, conduct surveys, and study how we could truly respond to the needs and even exceed the expectations of our customers.

In addition, it is also a good exercise for both our management and staff to really understand the importance of being proactive in thinking, interactive in communicating, creative, and constructive in making responses. Of course, we will be in constant watch for the possible impact on our operations relative to the policies and regulations of the upcoming new government administration of this country.

The Philippine Government and international agencies are projecting a 6 ~ 7.8% growth in GDP for the country this year. Strong domestic demand is expected to support economic growth, offsetting the possible downward pressure coming from weak global output. Manufacturing also is seen to retain its momentum given the country's strong consumer base. This would mean that the demand-side of the economy is expected to derive its strength from household consumption given upbeat consumer sentiment and hopefully improving employment opportunities.
Please refer also to the accompanying FY 2015 Annual Reports as 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 ₱31.3 million, ₱26.9 million and ₱8.1 million in 2016, 2015 and 2014, respectively. Purchases made from affiliates amounted to ₱3.1 billion, ₱2.5 billion and ₱2.2 billion in 2016, 2015 and 2014 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 23 of the attached Annual Audited Financial Statements.

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, 2016 and 2015 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 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, 2016 and 2015. The 12% nominal annual interest is to be paid on a monthly basis while the principal is payable on its maturity date, March 31, 2016

On March 31, 2016, the Parent Company and its subsidiary agreed to extend the payment of the loans subject to the loan agreement by ten (10) years from April 1, 2016 to March 31, 2026 with nominal interest rate of 12% 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 and ₱146.3 million as of March 31, 2016 and 2015, respectively.

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 ₱47.7 million and 5.1% interest in the Parent Company amounting to ₱105.8 million and ₱136.5 as of March 31, 2016 and 2015, respectively.

As of March 31, 2016 and 2015, certain loans and receivables amounting to ₱56.0 million and ₱52.3 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, 2016 and 2015.

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 23 of the Consolidated and Parent Company Audited Financial Statements, pages 40 to 46.

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 ₱138.7 million, ₱117.5 million and ₱110.5 million in 2016, 2015 and 2014, 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 ₱42.8 million, ₱35.8 million and ₱34.1 million in 2016, 2015, and 2014, respectively, while brand license fees charged by the affiliates amounted to ₱ 0.9 million, ₱0.7 million and ₱0.8 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 2015 and 2014 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:

	2016	2015	2014
Cost	**₱ 48,950,506**	₱ 15,784,789	₱ 13,679,744
Ratio to Revenues	**0.60%**	0.24%	0.21%

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 ₱1.5 million and ₱1.3 million for the treatment of wastes, monitoring and compliance, permits and personnel training for the fiscal year 2015 and 2014 respectively.

HUMAN RESOURCES AND LABOR MATTER

As of March 31, 2016, the Parent Company has 555 full time employees:

	Administrative	Operations	Total
Under CBA	-	201	201
Non-CBA	354	-	354
	354	**201**	**555**

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 29 of the Consolidated and Parent Company Audited Financial Statements, pages 51 to 57.

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 Parent Company. 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, 2015 and 2014) 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.

The Group does not hold collateral for cash and cash equivalents (excluding cash on hand), receivables, AFS investments, advances to employees and refundable Meralco deposits (included in other assets), thus carrying values represent maximum exposure to credit risk at reporting dates.

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 is incorporated by reference to Note 29 of the Consolidated and Parent Company Audited Financial Statements, pages 55 to 57.

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 9). 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 ₱29.7 million, ₱28.2 million and ₱27.4 million in 2016, 2015 and 2014, respectively.

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

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, 2016, 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, 2016 and June 30, 2016, 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**
2016		
Jan – Mar	5.04	4.00
Apr – June	5.00	4.04
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
2014		
Jan – Mar	6.29	5.00
Apr – Jun	5.10	3.38
Jul – Sept	4.80	3.37
Oct – Dec	4.88	4.00

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 2015			
March 22, 2016	**20%**	**April 7, 2016**	**April 26, 2016**
FY 2014			
March 19, 2015	10%	April 7, 2015	May 4, 2015
FY 2013			
March 20, 2014	10%	April 10, 2014	May 8, 2014

3. HOLDERS

The Company had approximately 448 shareholders of the Parent Company of record as of May 2015.

The table below sets forth the top 20 shareholders as of April 30, 2016.

Name	No. of Shares Held	% to Total
1. Panasonic Corporation (Japanese)	337,994,588	79.96
2. PCD Nominee Corporation (Filipino)	36,493,733	8.63
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	619,607	0.15
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
16. Victoria H. Martinez	363,000	0.09
17. Rodolfo P. Tagle	354,192	0.08
18. Falek Enterprises, Inc.	271,006	0.06
19. Susan L. Tan	258,184	0.06
20. Irene Siu Leng Lim	258,122	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 — 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

b. Number of Shares Outstanding as of March 31, 2016 and June 30, 2016

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, 2016 and June 30, 2016

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 2015	FY 2014	FY 2013
1. Rate of Sales Increase	CY Sales – LY Sales -------------------------- X 100% LY Sales	**21.0%**	1.8%	2.9%
2. Rate of Profit Increase	CY Profit After Tax – LY Profit After Tax ------------------------- x 100% LY Profit After Tax	**54.4%**	0.3%	93.3%
3. Rate of Profit on Sales	Profit After Tax ------------------ x 100% Total Sales	**3.1%**	2.4%	2.5%
4. Current Ratio	Current Assets --------------------- Current Liabilities	**3.3**	3.7	3.1
5. Dividend Ratio to Capital	Dividend ------------------ x 100% Average Capital	**20%**	10%	10%

(a) Rate of Sales Increase - This measures the sales growth versus the same period last year. Sales increased by 21.0%. 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 54.4% 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 3.1% vs. 2.4% last year due lower cost of sales ratio.

(d) Current Ratio - This measures the liquidity of the Company and its ability to pay off current liabilities. Current ratio as of March 31, 2016 slightly decreased to 3.3:1 as of March 31, 2016 versus 3.7:1 of last year.

(e) Dividend Ratio to Capital - This measures the dividend payout ratio versus capital for the period. The Group declared a 20% and 10% cash dividend for the fiscal year 2015 and 2014, 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, 2016, 2015 and 2014.

This discussion summarizes the significant factors affecting the consolidated operating results, financial condition, liquidity and cash flows of the Group for the fiscal year 2015 ended March 31, 2016. 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, 2015 (Annex "B") and management plans and reviews (Annex "A').

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	**26,359**	27,996	**-5.8%**
Accounts payable & accrued expenses	**1,510,804**	1,200,503	**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**	3,804,127	**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.

<u>Fiscal Year 2013 vs. 2012</u>

Financial Positions

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

Accounts	March 31, 2014	March 31, 2013	Difference (%)
Cash and cash equivalent	**2,861,084**	3,042,774	**-6.0%**
Receivables	**840,550**	790,683	**6.3%**
Inventories	**552,036**	615,148	**-10.3%**
Other current assets	**53,384**	40,309	**32.4%**
Property & equipment	**792,053**	492,918	**60.7%**
Investment property	**57,741**	62,351	**-7.4%**
Accounts payable & accrued expenses	**1,242,120**	1,275,911	**-2.7%**
Provision for estimated liabilities	**101,282**	87,254	**16.1%**
Finance lease liability	**6,848**	7,965	**-14.2%**

The Group continues to maintain its strong financial position with total assets amounting to P5.327 billion and P5.216 billion as of March 31, 2014 & 2013, respectively while total equity amounted to P3.756 billion and P3.618 billion as of the same period.

Current ratio slightly decreased at 3.1:1 as of March 31, 2014 compared to 3.2:1 as of March 31, 2013 due to cash reduction for investments made of property, plant and equipment for the factory renovation activities such as the new Refrigerator factory, covered court, the renovated integrated office, etc.

Total current assets decreased by P183.1 million (4.1%) due mainly to decrease in cash and cash equivalents by P181.7 million (9.8%) as explained above.

Accounts receivable increased by P49.9 million (6.3%) due to higher sales in March 2014.

Inventories decreased by P63.1 million (10.3%) due mainly to build-up inventory of Refrigerator in preparation for its transfer to a new building last year. On the other hand, other current assets increased by P13.1 million (32.4%) mainly due to increase in prepaid expenses.

Total non-current assets increased by P295.0 million (40.6%) due mainly to the investments made for property, plant and equipment.

Investment property decreased by P4.6 million (7.4%) due to depreciation for the year.

Total current liabilities decreased by P22.2 million (1.6%) due mainly to the decreased in accounts payable and accrued expenses by P76.0 million (6.0%) because of the reduction in purchase of inventory.

Provision for estimated liabilities increased by P14.0 million (16.1%) due to increase promo and advertising expenses versus last year. Finance lease liability decreases due to amortization.

Capital expenditures amounted to P424.4 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 2013 Ended 3/31/2014**	FY 2012 Ended 3/31/2013	**Difference (%)**
Sales	**6,596,393**	6,409,393	**2.9%**
Cost of sales	**4,864,017**	4,720,260	**3.0%**
Gross profit	**1,732,376**	1,689,133	**2.6%**
Selling expenses	**1,009,064**	1,004,745	**0.4%**
General administrative	**650,879**	653,497	**-0.4%**
Other income – net	**129,088**	131,576	**-1.9%**
Income before tax	**201,521**	162,467	**24.0%**
Income tax expense	**39,468**	78,624	**-49.8%**
Income after tax	**162,053**	83,843	**93.3%**

Despite the strong typhoons and floods that devastated the Visayas & Mindanao in 2013, the consolidated sales of the Group for the FY 2013 increased by ₱187.0 million because of the favorable turnover in the first half of our operation (April – September 2013) particularly our window airconditioner which captured the market share of other brand. The Company managed to maintain its promotional activities as that of last year to keep it at par with competitors.

Cost of sales ratio at 73.7% in FY2013 is within the level of last year at 73.6%. The increase of 3.0% is due to the increase in sales versus last year.

Selling expenses increased by 0.4% mainly due to freight cost caused by the continuous fuel price hike during the current year.

Other income in FY 2013 decreased by 1.9% versus FY 2012 mainly due to decrease in interest income earned for time deposits for the period.

Income tax expense went down from ₱78.6 million last year to ₱39.4 million or a decrease of ₱39.2 million because of the write-off of deferred tax asset in FY 2012 amounting to ₱34.0 million.

- **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)	**2016**	2015	2014
Net cash provided by operating activities	**625,758**	187,048	292,527
Net cash used in investing activities	**(95,868)**	(180,087)	(423,662)
Net cash used in financing activities	**(46,400)**	(45,781)	(50,268)

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	**2016**	2015	2014
Proceeds from sale of PPE	**87**	286	5,313
Acquisitions of property, plant and equipment	**(90,680)**	(199,240)	(424,439)
Acquisitions of investment properties	**(4,940)**	(625)	-
Acquisition of software	**(294)**	(1,630)	(505)
Decrease (increase) in other assets	**(41)**	21,122	(4,031)
Total	**(95,868)**	(180,087)	(423,662)

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

In thousands	**2016**	2015	2014
Cash dividends paid	**(42,272)**	(42,272)	(42,272)
Finance lease liabilities paid	**(3,075)**	(3,509)	(7,996)
Total	**(45,347)**	(45,781)	(50,268)

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 2015 ended March 31, 2016 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 2015 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 2015 ended March 31, 2016 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:

		2016		2015		2014
Audit	₱	**2.0**	₱	1.7	₱	1.6
Audit-Related		–		–		–
Tax compliance		–		0.3		–
Total	₱	**2.00**	₱	2.0	₱	1.6

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	52
Yoshiyuki Takahashi	Vice – Chairman, Executive Director & Treasurer	Japanese	54
Hiroshi Yamada	Executive Director	Japanese	54
Masaru Toyota	Executive Director & VP – PPH	Japanese	58
Hiroyuki Tagishi	Director	Japanese	55
Eiji Fukumori	Director	Japanese	57
Koji Takatori	Director	Japanese	51
Emiliano Volante	Independent Director	Filipino	72
Elizabeth Gildore	Independent Director	Filipino	58
Mamerto Z. Mondragon	Corporate Secretary	Filipino	72

Shinichi Hayashi, Japanese, 52, 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, 54, 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, 54, 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, 58, 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, 57, 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, 51, 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, 55, 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, 72, 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, 58, 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, 72, 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	Nobuo Yasuhira	55	Japanese
Executive Director & Treasurer	Yoshiyuki Takahashi	53	Japanese
Executive Director	Hiroshi Yamada	52	Japanese
Vice-President PMPC – PPH	Masaru Toyota	55	Japanese
Corporate Secretary	Atty. Mamerto Mondragon	71	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 2016 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 2016***	Php36,213,835	Php12,150,000	Php330,000	Php48,693,835
FY 2015**	36,038,275	13,133,245	1,198,404	50,369,924
FY 2014*	35,467,717	7,089,481	1,173,759	43,730,957

** Refers to Messrs. Nobuo Yasuhira, Hiroyoshi Fukutomi, Hiroshi Yamada, Masaru Toyota, Kunihiko Nimura*
***Refers to Messrs. Shinichi Hayashi, Yoshiyuki Takahashi, Hiroshi Yamada, Masaru Toyota, Kunihiko Nimura*
****Estimated amount*

All officers and directors as a group unnamed:

	Compensation	Bonuses	Others	Total
FY 2016*	Php55,126,500	Php17,010,000	Php1,360,000	Php73,496,500
FY 2015	52,379,345	17,860,460	2,149,492	72,389,297
FY 2014	37,408,065	7,391,747	1,503,759	46,303,571

**Estimated amount*

For ensuing year 2016, 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, 2016 and June 30, 2016

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 May 31, 2016.

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 June 30, 2016 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 23 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 2012 Annual Corporate Governance Report (ACGR) is also the 2015 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:

<table>
<tr><th>Date Filed</th><th colspan="2">Item Reported</th></tr>
<tr><td>06/17/2016</td><td colspan="2">Election of Corporate Officers for 2016 – 2017</td></tr>
<tr><td></td><td>Mr. Shinichi Hayashi</td><td>President & Chairman of the Board</td></tr>
<tr><td></td><td>Mr. Yoshiyuki Takahashi</td><td>Treasurer, Executive Director &
Vice-Chairman of the Board</td></tr>
<tr><td></td><td>Mr. Hiroshi Yamada</td><td>Executive Director</td></tr>
<tr><td></td><td>Mr. Masaru Toyota</td><td>Executive Director & Vice – President of PPH</td></tr>
<tr><td></td><td>Mr. Mamerto Mondragon</td><td>Corporate Secretary & Compliance Officer</td></tr>
<tr><td></td><td colspan="2">Election of Chairman & Members of Various Committees
Audit Committee:</td></tr>
<tr><td></td><td>Mr. Emiliano Volante</td><td>Chairman</td></tr>
<tr><td></td><td>Ms. Elizabeth Gildore</td><td>Member</td></tr>
<tr><td></td><td>Mr. Hiroyoshi Fukutomi</td><td>Member</td></tr>
<tr><td></td><td colspan="2">Nomination Committee:</td></tr>
<tr><td></td><td>Mr. Yoshiyuki Takahashi</td><td>Chairman</td></tr>
<tr><td></td><td>Ms. Elizabeth Gildore</td><td>Member</td></tr>
<tr><td></td><td>Mr. Emiliano Volante</td><td>Member</td></tr>
<tr><td></td><td colspan="2">Compensation/Remuneration Committee:</td></tr>
<tr><td></td><td>Mr. Yoshiyuki Takahashi</td><td>Chairman</td></tr>
<tr><td></td><td>Mr. Emiliano Volante</td><td>Member</td></tr>
<tr><td></td><td>Ms. Elizabeth Gildore</td><td>Member</td></tr>
</table>

	Risk Management Committee: Mr. Yoshiyuki Takahashi — Chairman Mr. Emiliano Volante — Member Ms. Elizabeth Gildore — Member Corporate Governance Committee: Mr. Emiliano Volante — Chairman Mr. Yoshiyuki Takahashi — Member Ms. Elizabeth Gildore — Member
06/17/2016	Election of Regular & Independent Directors during Annual Stockholders Meeting held on June 17, 2016 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
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
03/22/2016	Declaration of 20% cash dividend to all stockholders of record as of April 7, 2016 and payable on April 26, 2016
01/29/2016	Sworn Corporate Secretary's Certification Board of Director's Attendance from January – December 2015
01/22/2016	Election of Mr. Shinichi Hayashi as Chairman of the Board
01/06/2016	Election of Mr. Shinichi Hayashi as new Director and President of the Corporation effective January 6, 2016
12/18/2016	Resignation of Mr. Nobuo Yasuhira as President and Chairman of the Board effective January 2, 2016 Appointment of Stock Transfer Service Inc, as the new stock transfer agent effective January 2, 2016 replacing BPI Stock Transfer Agency

07/07/2015	Certification of Independent Director Mr. Emiliano Volante
07/07/2015	Certification of Independent Director Ms. Elizabeth Gildore
07/06/2015	Retirement / Resignation of Mr. Miguel Castro and Toshikazu Kudo as members of the Board effective July 6, 2015. Election of Messrs. Terumitsu Morimoto and Tadashi Nakamura as new Directors effective July 6, 2015
06/22/2015	Matters taken – up during Annual Board of Directors' Meeting held June 22, 2015: Resignation of Mr. Hiroyoshi Fukutomi as Executive Director, Treasurer & Vice – Chairman effective June 22, 2015. Election of Mr. Yoshiyuki Takahashi as the new Executive Director, Treasurer & Vice – Chairman effective June 22, 2015. Election of Corporate Officers for 2015 – 2016 Mr. Nobuo Yasuhira — Chairman & President Mr. Yoshiyuki Takahashi — Vice – Chairman, Treasurer & Executive Director Mr. Masaru Toyota — Executive Director & Vice – President PPH Division Mr. Hiroshi Yamada — Executive Director Atty. Mamerto Mondragon — Compliance Officer & Corporate Secretary Approval of Gratuity Pay for retiring Regular Director, Independent Director & Corporate Secretary Election of Chairman & Members of various Committees: Audit Committee: Mr. Emiliano Volante Mr. Yoshiyuki Takahashi Ms. Elizabeth Gildore Nomination Committee: Mr. Miguel Castro Mr. Yoshiyuki Takahashi Ms. Elizabeth Gildore Compensation/Remuneration Committee: Mr. Yoshiyuki Takahashi Mr. Miguel Castro Ms. Elizabeth Gildore Risk Management Committee: Mr. Yoshiyuki Takahashi Mr. Miguel Castro Ms. Elizabeth Gildore Corporate Governance Committee: Mr. Emiliano Volante Mr. Yoshiyuki Takahashi Mr. Miguel Castro

06/19/2015	Election of the following during Annual Stockholders' Meeting: Regular Directors: Mr. Nobuo Yasuhira Mr. Hiroyoshi Fukutomi Mr. Masaru Toyota Mr. Hiroshi Yamada Mr. Yoichi Takemoto Mr. Toshikazu Kudo Mr. Miguel Castro Appointment of Sycip, Gorres, Velayo & Company as the Company's External Auditor
05/19/2015	Certification of Independent Director – Elizabeth Gildore
05/04/2015	Election of Ms. Elizabeth Gildore as new member of Independent Director

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, 2016.

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

MASARU TOYOTA
Executive Director &
Vice – President PPH Division

ATTY. MAMERTO Z. MONDRAGON
Corporate Secretary

Signed on this 30th day of June 2016

SUBSCRIBED AND SWORN to before me this JUL 0 1 2016, affiants exhibiting to me their passport numbers as follows:

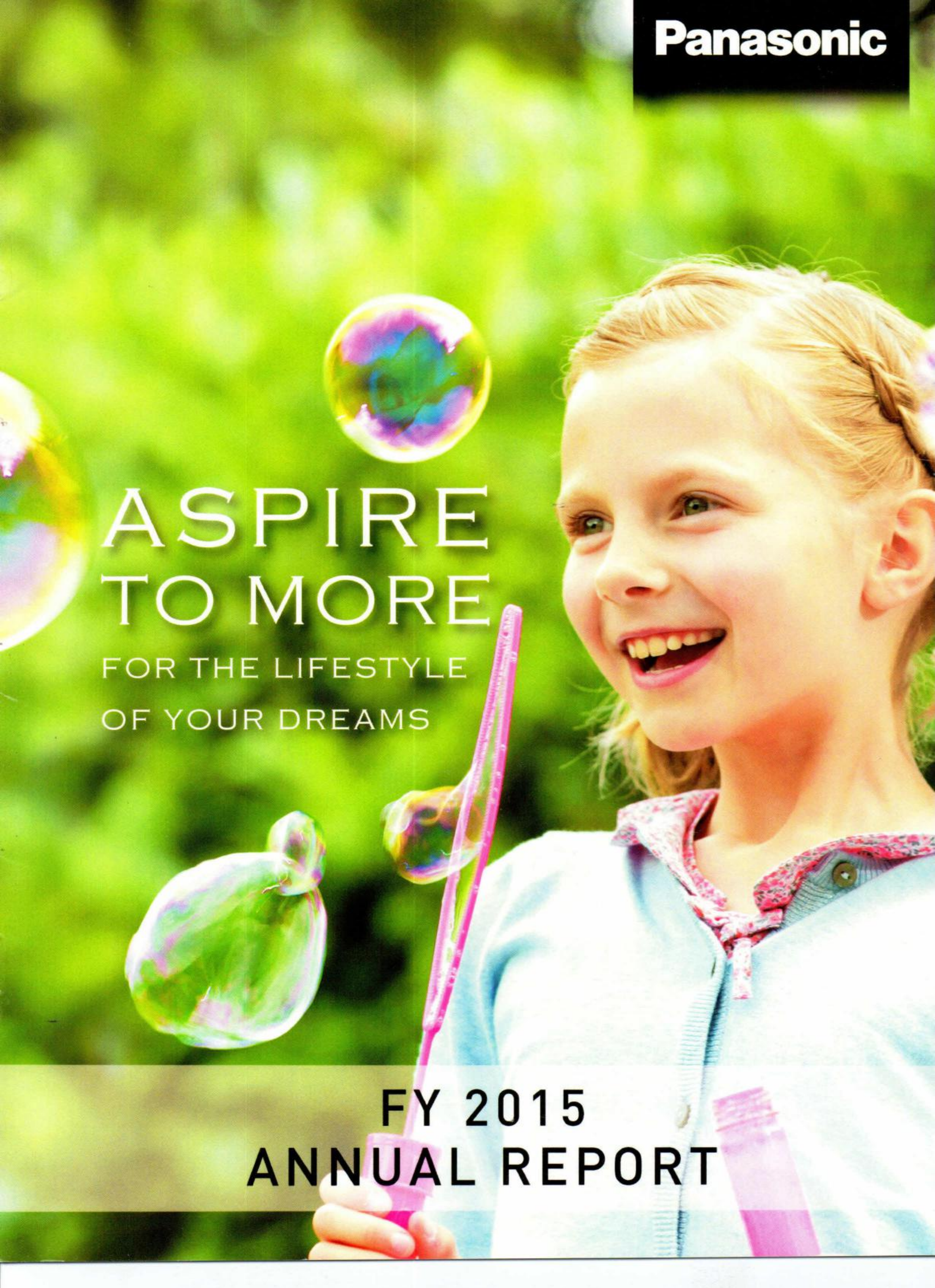
NAMES	PASSPORT NO.	DATE ISSUED	PLACE ISSUED
Shinichi Hayashi	TH2928762	March 20, 2007	Japan
Yoshiyuki Takahashi	TZ0428194	June 21, 2006	Japan
Masaru Toyota	TZ0562946	May 26, 2008	Japan
Mamerto Mondragon	EC1383417	June 11, 2015	Philippines

NOTARY PUBLIC

Doc. No. 469
Page No. 94
Book No. XLI
Series of 2016

ATTY. JOHN KENNETH T. MORENO
NOTARY PUBLIC
Roll No. 35640
IBP No. 1010752 - 5 Nov. 2015
PTR No. 4961501 - 4 Jan. 2016
MCLE No. V- 17886 -03 March 2016
Appt. No. 16-04 - Dec. 2015
Until Dec. 31, 2017
For Antipolo City, Taytay, Cainta
Province of Rizal

Panasonic



ASPIRE TO MORE

FOR THE LIFESTYLE OF YOUR DREAMS

FY 2015 ANNUAL REPORT

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.

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 guidance for the Company in carrying out its operation and corporate activities.

ON THE COVER

The Annual Report's cover design was inspired by the Appliances (AP) Company's business vision, ASPIRE TO MORE along with the commitment for consumer electronics to focus on developing premium products that deliver yearning to the customers.

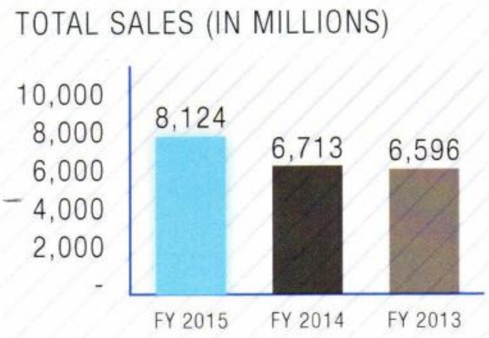
CONTENTS

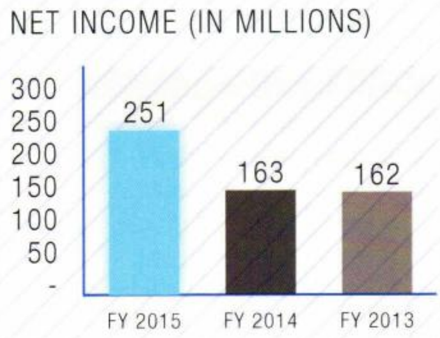
FINANCIAL HIGHLIGHTS
FISCAL YEAR 2015, 2014 & 2013

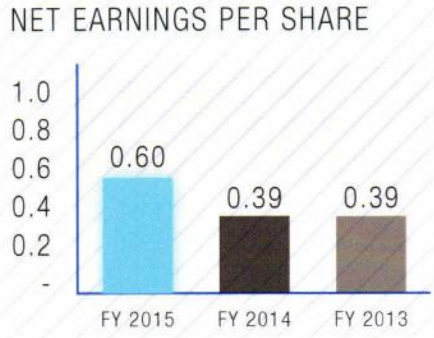
TOTAL OPERATIONS	FY 2015	FY 2014	FY 2013
NET SALES	**8,124,341,497**	6,713,425,158	6,596,393,138
NET INCOME AFTER TAX	**250,975,471**	162,575,505	162,053,479
Attributable to:			
Equity Holders of the Parent Company	**254,111,531**	164,644,760	163,427,461
Minority Interest	**(3,136,060)**	(2,069,255)	(1,373,982)
EARNINGS PER SHARE	**0.60**	0.39	0.39
TOTAL EQUITY	**3,991,496,463**	3,804,127,318	3,755,729,246
Book Value Per Share	**9.44**	9.00	8,88
WORKING CAPITAL (EOY) (Current Assets - Current Liabilities)	**3,483,995,142**	3,204,157,756	2,915,583,805
CURRENT ASSETS RATIO	**3.28**	3.66	3.10

CASH DIVIDENDS

FY 2015 - 20% cash dividend. Declaration date March 22, 2016
FY 2014 - 10% cash dividend. Declaration date March 19, 2015
FY 2013 - 10% cash dividend. Declaration date March 20, 2014







MESSAGE TO SHAREHOLDERS

In fiscal year 2015, we carried out our business operation dutifully, reprising our commitment to Panasonic's mission of contributing to society and improving the well-being of people. Thus, despite the difficulties that confronted our Company during the fiscal year, PMPC managed to emerged better.

Towards the third quarter of fiscal year 2015, we embarked on promoting a new organizational structure and integrated our Company's business divisions with corresponding marketing groups aimed at serving PMPC's customers better. There were some adjustments and uncertainties along the way, but with the concerted efforts and collective wisdom of the members of PMPC Family, our Company succeeded in achieving a new level of growth. It is therefore very encouraging to note that by working together, we were able to create a synergy, which translated to a favorable performance, allowing our Company to post a double-digit sales growth of 21% versus last year. Consequently, this resulted in higher consolidated profit after tax of 251 million pesos, which is 88 million pesos higher than last year.

In responding to Panasonic Corporation's direction, we must contribute to the continuing resolve of Appliances (AP) Company - in which PMPC now belongs - to capitalize on the desirable status of the home appliance business in delivering "aspiration" to customers. This presents home appliances business' idea of "the lifestyles we all desire" through a wide range of products from audio-visual equipment to home appliances and beauty appliances, promoting each item as part of a whole system that delivers yearning to the customers.

Next year, we will be celebrating PMPC's 50th anniversary, and come 2018, we will join the global celebration of the 100th year of Panasonic's founding. These events are not just celebrations, but more of a blessing, because these allow us to start a new beginning at a time when we are anticipating new waves of change in industry, communities, and the world. Thus, for this fiscal year, our management slogan shall be "Ride the new wave--Be No. 1" as we confront changes without fear, and move forward to achieve further growth. And this will serve as the foundation of our determination to ensure that PMPC continues to provide customers with safe and reliable products coupled with exemplary service.

Let me take also this opportunity to sincerely thank my fellow directors, distinguished stockholders, our management team, and all PMPC employees for putting in tremendous amount of efforts and willful commitment to the objectives of our business operation. I believe that the foundations are well in place for some very exciting times, not only in 2017 and 2018, but beyond. Likewise, I thank all our customers, and business partners, who have been supporting and encouraging us to carry out our responsibilities and respective roles worthy of their trust and confidence. Rest assured that we will continue to exert our best effort to realize our growth targets and exceed your expectations.

SHINICHI HAYASHI
President / Chairman of the Board

HIGHLIGHTS OF FY 2015 OPERATION

ONE MIND, ONE PMPC IN SERVING SOCIETY... A CONTINUING COMMITMENT...

Fiscal year 2015 was another challenging year for PMPC. However, along with the concerted efforts of all the members of PMPC Family, the Company was able to carry out its corporate activities and objectives with enthusiasm and resolve. Eventually, the Company was blessed with several recognitions and awards as a manifestation of its contributions to society through its business activities. In fact, even Panasonic Appliances (AP) Company accorded PMPC with an "Overseas Special Award" to recognize its remarkable performance in fiscal year 2015.

Likewise, PMPC was able to strengthen further its network with allies and stakeholders through its accommodation of visitors from various affiliates and organizations, including Toyota Industries Corporation Executive Vice President Takuo Sasaki; Panasonic Corporation (PC) Executive Vice President Yoshihiko Yamada; Panasonic Appliances Managing Director, Hiroyuki Tagishi; PC PBSS Regional Headquarters Managing Director Toru Nishida; Ishida Taiseisha Inc., President Otohiko Abe; Panasonic Appliances Refrigeration Devices Singapore President Atsunao Terasaki; Panasonic System Solution Asia Pacific President Tetsuya Fujiwara; PC Corporate Strategy Division Managing Director Mototsugu Sato; PC Corporate Quality Innovation Division Director Hirozumi Itoh; AP Vice President Yuki Kusumi; Production Engineering Division Director Hiroyuki Inoue; Cold Chain Division Director Tsutsumi Atsuki; PA Director & Member of the Board, Terumitsu Morimoto; Panasonic Appliances Vietnam President Mitsuhiko Nakamura; AP Asia CFO Koji Takatori; Tokyo University Manufacturing Management Research Center delegates; Japanese Electrical, Electronic & Information Union officers; Rizal Provincial Tripartite Industrial Peace Council officers and members; and other individuals and groups.

HIGHLIGHTS OF FY 2015 OPERATION

A PLEDGE FOR PROMOTING RESPONSIBLE MANAGEMENT

In emphasizing the importance of changing mind-set, the first-ever B2B Group Policy Meeting was held at PMPC Makati Office on April 1, 2015, attended by all PMPC Makati employees. During the event, PMPC President Nobuo Yasuhira highlighted the need to build valuable relationships with both new and old customers, and to know the Company's products and services compared with those of other players in the industry. In addition, he pointed out that PMPC shall serve as a solutions provider.

In line with the Company's vision of achieving double digit growth starting fiscal year 2015, PPH ramped up the campaign to improve marketing activities in the field. Thus, on April 21, 2015 eight members of PMPC joined PPH to be part of its newly formed "SWAT Team." The new team is part of Trade Marketing Department created to support the Company vision through enhancement and improvement of Panasonic shop fronts in dealers' stores, gathering and sharing of the latest information on products, price, promotions, competitors' activities, end users' comments and sales movement so as to provide the quickest action through countermeasures, recommendations, and tactical solutions. In addition, PPH Vice President Masaru Toyota also reiterated during the event that the new team should be proactive in thinking, interactive in communicating, creative and must be constructive.

Members of PMPC Management and Workers Union renewed their collective bargaining agreement on April 27, 2015, expressing their willingness to work side-by-side toward the fulfillment of the agreement's commitment and well-being of all.

PMPC Executive Director and Treasurer Hiroshi Fukutomi and PMPC Executive Director Miguel Castro, in separate occasions bade goodbye to PMPC employees. Mr. Fukutomi spent more than 5 years in PMPC, and left for a new assignment in Russia. In his farewell message, he was highly grateful for the members of PMPC Family and reminded them to always be proud of the company. Likewise, Mr. Miguel Castro reminisced all his fruitful years with PMPC and thanked everyone during his valedictory address during the lunch tendered for him. Moreover, at the Company's June 2015 General Morning Meeting, PMPC President Nobuo Yasuhira introduced the new Treasurer Executive Director Yoshiyuki Takahashi, who expressed his desire to establish a harmonious relationship with PMPC employees.

PMPC Sportsfest 2015 took off to a good start in realizing its objective to promote camaraderie and sportsmanship among members of PMPC Family as it held its opening ceremony on July 3, 2015. Mr. Yasuhira reminded the participants to take this opportunity to instill good values, sense of discipline, as well as "himozuke" in strengthening the Company's spirit of unity and teamwork.

The Company's Cost Buster (CB) initiatives continuous to enable PMPC to create a number of themes and generate huge amount of savings. The Company encourages employees to share ideas, which contributes to the attainment of the Company's goals. Thus, Mr. Yasuhira formally adopted i-seeMuda an acronym, which read: "Innovative Savings and Elimination of unnecessary Expense to Move Up towards Desirable Achievement for Vision 2018."

The annual CB World Cup was held on August 20, 2015 at PMPC Taytay and Miss Queenie De Chavez of AC Business Division earned the privilege to represent the Philippines in the Southeast Asia and Pacific (APAC) regional competition for the CB World Cup 2015 at Panasonic Asia Pacific Pte. Ltd (PA) on October 30, 2015.

On September 11, 2015 PMPC reached another milestone with the celebration of its 48th Anniversary. In leading the event, Mr. Yasuhira reminded every member of PMPC Family to appreciate the opportunity and be thankful for the past achievements and most importantly, the commitment to serve society by continuously realizing the company's business targets.

PMPC celebrated its Employees' Day 2015 by promoting healthy mind and healthy body on September 12, 2015 at the Company's Multi-Purpose Covered Court with joys and excitements in participating also with the mini-Olympic fun games. PMPC and PPRDPH held a friendly basketball and volleyball match for male and female players.

The 2015 Annual Panasonic Group of Companies in the Philippines (PGCP) Quality Control Circle (QCC) Conference was held on September 16, 2015 participated in by PMPC's Refrigerator Business Division, and Aircon Business Division. Panelists were Mr. Yasuhira, newly installed PMPC Treasurer Executive Director Yoshiyuki Takahashi; and PMPC Assistant Director Robert Pacheco; as well as Panasonic Precision Devices Philippine Corporation (PPRDPH) President Muneyuki Oimatsu; PPRDPH Director Koji Ipposhi; and PPRDPH General Manager Seiko Uemura.

As part of PMPC's continuous journey for Quality Improvement, the Company passed the ISO 9001:2008 for Quality Management System, ISO 14001:2004 for Environment Management System, and OHSAS 18001:2007 for Occupational Health and Safety during the ISO 1st Surveillance Audit conducted on September 17 and 18, 2015.

Taking the challenge of the theme "Safety and Quality," PMPC highlighted the implementation of various activities during its Quality Promotion Month in November 2015, which is part of its continuing commitment to customer satisfaction. Furthermore, PMPC has continued to encourage all employees to prioritize quality and safety by involving them in related activities and programs. Thus, fiscal year 2015 Quality Promotion Month once again contributed in providing knowledge, awareness, and reminders to all the members of PMPC Family in making quality and safety as part of PMPC's DNA.

At the start of the year on January 4, 2016, members of PMPC Family welcomed the new PMPC President, Mr. Shinichi Hayashi. A graduate of Osaka University School of Engineering, Mr. Hayashi joined Matsushita Electric (MEI), now PC in 1988. He was serving as the Managing Director for Panasonic Asia Pacific Procurement Management Center before his assignment as PMPC President.

HIGHLIGHTS OF FY 2015 OPERATION

A PLEDGE FOR PROMOTING ENVIRONMENT, HEALTH AND SAFETY

On April 18, 2015, a 15-K Ceremonial Run dubbed as "Himozuke Run" was held at the Laguna Technopark in Laguna. Runners form the Company's top management, group managers and team leaders took the occasion not only to symbolize the Company's commitment to "ONE PMPC" in order to achieve its target for FY2015, but also to showcase its support for the management of Appliances Company (AP).

PMPC joined the annual fun run "Silakbo" (Sikad, Lakad, Takbo) on April 26, 2015 participated in by employees from PMPC Taytay and Sta. Rosa in support of the observance of Earth Day.

On May 18, 2015 PMPC awarded the fiscal year 2014 APAC Green Factory Challenge Contest. In preparation for the upcoming regular classes of secondary students of Casimiro Ynares Memorial High School, a "Brigada Eskwela" campaign was supported by PMPC on May 18-22, 2015.

Furthermore, as part of the environment month, PMPC conducted Eco CSR Activities on May 25, 2015 donating waste bins to nearby communities and presented an eco-product presentation featuring environment friendly Panasonic products.

Fiscal year 2015 Annual Environment Health and Safety Management Review was also conducted on June 26, 2015 where groups and teams presented environmental targets and achievements. On the same month, PMPC supported the global environment month with the postings of tarpaulins in Taytay and Sta. Rosa. The campaign drew the participation of PMPC employees, who shared their ideas on energy conservation through household electricity and water consumption contest. The inspiring message on environmental awareness of PC President Kazuhiro Tsuga was also read and shared during the Company's morning assemblies.

In compliance with Rule 1948 of the Philippine Occupational Health and Safety Standards, PMPC conducted earthquake and fire drills on two separate occasions on September 3, 2015 (PMPC-Taytay) and October 29, 2015 (PMPC-Sta. Rosa). The drills were aimed to prepare PMPC employees to respond properly during a disaster. A 5S seminar was also conducted on September 23, 2015 to members of AVESCO management.

An Eco-Learning Program was conducted at St. Martin Montessori School of Angono, Rizal on September 24, 2015 and attended by 3rd and 6th grade students.

PMPC hosted the meeting of the representatives of the APEC Regional Cost Itakona Work Group on October 1, 2015 at PMPC-Taytay.

In compliance with the requirement of the Department of Labor and Employment, the Philippine Red Cross-Rizal Chapter facilitated a three-day First Aid and Basic Life Support Training-Workshops at PMPC-Taytay on October 26 to 28, 2015. Selected PMPC employees took to heart the workshops, which prepared them for the "Big One."

On November 7, 2015, Toyota Handling Material conducted a Forklift Safety Seminar at PMPC Sta. Rosa. The one-day training-workshop aimed at improving the safety awareness and to enhance the operators' knowledge in using the forklift. As part of the Company's compliance, HR-Environment, Health and Safety Team facilitated a Fire Safety seminar on March 17, 2016 at PMPC-Taytay with cooperation of Taytay Bureau of Fire Station. A fire drill capped the awareness and safety consciousness among participants.

Around 800 5th and 6th grade students from Taytay Elementary School received an eco-learning program from PMPC Taytay on January 20, 2016. The students participated in discussing global warming, particularly its causes, effects, and solutions.

PMPC took part in the 3rd Municipal Fire Competition at Taytay Municipal Town on March 4, 2016. Three companies and seven barangays joined the Rescue Type, Ladder with Busted Hose (male) and Use of Fire Extinguisher (male and female) events. PMPC Taytay bagged the overall champion and best muse. The Company represented the town of Taytay in the 2nd Rizal-Regional Fire Olympics on March 17, 2016 at Angono, Eco Park. Seven companies and seven barangays competed in the Rescue Type, Ladder with Busted Hose (male) and Use of Fire Extinguisher (male and female) events. PMPC-Sta. Rosa hosted the 21st LTA Fire Brigade Competition on March 18, 2016. A total of 18 companies participated in three events: Straight Hose Connection (male), Wye Connection (male) and Use of Fire Extinguisher (female).

A PLEDGE FOR PROMOTING CORPORATE CITIZENSHIP

Panasonic Corporation (Japan) through the Panasonic Group of Companies in the Philippines continued to invest in people with the commitment to contribute in realizing a better world awarded recently the 2015 Panasonic scholarship grants to six technical-vocational students, judiciously selected nationwide on July 22, 2015 and to three undergraduate students on August 13, 2015. Panasonic Corporation (Japan) funds the Panasonic Scholarship Program for its localized schemes in the region. In the Philippines, the program is administered by PMPC and supported by PPRDPH.

In line with Panasonic Corporation's 100 Thousand Solar Lanterns Project, PMPC brought smile and lasting hope to the people of Sitio, Magata, Tanay, Rizal through the Solar Lantern Documentary Project and donation headed by Brand Communication Division of Panasonic Corporation Japan Mr. Hisao Tsugita; Production Manager, Mr. Jun Sato; Film Director, Mr. Kenshin Nawa; and co-director, Mr. Jojo Atienza together with selected PMPC employees on September 4, 2015. Launched in 2012, the Panasonic global "100 Thousand Solar Lanterns Project" aims to create positive changes in lives of people in rural off-grid areas in emerging and developing countries through donation of 100,000 units of the compact solar lighting devices by 2018, the company's 100th year anniversary.

On December 18, 2015 Tanglaw Blind Association of Masseurs and Musicians Inc. presented their angelic songs during PMPC's Christmas Celebration: A Black and White Party!" In behalf of Tanglaw Blind Association of Masseurs and Musicians Inc., President Miss Marilou Mendiola received donations from PMPC President Nobuo Yashuhira and PMPC Treasurer-Executive Director Yoshiyuki Takahashi. The group was the recipient for FY2015 "Munting Handog, Laking Tuwa ang Dulot Project."

HIGHLIGHTS OF FY 2015 OPERATION

Along with PMPC's commitment to corporate citizenship and brand management program, PMPC donated a new split-type air conditioner unit to My Children's House of Hope in Quezon City on January 28, 2016. The community center provides support services for underprivileged deaf children and their families.

A PLEDGE FOR PROMOTING CO-EXISTENCE AND CO-PROSPERITY

A company may flourish in time regardless of all those around it, but its fortune will only be temporary; it never lasts long. In the case of PMPC, the management philosophy of Panasonic founder Konosuke Matsushita, which centers on the principle of "co-existence and co-prosperity," serves as the Company's guide in involving not only those in the same industry, but also the people everywhere; its stakeholders.

At the fiscal year 2015 Annual Stockholders Meeting, PMPC President Nobuo Yasuhira reiterated the Company's commitment to achieve a double-digit growth versus fiscal year 2014 by strengthening the fundamentals particularly the adherence to corporate social responsibilities in line with the mission. He also highlighted the Company's aggressiveness in developing and promoting B2B or business-to-business operations. Along with this, PMPC entered into an agreement with MSI-ECS, and held a contract signing on June 10, 2015 appointing MSI-ECS as the Company's official Security Solution Distribution and Partnership. This was followed by their partnership launching event at Dusit Thani Manila with Pinoy Big Brother as theme on June 19, 2015. In addition, Panasonic participated in Franchise Asia Philippines 2015 on June 12-14, 2015 and joined the BCI Asia in awarding Top 10 Architects and Contractors on June 16, 2015. Likewise, to showcase the new Panasonic SSG Video Intercom and other Panasonic B2B products, leading to more sales.

On March 16, 2016 representatives from the Department of Trade and Industry (DTI), Bicol toured PMPC-Taytay Factory. The visitors were given an eco-tour and eco-product presentation highlighting the Philippine-made Panasonic products.

A PLEDGE FOR PROMOTING PEOPLE BEFORE PRODUCTS

As our founder Konosuke Matsushita once said: "When our clients ask you what Matsushita Electric produces, tell them the company produces people first. Then tell them it also manufactures goods – electric appliances." Therefore, in fiscal year 2015, PMPC continuously delivered and prioritized the cultivation of people development, particularly their potential; ability and development through implementation of various programs.

A one-year series of training programs were conducted to PPH and related groups facilitated by Oscar Planning Co. Ltd. President Osamu "Oscar Seo" on Advanced Retail Marketing Course in February 2015-August 2015 (Batch 1), September 2015-March 2016 (Batch 2), Basic Retail Marketing Course in May 2015-June 2015 (Batch 1), September 2015-October 2015 (Batch 2), Advanced B2B Marketing Course in May 2015-August 2015 (Batch 1), September 2015-October 2015 (Batch 2) and Gap Analysis & PDCA Course in August – November – January 2016. The objective of the training programs is to train and strengthen participants on the fundamentals of sales and marketing, as well as to develop common understanding and mindset towards growing Panasonic business.

On May 25-26, 2015 Panasonic Financial and Accounting Professional Partners Co. Ltd. conducted a practical seminar for local accountants in the Philippines at PMPC-Taytay headed by General Manager of Accounting & Management Support Division, Mr. Tsutomu Tanigami. The seminar was aimed at upgrading the skills of accountants and deepening the understanding of the basics. Aside from the technical knowledge of accounting it also focused on the Panasonic way of accounting and the management philosophy.

Members of the Panasonic Asia Pacific Pte. Ltd. (PA) conducted an ISM Conference on August 28, 2015 to assist and strengthen ISM control of the company. The training offered a three-part session that covered topics such as ISM Basic, ISM Control and ISM Audit.

Effective Business Presentation Skills Seminar was also conducted on November 13, 2015 to improve participants' verbal and non-verbal skills through the incorporation of fundamental techniques.

On December 9, 2015, a John Maxwell certified coach conducted the Leading and Managing Change program and Motivating Teams and Improving Performances on December 10, 2015 for middle management.

The Legal and Risk Management Group of Panasonic Asia Pacific facilitated a "Compliance Awareness Seminar" on February 26, 2016 headed by General Manager Yow Tsung Woon and Compliance Manager Jene Chu for senior managers and selected team leaders of PMPC and PPRDPH. Topics covered: "The Importance of Compliance", "Prevention of Cartel", "Prevention of Bribery" and "Fraud Risk Awareness."

Candidates for promotion to MM/S1 attended the transition training programs (pre-requisite courses) on March 8-10, 2015 for Basic Business Philosophy, the Business Concept of HORENSO and the PDCA Approach to Problem Solving.
The Panasonic pride is a two-day seminar conducted on March 29-30, 2016 to refresh the awareness and understanding of participants from Refrigerator Business Division. The seminar is expected to enhance working attitude and personal development through BBP. Other issues covered were inquiries and clarifications regarding HR policies, safety issues through EHS, value of quality in the workplace through QC, re-orientation on the updated Code of Conduct, refresher on knowledge and awareness regarding ISM, as well as medical inquiries, and other health and wellness issue.

Fiscal year 2015… a year of resolve to confront change without fear… moving forward to achieve growth for a better life and a better world!

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

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, 1920, Rizal

Form Type	Department requiring the report	Secondary License Type, If Applicable
AFS		N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	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 19	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) 932 697 2115

CONTACT PERSON's ADDRESS

Ortigas Avenue Extension, Taytay, Rizal

NOTE 1 : *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.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

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 for the years ended March 31, 2016, 2015 and 2014, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

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

Signed under oath by the following:

SHINICHI HAYASHI
Chairman & President

YOSHIYUKI TAKAHASHI
Treasurer & Executive Director

HIROSHI YAMADA
Executive Director

Signed on this 4th day of May, 2016

SUBSCRIBED AND SWORN to before me this JUL 01 2016 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 9, 2008	Japan

Doc. No. 478
Page No. 94
Book No. XII
Series of 2016

NOTARY PUBLIC
ATTY. JOHN KENNETH T. MORENO
NOTARY PUBLIC
Roll No. 35640
IBP No. 1010752-5 Nov. 2015
PTR No. 4961501-4 Jan. 2016
MCLE No. V- 17886-03 March 2016
Appt. No. 16-04-Dec. 2015
Until Dec. 31, 2017
For Antipolo City, Taytay, Cainta
Province of Rizal

SGV
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 AUDITORS' REPORT

The Stockholders and the Board of Directors
Panasonic Manufacturing Philippines Corporation
Ortigas Avenue Extension
Taytay, Rizal

We have audited the accompanying consolidated financial statements of Panasonic Manufacturing Philippines Corporation and its Subsidiary, which comprise the consolidated statements of financial position as at March 31, 2016 and 2015, 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, 2016, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PANASONIC MANUFACTURING PHILIPPINES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31	
	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱3,292,423,211**	₱2,822,926,866
Receivables (Note 5)	**993,452,273**	811,799,388
Inventories (Note 6)	**692,093,806**	714,233,897
Other current assets (Note 10)	**32,733,517**	60,237,165
Total Current Assets	**5,010,702,807**	4,409,197,316
Noncurrent Assets		
Available-for-sale investments (Note 7)	**2,341,458**	2,341,458
Property, plant and equipment (Note 8)	**752,799,843**	811,335,461
Investment properties (Note 9)	**53,579,081**	53,703,479
Deferred tax assets - net (Note 25)	**140,974,388**	149,947,509
Other noncurrent assets (Note 10)	**26,359,377**	27,996,444
Total Noncurrent Assets	**976,054,147**	1,045,324,351
	₱5,986,756,954	₱5,454,521,667
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 11)	**₱1,510,803,593**	₱1,200,502,950
Income tax payable	**13,151,466**	1,000,588
Finance lease liability (Note 22)	**2,752,606**	3,536,022
Total Current Liabilities	**1,526,707,665**	1,205,039,560
Noncurrent Liabilities		
Finance lease liability (Note 22)	**2,323,846**	4,575,561
Other liabilities (Note 12)	**466,228,980**	440,779,228
Total Noncurrent Liabilities	**468,552,826**	445,354,789
	1,995,260,491	1,650,394,349
Equity		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Note 13)	**422,718,020**	422,718,020
Additional paid-in capital (Note 13)	**4,779,762**	4,779,762
Net unrealized gains on available-for-sale investments (Note 7)	**1,380,968**	1,380,968
Remeasurement loss on retirement liability (Note 12)	**(111,594,703)**	(132,531,981)
Retained earnings (Note 14)		
Appropriated	**3,192,400,000**	3,017,400,000
Unappropriated	**412,656,717**	418,088,790
	3,922,340,764	3,731,835,559
Non-controlling Interest	**69,155,699**	72,291,759
Total Equity	**3,991,496,463**	3,804,127,318
	₱5,986,756,954	₱5,454,521,667

See accompanying Notes to Consolidated Financial Statements.

LARGE TAXPAYERS ... DIVISION
Date JUL 11 2016
RECEIVED
MA. GRACI...

PANASONIC MANUFACTURING PHILIPPINES CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended March 31		
	2016	2015	2014
NET SALES (Note 28)	**₱8,124,341,497**	₱6,713,425,158	₱6,596,393,138
COST OF GOODS SOLD (Notes 15 and 28)	**(6,320,824,228)**	(5,271,770,181)	(4,864,017,095)
GROSS PROFIT	**1,803,517,269**	1,441,654,977	1,732,376,043
SELLING EXPENSES (Notes 16 and 28)	**(756,704,251)**	(720,633,598)	(1,009,063,998)
GENERAL AND ADMINISTRATIVE EXPENSES (Notes 17 and 28)	**(826,891,390)**	(621,027,078)	(650,879,382)
OTHER INCOME - net (Notes 21 and 28)	**179,771,845**	116,953,963	129,088,334
INCOME BEFORE INCOME TAX	**399,693,473**	216,948,264	201,520,997
PROVISION FOR INCOME TAX (Notes 24 and 25)	**(148,718,002)**	(54,372,759)	(39,467,518)
NET INCOME	**250,975,471**	162,575,505	162,053,479
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 12)	**20,937,278**	(71,905,631)	17,966,454
TOTAL COMPREHENSIVE INCOME	**₱271,912,749**	₱90,669,874	₱180,019,933
Net income (loss) attributable to:			
Equity holders of the Parent Company (Note 27)	**₱254,111,531**	₱164,644,760	₱163,427,461
Non-controlling interest	**(3,136,060)**	(2,069,255)	(1,373,982)
	₱250,975,471	₱162,575,505	₱162,053,479
Total comprehensive income (loss) attributable to:			
Equity holders of the Parent Company	**₱275,048,809**	₱92,739,129	₱181,393,915
Non-controlling interest	**(3,136,060)**	(2,069,255)	(1,373,982)
	₱271,912,749	₱90,669,874	₱180,019,933
Basic/diluted earnings per share (Note 27)			
Income attributable to equity holders of the Parent Company	**₱0.60**	₱0.39	₱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 13)	Additional Paid-in Capital	Net Unrealized Gains on AFS Investments (Note 7)	Remeasurement Loss on Retirement Liability (Note 12)	Appropriated Retained Earnings (Note 14)	Unappropriated Retained Earnings (Note 14)	Total	Non-controlling Interest	Total
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 14)	**–**	**–**	**–**	**–**	**(71,300,000)**	**71,300,000**	**–**	**–**	**–**
Appropriations (Note 14)	**–**	**–**	**–**	**–**	**246,300,000**	**(246,300,000)**	**–**	**–**	**–**
Cash dividends (Note 14)	**–**	**–**	**–**	**–**	**–**	**(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 14)	–	–	–	–	(210,900,000)	210,900,000	–	–	–
Appropriations (Note 14)	–	–	–	–	310,900,000	(310,900,000)	–	–	–
Cash dividends (Note 14)	–	–	–	–	–	(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
Balances at April 1, 2013	₱422,718,020	₱4,779,762	₱1,380,968	(₱78,592,804)	₱2,817,400,000	₱374,560,173	₱3,542,246,119	₱75,734,996	₱3,617,981,115
Total comprehensive income	–	–	–	17,966,454	–	163,427,461	181,393,915	(1,373,982)	180,019,933
Reversals of appropriation (Note 14)	–	–	–	–	(2,775,000,000)	2,775,000,000	–	–	–
Appropriations (Note 14)	–	–	–	–	2,875,000,000	(2,875,000,000)	–	–	–
Cash dividends (Note 14)	–	–	–	–	–	(42,271,802)	(42,271,802)	–	(42,271,802)
Balances at March 31, 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

See accompanying Notes to Consolidated Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended March 31		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱399,693,473**	₱216,948,264	₱201,520,997
Adjustments for:			
Provision for warranty claims and estimated liabilities (Notes 16 and 17)	**164,137,525**	49,405,324	96,898,253
Depreciation and amortization (Note 19)	**157,267,627**	191,562,596	149,376,122
Provision for inventory losses (Notes 15 and 17)	**48,640,089**	106,197,519	32,102,000
Provision for (recovery from) credit and impairment losses (Notes 5, 17 and 21)	**(47,708,307)**	3,700,000	(2,599,637)
Retirement expense (Note 18)	**37,664,915**	27,610,534	24,870,571
Interest income (Notes 4 and 21)	**(35,586,781)**	(26,249,465)	(29,471,733)
Unrealized foreign currency exchange (gain) loss (Note 21)	**14,867,471**	(349,273)	(50,189)
Loss (gain) on disposal/ retirement of property, plant and equipment and software (Note 21)	**(9,564)**	573,543	19,291,245
Operating income before changes in working capital	**738,966,448**	569,399,042	491,937,629
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	**(193,337,519)**	30,145,866	(46,707,468)
Inventories	**(26,499,998)**	(268,395,091)	31,009,210
Other current assets	**204,702,495**	(6,932,508)	7,789,885
Increase (decrease) in:			
Accounts payable and accrued expenses	**274,049,179**	(62,910,047)	(33,909,502)
Other liabilities	**(44,581,849)**	(39,276,763)	(119,623,938)
Net cash generated from operations	**953,298,756**	222,030,499	330,495,816
Income taxes paid	**(258,765,971)**	(59,810,469)	(68,226,536)
Contributions and benefits paid (Note 12)	**(101,860,440)**	(1,326,502)	(654,343)
Interest received from bank deposits (Note 21)	**33,085,981**	26,154,465	30,911,733
Net cash provided by operating activities	**625,758,326**	187,047,993	292,526,670
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in other assets	**(41,022)**	21,122,034	(4,031,496)
Acquisitions of:			
Property, plant and equipment (Notes 8 and 30)	**(90,679,664)**	(199,240,248)	(424,439,014)
Investment properties (Note 9)	**(4,940,000)**	(625,000)	–
Software (Note 10)	**(294,643)**	(1,630,489)	(504,464)
Proceeds from disposal of property, plant and equipment (Note 8)	**87,349**	286,256	5,313,461
Net cash used in investing activities	**(95,867,980)**	(180,087,447)	(423,661,513)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash dividends paid (Note 14)	**(42,271,802)**	(42,271,802)	(42,271,802)
Finance lease liabilities paid (Note 22)	**(4,128,131)**	(3,509,390)	(7,996,201)
Cash used in financing activities	**(46,399,933)**	(45,781,192)	(50,268,003)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (Note 4)	**(13,994,068)**	663,665	(287,192)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**469,496,345**	(38,156,981)	(181,690,038)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,822,926,866**	2,861,083,847	3,042,773,885
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱3,292,423,211**	₱2,822,926,866	₱2,861,083,847

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 8).

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) investments which are measured at fair value. 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 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.

<u>Changes in Accounting Policies and Disclosures</u>
The Group applied, for the first time, the following applicable new and revised accounting standards. Unless otherwise indicated, these new and revised accounting standards have no impact to the Group. Except for these standards and amended PFRS which were adopted as of April 1, 2015, the accounting policies adopted are consistent with those of the previous financial year.

Annual Improvements to PFRSs (2010-2012 Cycle)
These improvements are effective for annual periods beginning on or after April 1, 2015 and are not expected to have material impact on the Group's consolidated financial statements, unless otherwise stated. They include:

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*

  The amendments are applied retrospectively and clarify that:

  An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.

  The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements to PFRS (2011-2013 Cycle)
The Annual Improvements to PFRS (2011-2013 cycle) are effective for annual periods beginning on or after April 1, 2015 and are not expected to have a material impact on the Group's consolidated financial statements, unless otherwise stated. They include:

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, as applicable).

- PAS 40, *Investment Property*
  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

The following amendments to PFRS and PAS are effective for annual periods beginning April 1, 2015 but are not applicable to the Group:

- PAS 19, *Employee Benefits – Defined Benefit Pans: Employee Contributions* (Amendments)
- Annual Improvements to PFRS (2010-2012 Cycle)
  - PFRS 2, *Share-based Payment – Definition of Vesting Condition*
  - PFRS 3, *Business Combination – Accounting for Contingent Consideration in a Business Combination*
  - PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization*

- Annual Improvements to PFRS (2011-2013 Cycle)
    - PFRS 3, *Business Combination – Scope Exceptions for Joint Arrangements*

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 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 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 itsfinancial 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, 2016 and 2015.

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 quoted equity shares (see Notes 7 and 29).

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.

<u>Impairment of Financial Assets</u>
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' 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.

<u>Offsetting of Financial Instruments</u>
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.

<u>Derecognition of Financial Instruments</u>
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 and net realizable value (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.

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 when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Income Taxes
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 28.

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 financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

Standards Issued but not yet Effective
Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. The Group intends to adopt these standards when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these standards to have significant impact on the Group's financial statements.

Effective in fiscal year 2017
PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS.

PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures* - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

PAS 1, *Presentation of Financial Statements - Disclosure Initiative* (Amendments)
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 OCI 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 OCI 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.

Early application is permitted and entities do not need to disclose that fact as the amendments are considered to be clarifications that do not affect an entity's accounting policies or accounting estimates. The Group is currently assessing the impact of these amendments on its consolidated financial statements.

PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
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 not expected to have an impact to the Group given that the Group has not used a revenue-based method to depreciate its noncurrent assets.

PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments)
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. These amendments are not expected to have an impact to the Group as the Group does not have any bearer plants.

PFRS 14, *Regulatory Deferral Accounts*
PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Group is an existing PFRS preparer, this standard would not apply.

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:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan.

  There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits - Regional Market Issue regarding Discount Rate*
  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.

- PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective in fiscal year 2019
PFRS 9, *Financial Instruments*
In July 2014, the IASB issued the final version of 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. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015. The Group did not early adopt PFRS 9.

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 Group is currently assessing the impact of adopting this standard.

International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 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 IFRS 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 PFRS. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Effective in fiscal year 2020
IFRS 16, *Leases*
On January 13, 2016, the IASB issued its new standard, IFRS 16, which replaces IAS 17, the current leases standard, and the related Interpretations.

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. 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 IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

IFRS 16 is effective for annual periods beginning on or after 1 April 2019. Early application is permitted but only if IFRS 15 is applied at or before the date of initial application of IFRS 16. The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

Mandatory Date Yet to be Determined
Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the

final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Group.

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:

Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

Determination of functional currency

The Group determines the functional currency based on the economic substance of underlying circumstances relevant to the Group. The functional currency has been determined to be the Philippine Peso since its revenues and expenses are substantially denominated in Philippine peso.

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.

Classification of leases
Management exercises judgment in determining whether substantially all the significant risks and rewards of ownership of the leased assets are transferred to or by the Group. Lease contracts, which transfers substantially all the significant risks and rewards incidental to ownership of the leased items, are classified as finance leases. Otherwise, they are considered as operating leases.

Finance lease - the Parent Company as lessee
The Parent Company has certain lease agreements covering certain vehicles where the lease terms approximate the estimated useful lives of the assets, and provide for an option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable. These leases are classified by the Parent Company as finance leases (see Note 22).

Operating lease - the Parent Company as lessor
The Parent Company has entered into commercial property leases on its investment properties. Based on the evaluation of the terms and conditions of the agreement, there will be no transfer of ownership of assets to the lessee at the end of the lease term. The Parent Company has determined that it retains all the significant risks and rewards of the ownership of the asset and so account for the contract as operating leases (see Notes 22 and 23).

<u>Estimates</u>
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.

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, 2016 and 2015 amounted to ₱692.1 million and ₱714.2 million, respectively (see Note 6).

Useful lives of Property, plant and equipment, Investment properties and Software
The Group's management determines the estimated useful lives and related depreciation and amortization charges for its property, plant and equipment, investment properties and software. These estimates are based on the expected future economic benefit of the assets of the Group. Management will increase the depreciation and amortization charges where useful lives are less than previously estimated, or it will write off or write down technically obsolete assets that have been abandoned or removed from the consolidated statements of financial position.

Refer to Note 2 for the estimated useful lives of property, plant and equipment, investment properties and software.

Impairment of Property, plant and equipment, Investment properties and Software
The Group assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- Significant or prolonged decline in the fair value of the asset;
- Increase in market interest rates or other market rates of return on investments during the period, and those increases are likely to affect the discount rate used in calculating the asset's value in use and decrease the asset's recoverable amount materially;

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

The carrying value of property, plant and equipment as of March 31, 2016 and 2015 amounted to ₱752.8 million and ₱811.3 million, respectively (see Note 8). The carrying value of investment properties as of March 31, 2016 and 2015 amounted to ₱53.6 million and ₱53.7 million, respectively (see Note 9). The carrying value of software as of March 31, 2016 and 2015 amounted to ₱2.5 million and ₱4.2 million, respectively (see Note 10).

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.

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 collectibility.

The carrying value of receivables amounted to ₱993.5 million and ₱811.8 million as of March 31, 2016 and 2015, respectively (see Note 5).

Allowance for impairment losses on other current assets
The Group provides impairment on other current assets when they can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease other current assets.

The carrying value of other current assets amounted to ₱32.7 million and ₱60.2 million as of March 31, 2016 and 2015, respectively (see Note 10).

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 ₱152.2 million and ₱245.5 million as of March 31, 2016 and 2015, respectively (see Note 12).

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 liabilities.

Provisions for estimated liabilities amounted to ₱278.7 million and ₱159.2 million as of March 31, 2016 and 2015, respectively (see Note 12).

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, particularly the deferred tax assets on NOLCO and MCIT that have three years expiration from the date incurred, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. 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 and ₱149.9 million as of March 31, 2016 and 2015, respectively. The Parent Company did not recognize deferred tax asset on other temporary differences as of March 31, 2016 and 2015 since management believes that the benefit from such asset will not be realized in the future (see Note 25).

4. Cash and Cash Equivalents

This account consists of:

	2016	2015
Cash in banks	**₱534,515,869**	₱526,926,866
Cash equivalents	**2,757,907,342**	2,296,000,000
	₱3,292,423,211	₱2,822,926,866

Cash in banks earned annual interest ranging from 0.5% to 1.0% in 2016, 2015 and 2014.

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 1.8% in 2016, 0.7% to 1.4% in 2015 and 0.6% to 1.4% in 2014.

Interest income from cash in banks and cash equivalents amounted to ₱35.6 million, ₱26.2 million and ₱29.5 million in 2016, 2015 and 2014, respectively (see Note 21). Unrealized foreign exchange loss resulting from translation of foreign currency-denominated cash in banks into Philippine peso amounted to ₱14.0 million and ₱0.3 million in 2016 and 2014, respectively, and the unrealized foreign exchange gain resulting from translation of foreign currency-denominated cash in banks into Philippine peso amounted to ₱0.7 million in 2015 (see Note 21).

5. Receivables

This account consists of:

	2016	2015
Trade		
Domestic	**₱757,418,759**	₱586,779,174
Export (Note 23)	**180,301,491**	122,907,955
Non-trade		
Related parties (Note 23)	**58,943,600**	100,419,717
Third parties	**31,681,947**	27,247,670
Employees	**1,711,840**	2,019,456
Others	**8,614,329**	10,353,416
	1,038,671,966	849,727,388
Less allowance for credit losses	**45,219,693**	37,928,000
	₱993,452,273	₱811,799,388

Trade receivables are non-interest bearing and are generally on 30 to 60-day terms. Receivables classified as "domestic" are those claims against local customers. 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 2016 and 2015 follow:

	2016	2015
Balances at beginning of year	**₱37,928,000**	₱39,228,000
Provision (recovery) (Notes 17 and 21)	**7,291,693**	(1,300,000)
Balances at end of year	**₱45,219,693**	₱37,928,000
Collective	**₱29,567,602**	₱21,118,547
Specific	**15,652,091**	16,809,453
	₱45,219,693	₱37,928,000

As of March 31, 2016 and 2015, the aging analysis of trade and non-trade receivables that are past due but not individually impaired follows:

	2016					
	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	**₱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**

	2015					
	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	₱443,400,696	₱89,971,584	₱12,578,230	₱24,019,211	₱16,809,453	₱586,779,174
Export	122,907,955	–	–	–	–	122,907,955
Non-trade	140,040,259	–	–	–	–	140,040,259
Total	₱706,348,910	₱89,971,584	₱12,578,230	₱24,019,211	₱16,809,453	₱849,727,388

Unrealized foreign exchange loss on translation of receivables amounted to ₱6.9 million in 2016 and unrealized exchange gains on translation of receivables amounted to ₱1.3 million and ₱0.2 million in 2015 and 2014, respectively.

6. Inventories

This account consists of:

	2016	2015
At NRV:		
Finished goods and merchandise	**₱32,619,614**	₱22,137,360
Raw materials	**439,872**	1,704,030
	33,059,486	23,841,390
At cost:		
Finished goods and merchandise	**409,505,209**	429,549,540
Raw materials	**227,514,565**	249,502,997
Goods in process	**18,688,984**	7,604,847
Supplies	**3,325,562**	3,735,123
	659,034,320	690,392,507
	₱692,093,806	₱714,233,897

The related cost of inventories recorded at NRV amounted to ₱140.4 million and ₱130.0 million as of March 31, 2016 and 2015, respectively. The amount of write-down of inventories included under cost of goods sold amounted to ₱48.8 million, ₱106.2 million and ₱32.1 million in 2016, 2015 and 2014, respectively. The amount of inventories recognized in cost of goods sold during the year amounted to ₱6.3 billion, ₱5.3 billion and ₱4.9 billion in 2016, 2015 and 2014, respectively (see Note 15).

7. Available-for-Sale Investments

AFS investments include quoted equity shares. The carrying value of the AFS investments amounted to ₱2.3 million as of March 31, 2016 and 2015. The changes in fair value recognized in other comprehensive income amounted to nil in 2016, 2015 and 2014.

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, 2016 and 2015.

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

8. Property, Plant and Equipment

The rollforward of this account follows:

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	–	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 19)	–	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

2015	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	₱1,339,364,740	₱646,881,391	₱218,732,391	₱84,138,026	₱38,920,260	₱2,564,065,970
Acquisitions	–	51,792,413	102,781,203	13,089,066	16,595,663	19,754,903	204,013,248
Retirements/disposals	–	(24,323,924)	(1,522,788)	(71,647,650)	(4,319,824)	–	(101,814,186)
Reclassification	–	48,227,191	4,845,608	1,076,983	–	(54,149,782)	–
Balances at end 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
Accumulated depreciation and amortization							
Balances at beginning of year	2,851,295	1,079,370,329	423,134,568	205,117,879	61,538,583	–	1,772,012,654
Depreciation and amortization (Note 19)	–	125,516,209	31,653,840	14,599,197	12,114,203	–	183,883,449
Retirements/disposals	–	(24,323,924)	(1,449,115)	(71,647,650)	(3,545,843)	–	(100,966,532)
Balances at end of year	2,851,295	1,180,562,614	453,339,293	148,069,426	70,106,943	–	1,854,929,571
Net book value	₱233,177,867	₱234,497,806	₱299,646,121	₱13,181,364	₱26,306,922	₱4,525,381	₱811,335,461

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, 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. As of March 31, 2015, the Group's construction in progress pertains to the improvements of factory machinery and equipment in its 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 ₱5.0 million and ₱8.1 million as of March 31, 2016 and 2015, respectively.

Gain on disposal and retirement of property, plant and equipment amounted to ₱9,564 in 2016, while loss on disposal and retirement of property, plant and equipment amounted to ₱0.6 million and ₱19.3 million in 2015 and 2014, respectively (see Note 21). Considerations received from the disposal and retirement of property, plant and equipment amounted to ₱0.1 million, ₱0.3 million and ₱5.3 million in 2016, 2015 and 2014, respectively (see Note 30).

The costs of fully depreciated property, plant and equipment that are still in use amounted to ₱1.5 billion and ₱1.4 billion as of March 31, 2016 and 2015, respectively.

9. 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 22).

The rollforward of this account follows:

	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 19)	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

	2015		
	Building	Building Improvements	Total
Cost			
Balances at beginning and end of year	₱115,251,594	₱115,622,923	₱230,874,517
Acquisitions	–	625,000	625,000
Balances at the end of year	115,251,594	116,247,923	231,499,517
Accumulated depreciation			
Balances at beginning of year	57,510,968	115,622,923	173,133,891
Depreciation (Note 19)	4,610,064	52,083	4,662,147
Balances at end of year	62,121,032	115,675,006	177,796,038
Net book value	₱53,130,562	₱572,917	₱53,703,479

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, 2016 and 2015.

Rent income recognized under 'Other income - net' amounted to ₱27.7 million, ₱26.7 million and ₱27.4 million in 2016, 2015 and 2014, respectively (see Notes 21 and 23).

Direct operating expenses recognized under 'General and administrative' expenses arising from investment properties that generated rental income amounted to ₱7.3 million, ₱7.9 million and ₱5.0 million in 2016, 2015 and 2014, respectively.

10. Other Current Assets and Other Noncurrent Assets

These accounts consist of the following:

	2016	2015
Other Current Assets		
Prepaid expenses	**₱24,288,445**	₱27,097,728
Creditable withholding taxes (CWTs)	**7,976,371**	87,790,309
Tax credit certificates (TCCs)	**3,459,909**	3,459,909
Advances to employees	**508,792**	389,219
	36,233,517	118,737,165
Less allowance for impairment losses	**3,500,000**	58,500,000
	₱32,733,517	₱60,237,165
Other Noncurrent Assets		
Deposits	**₱16,518,326**	₱15,513,567
Deferred input VAT	**7,329,261**	8,292,998
Software	**2,511,790**	4,189,879
	₱26,359,377	₱27,996,444

Movement in allowance for impairment losses is as follows:

	2016	2015
Balances at beginning of year	**₱58,500,000**	₱53,500,000
Provisions (Note 17)	**–**	5,000,000
Reversal (Note 21)	**(55,000,000)**	–
	₱3,500,000	₱58,500,000

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 CWTs and TCCs, however, remain to be available for application against future tax liabilities. In 2016, the Parent Company applied ₱123.9 million of its CWTs against income tax payable resulting to the reversal of the related allowance for impairment losses amounting to ₱55.0 million. The recoverable amount of the CWTs and TCCs was determined to be ₱7.9 million and ₱32.8 million as of March 31, 2016 and 2015, respectively.

The composition and movements of software follow:

	2016	2015
Cost		
Balances at beginning of year	**₱109,737,179**	₱114,183,401
Additions	**294,643**	1,630,489
Retirement	**–**	(6,076,711)
Balances at end of year	**110,031,822**	109,737,179
Accumulated amortization		
Balances at beginning of year	**105,547,300**	108,594,866
Amortization (Note 19)	**1,972,732**	3,017,000
Retirement	**–**	(6,064,566)
Balances at end of year	**107,520,032**	105,547,300
Net book value	**₱2,511,790**	₱4,189,879

Loss on retirement of software amounted to ₱12,145 in 2015 (see Note 21).

11. Accounts Payable and Accrued Expenses

Accounts payable consist of:

	2016	2015
Trade payable		
Related parties (Note 23)	**₱325,868,334**	₱219,996,665
Third parties	**244,800,933**	197,529,746
Non-trade payable		
Related parties (Note 23)	**80,776,268**	63,304,320
Accrued expenses		
Third parties	**680,345,575**	577,854,743
Related parties (Note 23)	**12,506,830**	16,866,784
Others		
Dividends payable (Notes 14 and 23)	**84,543,604**	42,271,802
Advances from customers	**69,635,626**	52,886,981
Output VAT - net	**12,326,423**	29,791,909
	₱1,510,803,593	₱1,200,502,950

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

Accrued expenses to third parties consist of:

	2016	2015
Advertising expenses and sales promotions	**₱345,587,001**	₱324,561,001
Suppliers	**269,688,517**	201,597,432
Freight expenses	**31,833,296**	13,442,971
Salaries and other employee benefits	**21,950,546**	29,126,751
Others	**11,286,215**	9,126,588
	₱680,345,575	₱577,854,743

Other accrued expenses include withholding taxes and accruals for utilities.

Unrealized foreign exchange gain on translation of payables amounted to ₱6.0 million and ₱0.2 million in 2016 and 2014, respectively and unrealized foreign exchange loss on translation of payables amounted to ₱1.7 million 2015.

12. Other liabilities

This account consists of:

	2016	2015
Provisions	**₱278,731,276**	₱159,175,600
Retirement liability	**187,497,704**	281,603,628
	₱466,228,980	₱440,779,228

Provisions
The rollforward of this account follows:

	2016		
	Warranty Claims	**Others**	**Total**
Balances at beginning of year	**₱57,834,600**	**₱101,341,000**	**₱159,175,600**
Provisions (Notes 16 and 17)	**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**

	2015		
	Warranty Claims	Others	Total
Balances at beginning of year	₱44,974,800	₱56,307,040	₱101,281,840
Provisions (Notes 16 and 17)	42,619,341	6,785,983	49,405,324
Claims/usage/reclassifications	(29,759,541)	38,247,977	8,488,436
Balances at end of year	₱57,834,600	₱101,341,000	₱159,175,600

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:

	2016	2015
Retirement liability under defined benefit plan	**₱152,203,017**	₱245,518,310
Others	**35,294,687**	36,085,318
	₱187,497,704	₱281,603,628

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.

Others pertain to the Parent Company's employee benefits outside its defined benefit plan including accumulated sick leaves and vacation leaves that the Parent Company 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:

	2016	2015
Discount rate		
Beginning	**4.5% to 4.6%**	4.7%
Ending	**4.9% to 5.0%**	4.5% to 4.6%
Salary increase rate		
Beginning	**5.0%**	5.0%
Ending	**5.0%**	5.0%
Average expected future service years	**8.9**	9
Average accumulated sick leaves	**38.8**	38.6
Average accumulated vacation leaves	**8.4**	8.4

Changes in retirement liability under defined plan in 2016 and 2015 are as follows:

	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 18)			
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**

	2015		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Balances at beginning of year	₱390,264,047	(₱273,386,900)	₱116,877,147
Net benefit cost in statement of comprehensive income (Note 18)			
Current service cost	20,425,607	–	20,425,607
Net interest cost	18,342,410	(12,849,184)	5,493,226
	38,768,017	(12,849,184)	25,918,833
	429,032,064	(286,236,084)	142,795,980
Benefits paid	(13,583,341)	13,583,341	–
Remeasurements in other comprehensive income			
Experience adjustments	8,378,702	–	8,378,702
Actuarial changes arising from changes in financial assumptions	3,791,259	–	3,791,259
Return on plan assets	–	90,552,369	90,552,369
	12,169,961	90,552,369	102,722,330
Balances at end of year	₱427,618,684	(₱182,100,374)	₱245,518,310

Changes in other retirement liability in 2016 and 2015 are as follows:

	Present value of defined benefit obligation	
	2016	2015
Balances at beginning of year	**₱36,085,318**	₱37,644,749
Net benefit cost in statement of comprehensive income (Note 18)		
Current service cost	**2,904,844**	980,633
Net interest cost	**1,637,409**	711,068
	4,542,253	1,691,701
	40,627,571	39,336,450
Benefits paid	**(1,860,440)**	(1,326,502)
Remeasurements in other comprehensive income		
Experience adjustments	**(2,590,977)**	(1,975,515)
Actuarial changes arising from changes in financial assumptions	**(881,467)**	50,885
	(3,472,444)	(1,924,630)
Balances at end of year	**₱35,294,687**	₱36,085,318

The latest actuarial valuation report of the Parent Company is prepared by an independent actuary as of March 31, 2016.

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, 2016, assuming all other assumptions were held constant:

	Increase/ (decrease)	**2016**	2015
Discount rates	(+1.0%)	**₱415,044,082**	₱404,821,962
	(-1.0%)	**490,849,740**	482,391,675
Future salary increases	(+1.0%)	**490,447,438**	481,812,619
	(-1.0%)	**414,721,318**	404,624,816

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

	2016	2015
Less than 1 year	**₱23,057,505**	₱28,340,608
More than 1 years to 5 years	**152,461,412**	110,836,497
More than 5 years to 10 years	**384,177,276**	219,429,146
More than 10 years to 15 years	**349,123,406**	335,604,145
More than 15 years to 20 years	**148,120,885**	178,496,878

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

	2016	2015
Cash and cash equivalents	**3.4%**	0.4%
Loans and receivables	**19.6%**	21.1%
Available-for-sale investments	**73.9%**	77.5%
Investment properties	**3.1%**	1.0%
Total	**100.0%**	100.0%

13. Capital Stock

Details of capital stock as of March 31, 2016 and 2015 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, 2016 and 2015, 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, 2016 and 2015 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, 2016 and 2015:

	2016	2015
Capital stock	**₱422,718,020**	₱422,718,020
Additional paid-in capital	**4,779,762**	4,779,762
Net unrealized gains on available-for-sale investments	**1,380,968**	1,380,968
Remeasurement loss on retirement liability	**(111,594,703)**	(132,531,981)
Retained earnings		
Appropriated	**3,192,400,000**	3,017,400,000
Unappropriated	**412,656,717**	418,088,790
	₱3,922,340,764	₱3,731,835,559

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 ₱84.5 million and ₱42.3 million in 2016 and 2015, respectively (see Note 14).

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, 2016, 2015 and 2014, respectively.

14. 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, 2016 and 2015 amounted to ₱267.6 million and ₱249.9 million, respectively.

   In 2016 and 2015, 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 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, ₱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.

c. 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 upgaxrading 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.

d. On March 31, 2014, the Parent Company's BOD authorized and directed the reversal of the appropriated retained earnings amounting to ₱2.8 billion and set up of new appropriated retained earnings amounting to ₱2.9 billion. Of the ₱2.8 billion reversed, ₱505.6 million has been utilized for various projects of the Parent Company relating to the completion of buildings and machines, replacement and upgrading of old machines, moulds and dies, plans to change the Group's Information Technology (IT) System and other future projects of the Parent Company.

From the total appropriations of ₱2.9 billion, ₱2.3 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 ₱605.6 million represent appropriations for additional projects such as purchase of factory machineries, equipment and tools, building renovations and other future projects of the Parent Company. These projects are expected to be completed starting 2015 onwards.

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

	2016	2015	2014
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	–
March 20, 2014, 10.0% cash dividends to stockholders of record as of April 10, 2014 paid on May 8, 2014 (₱0.10 per share)	–	–	42,271,802
	₱84,543,604	₱42,271,802	₱42,271,802

15. Cost of Goods Sold

This account consists of:

	2016	2015	2014
Direct materials	**₱3,302,021,488**	₱2,902,251,432	₱2,633,597,460
Direct labor (Note 18)	**131,510,624**	106,370,509	104,051,461
Manufacturing overhead:			
Indirect labor (Note 18)	**150,422,231**	139,097,739	136,987,308
Depreciation and amortization (Note 19)	**126,607,179**	160,353,615	120,654,565
Research and development	**48,950,506**	15,784,789	13,679,744
Repairs and maintenance	**35,265,985**	27,395,817	26,563,490
Electricity, gas and water	**34,770,245**	37,180,432	41,666,600
Indirect materials	**17,898,010**	18,363,720	19,349,377
Travel	**12,025,035**	11,772,484	10,923,867
Supplies	**11,442,945**	13,330,000	8,526,472
Insurance	**8,161,089**	8,139,019	7,457,062
Taxes and dues	**3,375,083**	5,028,450	6,354,968
Provision for inventory write-down (Note 6)	**2,719,803**	43,291,331	8,396,390
Others (Note 20)	**13,951,454**	6,574,856	6,629,359
Total manufacturing overhead	**465,589,565**	486,312,252	407,189,202

(Forward)

	2016	2015	2014
Total manufacturing costs	**₱3,899,121,677**	₱3,494,934,193	₱3,144,838,123
Goods in process (Note 6):			
Beginning of year	**7,604,847**	4,388,285	10,582,583
End of year	**(18,688,984)**	(7,604,847)	(4,388,285)
Cost of goods manufactured	**3,888,037,540**	3,491,717,631	3,151,032,421
Finished goods and merchandise (Note 6):			
Beginning of year	**517,234,392**	399,567,523	510,560,625
Purchases (Note 23)	**2,401,623,764**	1,834,813,231	1,578,285,962
Provision for inventory write-down (Note 6)	**46,111,286**	62,906,188	23,705,610
End of year	**(532,182,754)**	(517,234,392)	(399,567,523)
	₱6,320,824,228	₱5,271,770,181	₱4,864,017,095

16. Selling Expenses

This account consists of:

	2016	2015	2014
Freight	**₱317,953,857**	₱260,561,578	₱231,242,108
Sales promotions	**283,615,405**	370,894,037	659,959,635
Advertising and commissions	**95,657,989**	46,558,642	78,149,623
Provision for warranty claims (Note 12)	**59,477,000**	42,619,341	39,712,632
	₱756,704,251	₱720,633,598	₱1,009,063,998

17. General and Administrative Expenses

This account consists of:

	2016	2015	2014
Salaries, wages and employees benefits (Note 18)	**₱292,478,416**	₱228,903,729	₱231,663,317
Technical assistance fees (Note 23)	**138,719,105**	117,537,813	110,525,558
Provision for other estimated liabilities (Note 12)	**104,660,525**	6,785,983	57,185,621
Brand license fees (Note 23)	**43,686,057**	36,502,094	34,807,707
Travel	**30,670,689**	29,945,467	27,609,561
Depreciation and amortization (Note 19)	**30,660,448**	31,208,981	28,721,557
Taxes and dues	**28,169,316**	23,968,002	24,746,167
Repairs and maintenance	**22,294,157**	26,198,110	19,726,793
Rent (Note 22)	**21,641,538**	14,882,001	14,519,765
Outsourcing	**14,519,146**	10,507,410	10,302,048
Communication	**13,933,728**	13,841,820	13,984,909
Allocated costs	**9,656,692**	7,054,032	5,366,885
Supplies	**8,681,130**	7,679,192	9,015,867
Electricity, gas and water	**8,565,628**	8,459,973	7,108,553
Freight and storage	**7,883,691**	6,625,270	6,990,097
Provision for credit losses (Note 5)	**7,291,693**	–	–
Insurance	**5,940,825**	15,363,618	13,288,097
Provision for impairment losses (Note 10)	–	5,000,000	–
Others (Note 20)	**37,438,606**	30,563,583	35,316,880
	₱826,891,390	₱621,027,078	₱650,879,382

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

18. Salaries, Wages and Employee Benefits

This account consists of:

	2016	2015	2014
Compensation	**₱429,754,194**	₱362,722,590	₱381,432,229
Other benefits	**106,992,162**	84,038,853	66,399,286
Net retirement benefit expense (Note 12)	**37,664,915**	27,610,534	24,870,571
	₱574,411,271	₱474,371,977	₱472,702,086

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

	2016	2015	2014
General and administrative expenses (Note 17)	**₱292,478,416**	228,903,729	231,663,317
Cost of goods sold (Note 15)	**281,932,855**	₱245,468,248	₱241,038,769
	₱574,411,271	₱474,371,977	₱472,702,086

19. Depreciation and Amortization

Details of depreciation and amortization follow:

	2016	2015	2014
Property, plant and equipment (Note 8)	**₱150,230,497**	₱183,883,449	₱140,906,857
Investment properties (Note 9)	**5,064,398**	4,662,147	4,610,064
Software (Note 10)	**1,972,732**	3,017,000	3,859,201
	₱157,267,627	₱191,562,596	₱149,376,122
Cost of goods sold (Note 15)	**₱126,607,179**	₱160,353,615	₱120,654,565
General and administrative expenses (Note 17)	**30,660,448**	31,208,981	28,721,557
	₱157,267,627	₱191,562,596	₱149,376,122

20. 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:

	2016	2015	2014
General and administrative expenses (Note 17)	**₱198,446**	₱123,914	₱196,875
Cost of goods sold (Note 15)	**15,283**	–	39,105
	₱213,729	₱123,914	₱235,980

21. Other Income - net

This account consists of:

	2016	2015	2014
Service income (Note 23)	**₱55,455,991**	₱56,070,948	₱65,056,372
Recovery of allowance for credit and impairment losses (Notes 5 and 10)	**55,000,000**	1,300,000	2,599,637
Interest income (Note 4)	**35,586,781**	26,249,465	29,471,733
Rent income (Notes 9 and 23)	**27,741,133**	26,702,604	27,414,240
Foreign currency exchange gain (loss) (Note 4)	**(16,322,862)**	939,040	6,632,663
Income from scrap sales	**7,068,299**	5,978,218	12,738,070
Gain (loss) on disposal/ retirement of property, plant and equipment and software (Notes 8 and 10)	**9,564**	(573,543)	(19,291,245)
Miscellaneous income	**15,232,939**	287,231	4,466,864
	₱179,771,845	₱116,953,963	₱129,088,334

22. 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 ₱4.1 million, ₱3.5 million and ₱8.0 million in 2016, 2015 and 2014, respectively.

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

	2016		2015	
	Minimum payments	**Present value of payments**	Minimum payments	Present value of payments
Within one year	**₱3,188,669**	**₱2,752,606**	₱4,242,618	₱3,536,022
After one year but not more than five years	**2,521,955**	**2,323,846**	4,997,884	4,575,561
Total minimum lease payments	**5,710,624**	**5,076,452**	9,240,502	8,111,583
Less amounts representing finance charges	**(634,172)**	**–**	(1,128,919)	–
Present value of minimum lease payments	**₱5,076,452**	**₱5,076,452**	₱8,111,583	₱8,111,583

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 23).

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

	2016	2015
Within one year	**₱25,368,473**	₱22,175,299
After one year but not more than five years	**18,748,657**	–
	₱44,117,130	₱22,175,299

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 2016, 2015 and 2014, total rental expense from the lease of condominium units amounted to ₱21.6 million, ₱14.9 million and ₱14.5 million, respectively (see Note 17).

23. 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 Air-conditioning R&D (M) Sdn. Bhd.
- Panasonic Appliances Cold Chain (Thailand) Co., Ltd.
- Panasonic Appliances Refrigeration Devices Malaysia Sdn. Bhd.
- Panasonic Asia - Panasonic Logistics Asia Pacific (PA-LAP)
- Panasonic Asia Pacific Pte. Ltd.
- Panasonic Australia Pty, Ltd.
- Panasonic AVC Networks Kuala Lumpur Malaysia SDN.BHD.
- Panasonic Consumer Marketing Asia Pacific (PCMAP)
- Panasonic Corporation - Energy Device Business Division
- Panasonic Corporation - Export Division
- Panasonic Corporation - Home Appliance Co.
- Panasonic Corporation Procurement Company Materials Procurement Center
- Panasonic Corporation Appliances Company
- Panasonic Corporation Appliances Company Laundry Systems And Vacuum Cleaner Bd.
- Panasonic Corporation AVC Networks Company Business Solutions
- Panasonic Corporation Eco Solutions Company Energy Systems Business Group
- Panasonic Eco Solutions Asia Pacific (PESAP)
- Panasonic Ecology Systems
- Panasonic Ecology Systems (Hong Kong)
- Panasonic Ecology Systems (Thailand)
- Panasonic Hong Kong Co. LTD.
- Panasonic Industrial Devices Automation Control Sales Asia Pacific (PIDACSAP)

- Panasonic Industrial Devices Materials Singapore Pte. Ltd.
- Panasonic Industrial Devices Sales (M) SDN.BHD.
- Panasonic Malaysia Sdn. Bhd.
- Panasonic Manufacturing Indonesia Eco System Division
- Panasonic Manufacturing U.K. Ltd.
- Panasonic Precision Devices Philippines Corporation (PPRDPH)
- Panasonic Procurement (China) Co., Ltd.
- Panasonic Procurement Asia Pacific
- Panasonic Procurement Malaysia SDN.BHD. (PPMY)
- Panasonic Singapore
- Panasonic System Networks Co., Ltd. Office Products Business Division
- Panasonic System Networks Co., Ltd. Security Systems Business Division
- Panasonic System Solutions Asia Pacific
- Panasonic Systems Asia Pacific (PSAP)
- Panasonic Systems Communications Company Of Asia Pacific
- Panasonic Taiwan Co., Ltd.
- Panasonic Taiwan Co., Ltd. AVC Networks Company
- 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.

	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	**₱6,865,551**	**₱1,635,808**
	Related to expenses incurred in Corporate Social Responsibility activities, 30-day term, non-interest bearing, unsecured	**1,650,051**	**1,650,051**
Trade payables	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	**31,319,488**	**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" (Kawakita Electric Company) and "Panasonic", non-interest bearing, payable semi-annually, unsecured	**43,686,057**	**19,684,756**
	Related to technical assistance fees payable equivalent to 3.0% of selected products, non-interest bearing, payable semi-annually, unsecured	**138,719,105**	**61,091,512**
Dividends payable	Dividends declared by the Parent Company	**67,598,918**	**67,598,918**
Accrued expenses	Related to compensation and welfare expenses of certain employees, payable quarterly, non-interest bearing, unsecured	**42,978,846**	**6,791,415**

(Forward)

	2016		
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	₱6,239,210	₱858,329
	Accrued expenses related to export sales of the ACD (e.g. sales promo, after sales service)	1,895,454	1,895,454
	Related to training fees incurred, non-interest bearing, unsecured	586,420	586,420
Affiliates			
Trade receivables	Sale of aircon products, 30-day term, non-interest bearing, unsecured, no impairment	886,418,938	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	55,455,991	–
	Related to electricity consumption charged by the Company to a lessee-affiliate, 30-day term, non-interest bearing, unsecured, no impairment	58,203,697	3,671,627
	Related to promo support, 30-day term, non-interest bearing, unsecured, impairment	65,922,510	37,892,873
	Related to commission income, 30-day term, non-interest bearing, unsecured	60,997,855	7,619,083
	Related to certain expenses paid in behalf of affiliates, 30-day term, non-interest bearing, unsecured, no impairment	14,210,014	6,474,158
Trade payables	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	3,072,716,069	323,443,011
Accrued expenses	Related to expenses payable for management fee, 30-day term, non-interest bearing, unsecured	9,656,692	2,375,212
Rent income	Related to rental income on investment properties, 30-day term, non-interest bearing, unsecured, no impairment	29,720,971	–

	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	₱5,459,033	₱4,891,882
	Related to expenses incurred in Corporate Social Responsibility activities, 30-day term, non-interest bearing, unsecured	395,793	395,793
Trade payables	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	26,917,170	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" (Kawakita Electric Company) and "Panasonic", non-interest bearing, payable semi-annually, unsecured	36,502,094	15,191,405

(Forward)

	2015		
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
	Related to technical assistance fees payable equivalent to 3.0% of selected products, non-interest bearing, payable semi-annually, unsecured	₱117,537,813	₱48,112,915
Dividends payable	Dividends declared by the Company	33,799,458	33,799,458
Accrued expenses	Related to compensation and welfare expenses of certain employees, payable quarterly, non-interest bearing, unsecured	43,703,026	5,291,649
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	6,239,210	3,836,843
	Accrued expenses related to export sales of the ACD (e.g. sales promo, after sales service)	1,457,641	1,457,641
	Related to certain expenses paid in behalf of the Company, 30-day term, non-interest bearing, unsecured	5,695,255	579,447
	Related to training fees incurred, non-interest bearing, unsecured	504,907	504,907
Affiliates			
Trade receivables	Sale of aircon products, 30-day term, non-interest bearing, unsecured, no impairment	778,196,330	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	56,070,948	5,582,031
	Related to electricity consumption charged by the Company to a lessee-affiliate, 30-day term, non-interest bearing, unsecured, no impairment	80,404,535	5,730,706
	Related to promo support, 30-day term, non-interest bearing, unsecured, impairment	22,872,917	7,338,880
	Related to certain expenses paid in behalf of affiliates, 30-day term, non-interest bearing, unsecured, no impairment	8,193,914	4,970,137
Trade payables	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	2,478,851,237	219,674,232
Accrued expenses	Related to allocated costs charged to the Company for certain services, 30-day term, non-interest bearing, unsecured	7,054,032	4,789,888
	Related to expenses payable for management fee, 30-day term, non-interest bearing, unsecured	7,254,032	406,409
Rent income	Related to rental income on investment properties, 30-day term, non-interest bearing, unsecured, no impairment	28,211,198	–

	2014		
	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	₱10,515,613	₱4,343,213
Trade payable	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	8,139,566	1,948,052
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	34,807,707	20,812,275
	Related to technical assistance fees payable equivalent to 3.0% of selected products, non-interest bearing, payable semi-annually, unsecured	110,525,558	44,673,928
Accrued expenses	Related to compensation and welfare expenses of certain employees, payable quarterly, non-interest bearing, unsecured	47,707,828	9,933,947
	Accrued expenses related to export sales of the ACD (e.g. sales promo, after sales service)	5,590,625	5,590,625
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	8,078,597	1,447,730
Dividends payable	Dividends declared by the Parent Company	33,799,458	33,799,458
Affiliates			
Trade receivables	Sale of airconditioner units products, 30-day term, non-interest bearing, unsecured, no impairment	833,339,395	155,245,120
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	65,056,372	6,204,039
	Related to electricity consumption charged by the Parent Company to a lessee-affiliate, 30-day term, non-interest bearing, unsecured, no impairment	85,071,408	5,800,330
	Related to promo support, 30-day term, non-interest bearing, unsecured, no impairment	8,576,840	3,016,612
	Related to certain expenses paid in behalf of affiliates, 30-day term, non-interest bearing, unsecured, no impairment	5,401,821	586,844
Trade payable	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	2,214,924,992	189,516,769
Accrued expenses	Related to allocated costs charged to the Company for certain services, 30-day term, non-interest bearing, unsecured	5,366,885	5,817,794

(Forward)

	2014		
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
	Related to expenses payable for management fee, 30-day term, non-interest bearing, unsecured	₱5,366,885	₱295,085
Rent income	Related to rental income on investment properties, 30-day term, non-interest bearing, unsecured, no impairment	27,414,240	–

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, 2016 and 2015 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 2016, 2015 and 2014, 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, 2016 and 2015, 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, 2016.

On March 31, 2016, the Parent Company and its subsidiary agreed to extend the payment of the loans subject to the loan agreement by ten (10) years from April 1, 2016 to March 31, 2026 with nominal interest rate of 12% 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 and ₱146.3 million as of March 31, 2016 and 2015, respectively, which 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:

	2016	2015	2014
Short-term employee benefits	**₱72,389,297**	₱46,303,571	₱55,741,462
Post-employment benefits	**5,237,935**	3,740,807	4,093,035
	₱77,627,232	₱50,044,378	₱59,834,497

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 ₱47.7 million and 5.1% interest in the Parent Company amounting to ₱105.8 million and ₱136.5 million as of March 31, 2016 and 2015, 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:

	2016	2015
ASSETS		
Cash and cash equivalents	**₱9,710,047**	₱907,032
Loans and receivables	**56,014,762**	52,293,603
Available-for-sale investments	**211,541,790**	192,216,018
Investment properties	**9,012,000**	2,628,500
	286,278,599	248,045,153
LIABILITY		
Current liability	–	(65,944,779)
	₱286,278,599	₱182,100,374

As of March 31, 2015, the retirement fund has a non-interest bearing payable to the Parent Company amounting to ₱61.5 million. This pertains to the amount paid by the Parent Company, on behalf of the retirement fund, for the early retirement benefits of its employees, which is unsecured and due and demandable. Thus, the fair value of the retirement fund as of March 31, 2015 amounted to ₱182.1 million, net of the ₱65.9 million, payable to the Parent Company. The transaction has been approved by the BOD of the Parent Company (see Note 12).

As of March 31, 2016 and 2015, certain loans and receivables amounting to ₱56.0 million and ₱52.3 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 over 2 to 4 years. The AFS investments are equity instruments which have quoted market prices except for the investment in PERC amounting to ₱47.7 million. Investment properties pertain to a parcel of land held for capital appreciation.

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, 2016 and 2015.

24. 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.

25. Income Taxes

The provision for income tax consists of:

	2016	2015	2014
Current			
RCIT	**₱135,656,305**	₱43,963,563	₱42,231,159
Gross income tax (GIT)	**13,061,697**	10,409,196	10,550,793
Deferred	**–**	–	(13,314,434)
	₱148,718,002	₱54,372,759	₱39,467,518

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:

	2016	2015	2014
Income tax at statutory income tax rate	**₱119,908,042**	₱65,084,479	₱60,456,299
Additions to (reductions in) income taxes resulting from:			
Movement in unrecognized deferred tax assets	**42,525,376**	(2,131,948)	(220,677)
Income from PEZA registered activities	**(21,231,574)**	(14,741,500)	(13,218,584)
Non-deductible expenses	**16,133,589**	14,036,567	8,133,253
Income subjected to final tax	**(8,617,431)**	(7,874,839)	(15,682,773)
	₱148,718,002	₱54,372,759	₱39,467,518

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

	2016	2015
Deferred tax assets charged to profit or loss:		
Retirement liability	**₱56,418,919**	₱46,466,686
Unamortized retirement fund contribution	**29,507,917**	8,004,671
Allowance for credit and probable losses	**14,615,908**	28,928,400
Allowance for inventory losses	**13,746,181**	28,538,400
Unrealized foreign currency exchange loss - net	**4,460,241**	–
Provisions for estimated liabilities and other accruals	**–**	8,271,510
	₱118,749,166	₱120,209,667
Deferred tax liabilities charged to profit or loss:		
Net book value of replacement and burned property, plant and equipment	**₱8,561,253**	₱8,569,729
Unrealized foreign currency exchange gain - net	**–**	104,782
	8,561,253	8,674,511
	110,187,913	111,535,156
Deferred tax asset charged to other comprehensive income:		
Retirement liability	**30,786,475**	38,412,353
	₱140,974,388	₱149,947,509

The following are the temporary differences on which the Parent Company did not recognize deferred tax assets:

	2016	2015
Provisions for estimated liabilities and other accruals	**₱511,398,490**	₱425,005,563
Allowance for inventory losses	**55,358,328**	–
	₱566,756,818	₱425,005,563

The Parent Company 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 Parent Company 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 ₱7.2 million and ₱10.8 million in 2016 and 2015, respectively.

As March 31, 2016, the Group has no excess MCIT over RCIT and NOLCO that can be credited against regular corporate income tax.

26. 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.

27. 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:

	2016	2015	2014
Net income attributable to the equity holders of the Parent Company (a)	**₱254,111,531**	₱164,644,760	₱163,427,461
Weighted average number of common shares (b) (Note 13)	**422,718,020**	422,718,020	422,718,020
Basic/diluted earnings per share (a/b)	**₱0.60**	₱0.39	₱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.

28. 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):

	2016				
	GCMS	**SNC**	**Others**	**Adjustments/ Eliminations**	**Total**
Revenues					
External customers	**₱7,657,396**	**₱356,722**	**₱110,223**	**₱–**	**₱8,124,341**
Cost of goods sold (Note 15)	**(5,905,040)**	**(293,464)**	**(122,320)**	**–**	**(6,320,824)**
Selling expenses (Note 16)	**(779,043)**	**(20,346)**	**42,685**	**–**	**(756,704)**
General and administrative expenses (Note 17)	**(747,885)**	**(44,918)**	**(34,088)**	**–**	**(826,891)**
Other income (Note 21)	**168,190**	**5,841**	**5,741**	**–**	**179,772**
Income before income tax	**₱393,618**	**₱3,835**	**₱2,241**	**₱–**	**₱399,694**
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 disclosures					
Capital expenditures[3](Notes 8, 9 and 10)	**₱71,041**	**₱401**	**₱25,565**	**₱–**	**₱97,007**
Depreciation and amortization[4] (Note 19)	**108,235**	**2,777**	**46,256**	**–**	**157,268**
Interest income[5] (Note 21)	**–**	**–**	**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
Revenues					
External customers	₱6,325,441	₱311,045	₱76,939	₱–	₱6,713,425
Cost of goods sold (Note 15)	(4,903,075)	(258,786)	(109,909)	–	(5,271,770)
Selling expenses (Note 16)	(676,736)	(21,419)	(22,479)	–	(720,634)
General and administrative expenses (Note 17)	(569,100)	(28,655)	(23,272)	–	(621,027)
Other income (Note 21)	53,532	930	62,492	–	116,954
Income before income tax	₱230,062	₱3,115	(₱16,229)	₱–	₱216,948
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 disclosures					
Capital expenditures[3](Notes 8, 9 and 10)	₱85,946	₱7,594	₱112,729	₱–	₱206,269
Depreciation and amortization[4] (Note 19)	142,574	1,470	47,519	–	191,563
Interest income[5] (Note 21)	–	–	26,249	–	26,249

1. Segment assets do not include deferred tax assets amounting to ₱149.9 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.

	2014				
	GCMS	SNC	Others	Adjustments/ Eliminations	Total
Revenues					
External customers	₱6,168,746	₱354,846	₱72,801	₱–	₱6,596,393
Cost of goods sold (Note 15)	(4,531,189)	(256,376)	(76,452)	–	(4,864,017)
Selling expenses (Note 16)	(913,282)	(76,033)	(19,749)	–	(1,009,064)
General and administrative expenses (Note 17)	(584,511)	(20,833)	(45,535)	–	(650,879)
Other income (Note 21)	15,402	1,373	112,313	–	129,088
Income before income tax	₱155,166	₱2,977	₱43,378	₱–	₱201,521

(Forward)

	2014				
	GCMS	SNC	Others	Adjustments/ Eliminations	Total
Segment assets	₱2,921,814	₱228,148	₱2,059,438	₱119,131[1]	₱5,328,531
Segment liabilities	1,313,045	53,411	205,134	1,211[2]	1,572,801
Other disclosures					
Capital expenditures[3](Notes 8, 9 and 10)	₱281,773	₱146	₱149,903	₱–	₱431,822
Depreciation and amortization[4] (Note 19)	107,610	533	41,233	–	149,376
Interest income[5] (Note 21)	–	–	29,472	–	29,472

1. Segment assets do not include deferred tax assets amounting to ₱119.1 million.
2. Segment liabilities do not include income tax payable amounting to ₱1.2 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.

Geographic Information

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

	2016	2015	2014
Philippines	**₱7,238,197**	₱5,935,855	₱5,763,462
Hongkong	**851,204**	768,971	659,824
Africa	**32,735**	8,599	153,533
Malaysia	**2,177**	–	–
Singapore	**28**	–	11,048
Bangladesh	–	–	8,209
Cambodia	–	–	317
Total revenue	**₱8,124,341**	₱6,713,425	₱6,596,393

The revenue information above is based on the location of customers.

The Parent Company has two customers each representing 10.0% or more of the Parent Company's total revenue amounting to ₱1.9 billion in 2016 and ₱1.4 billion in 2015.

29. 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:

	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.*

	2015				
	Less than 30 days	1 to 3 months	3 to 12 months	1 to 5 years	Total
Financial Assets					
Cash and cash equivalents	₱2,852,335,458	₱–	₱–	₱–	₱2,852,335,458
Receivables					
Trade					
Domestic	586,779,174	–	–	–	586,779,174
Export	122,907,955	–	–	–	122,907,955
Non-trade	10,333,204	195,020	57,900,228	71,611,807	140,040,259
	3,572,355,791	195,020	57,900,228	71,611,807	3,702,062,846
AFS investments	–	–	–	2,341,458	2,341,458
Other assets	389,219	–	–	15,513,567	15,902,786
	3,572,745,010	195,020	57,900,228	89,466,832	3,720,307,090
Financial Liabilities					
Accounts payable and accrued expenses*	868,348,479	46,952,285	252,405,243	–	1,167,706,007
Finance lease liability	285,644	533,233	3,423,741	4,997,884	9,240,502
	868,634,123	47,485,518	255,828,984	4,997,884	1,176,946,509
	₱2,704,110,887	(₱47,290,498)	(₱197,928,756)	₱84,468,948	₱2,543,360,581

**Excludes statutory liabilities amounting to ₱32,796,943.*

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, 2016 and 2015, the foreign currency-denominated financial assets and financial liabilities in original currencies and their Philippine Peso (PHP) equivalents are as follows:

	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**

	2015		
	USD	JPY	Equivalents in PHP
Financial assets			
Cash and cash equivalents	912,422	28,180,906	51,293,961
Receivables	3,122,343	–	139,568,741
	4,034,765	28,180,906	190,862,702
Financial liabilities			
Accounts payable and accrued expenses	2,512,965	6,874,895	114,893,166

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
2016	**+8%**	**₱35,682,451**
	-8%	**(35,682,451)**
2015	+8%	₱5,441,962
	-8%	(5,441,962)

	Increase/ decrease in JPY rate	Effect on income before tax
2016	+7%	**₱1,844,663**
	-7%	**(1,844,663)**
2015	+7%	₱556,151
	-7%	(556,151)

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, 2016 and 2015) 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.

The Group does not hold collateral for cash and cash equivalents, receivables, AFS investments, advances to employees and refundable meralco deposits (included in other assets), thus carrying values represent maximum exposure to credit risk at reporting dates.

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, 2016 and 2015:

	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**

	2015			
	Neither Past Due nor Individually Impaired		Past Due or Individually Impaired	
	High Grade	Standard Grade		Total
Cash and cash equivalents	₱2,822,926,866	₱–	₱–	₱2,822,926,866
Receivables				
Trade				
Domestic	–	443,400,696	143,378,478	586,779,174
Export	122,907,955	–	–	122,907,955
Non-trade	112,792,589	27,247,670	–	140,040,259
	235,700,544	470,648,366	143,378,478	849,727,388
AFS investments	–	2,341,458	–	2,341,458
Other assets	15,902,786	–	–	15,902,786
Total	₱3,074,530,196	₱472,989,824	₱143,378,478	₱3,690,898,498

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. Other assets are carried at cost because of the unpredictable nature of the cash flows.

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, and analyzed among those whose fair value is based on:

	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	**5,710,624**	**–**	**–**	**5,076,452**	**₱5,076,452**

	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
2015					
Fair Value is Required to be Disclosed					
Investment properties	₱53,703,479	₱–	₱–	₱84,169,667	₱84,169,667
Finance lease liability	9,240,502	–	–	8,111,583	8,111,583

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	7.8% - 8.5% risk premium rate

Significant Unobservable Inputs

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.

30. 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, ₱4.8 million and ₱6.8 million in 2016, 2015 and 2014, respectively, classified under 'Property, plant and equipment', and the disposal of certain 'Property, plant and equipment' in 2014 for credit at ₱2.0 million (see Notes 8 and 22).

31. 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 4, 2016.

SGV
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 AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Panasonic Manufacturing Philippines Corporation
Ortigas Avenue Extension
Taytay, Rizal

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Panasonic Manufacturing Philippines Corporation and its Subsidiary (the Group) as at March 31, 2016 and 2015 and for each of the three years in the period ended March 31, 2016 and have issued our report thereon dated May 4, 2016. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for the purpose of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

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. 5321657, January 4, 2016, Makati City

May 4, 2016

PANASONIC MANUFACTURING PHILIPPINES CORPORATION

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

Annex I:	Schedule of retained earnings available for dividend declaration
Annex II:	Schedule of all Philippine Financial Reporting Standards (PFRS) [which consist of PFRSs, Philippine Accounting Standards (PAS) and Philippine Interpretations] effective as at March 31, 2016
Annex III:	The map showing the relationships between and among the Company and its Ultimate Parent Company and Subsidiary
Annex IV:	The Supplementary Schedules to Financial Statements

Annex I

PANASONIC MANUFACTURING PHILIPPINES CORPORATION

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

MARCH 31, 2016

Unappropriated retained earnings, beginning	₱417,416,550
Adjustments:	
Deferred tax asset charged to income	(111,535,156)
Effect of pooling of interest with NPPI	(64,700,000)
Unappropriated retained earnings, as adjusted, beginning	241,181,394
Net income actually earned/realized during the period:	
Net income during the period closed to retained earnings	256,202,237
Add: Movement in deferred tax asset	1,347,243
Unrealized foreign exchange loss - net	873,403
Net income actually earned/realized during the period	258,422,883
Add: Reversal of appropriation	71,300,000
Less: Appropriations	(246,300,000)
Dividends declared during the year	(84,543,604)
	(1,120,721)
Unappropriated retained earnings available for dividend declaration, end	₱240,060,673

Annex II

PANASONIC MANUFACTURING PHILIPPINES CORPORATION

SUPPLEMENTARY SCHEDULE OF ALL PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PAS) and Philippine Interpretations] effective as at March 31, 2016

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at March 31, 2016		Adopted	Not Adopted/Not Early Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemption for First-time Adopters			✓
	Amendments to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First - time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First - time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Meaning of Effective PFRSs			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash - settled Share - based Payment Transactions			✓
	Amendments to PFRS 2: Definition of Vesting Condition			✓
PFRS 3 (Revised)	Business Combinations			✓
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued operation			✓
	Amendments to PFRS 5: Changes in methods of disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Additional hedge accounting			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at March 31, 2016		Adopted	Not Adopted/Not Early Adopted	Not Applicable
	disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in PFRS 9			
	Amendments to PFRS 7: Servicing Contracts and Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments: Classification and Measurement of Financial Assets		Not early adopted (Effective in fiscal year 2019)	
	Financial Instruments: Classification and Measurement of Financial Liabilities			
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures			
	PFRS 9, Financial Instruments (Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39)			
	PFRS 9, Financial Instruments (2014)			
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosures of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Investment Entities Applying the Consolidation Exception			✓
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13: Short - term Receivables and Payables	✓		
	Amendments to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1 (Revised): Disclosure Initiative		Not early adopted (Effective in fiscal year 2017)	
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at March 31, 2016		Adopted	Not Adopted/Not Early Adopted	Not Applicable
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation on Revaluation			✓
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16, Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution			✓
	Amendments to PAS 19: Discount Rate: Regional Market Issue			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments for investment entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28 (Amended): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PAS 28 (Amended): Investment Entities: Applying the Consolidation Exception			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendments to PAS 34: Disclosure of information 'Elsewhere in the Interim financial report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non - Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at March 31, 2016		Adopted	Not Adopted/Not Early Adopted	Not Applicable
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38 : Revaluation Method - Proportionate Restatement Of Accumulated Amortization			✓
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39: Financial Guarantee Contracts			✓
	Amendments to PAS 39: Reclassification of Financial Assets	✓		
	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PAS 39: Embedded Derivatives			✓
	Amendments to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
	Amendments to PAS 39: Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner - Occupied Property			✓
PAS 41	Agriculture			✓
	Amendments to PAS 41, Agriculture: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co - operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC - 9: Embedded Derivatives			✓
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at March 31, 2016		Adopted	Not Adopted/Not Early Adopted	Not Applicable
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

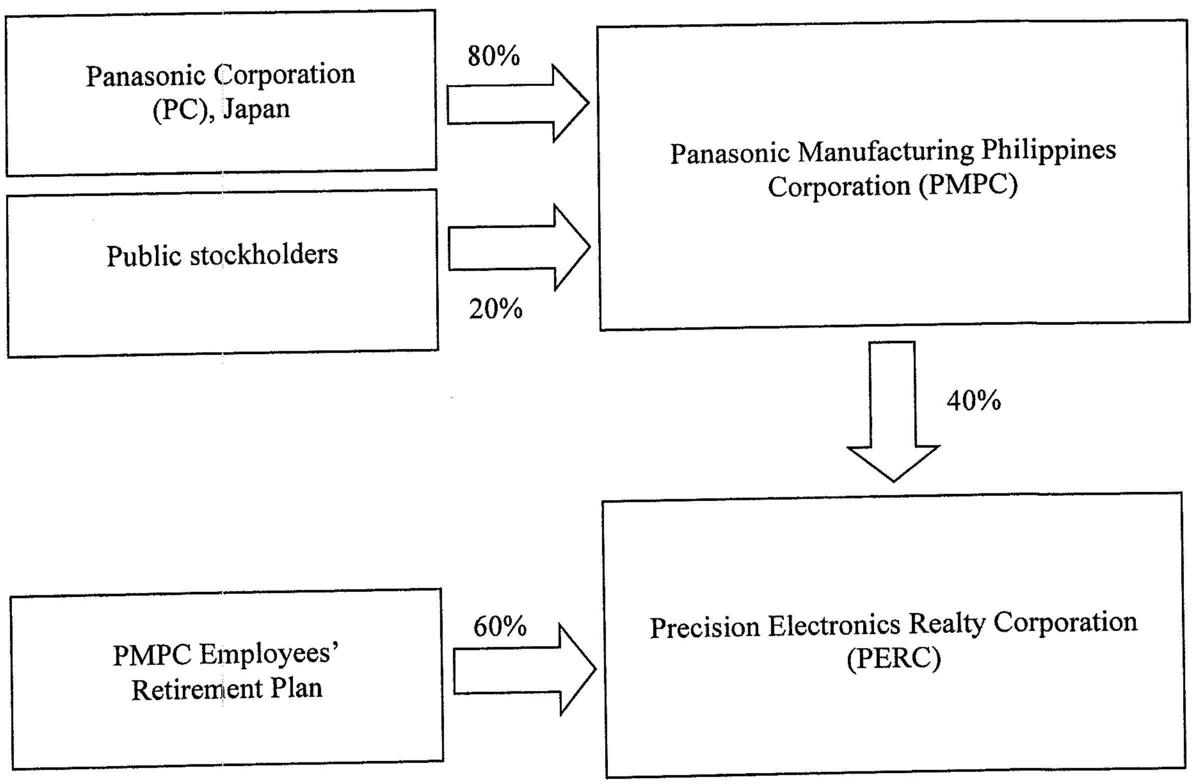
Standards and Interpretations applicable to annual periods beginning on or after April 1, 2016 (where early application is allowed) will be adopted by the Group as they become effective.

Annex III

PANASONIC MANUFACTURING PHILIPPINES CORPORATION

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANY AND ITS ULTIMATE PARENT COMPANY AND SUBSIDIARY

MARCH 31, 2016



Annex IV

Panasonic Manufacturing Philippines Corporation
Schedule A – Financial Assets
March 31, 2016

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Valued based on market quotation at end of reporting period	Income received and accrued
Available for sale investments				
Manila Electric Company	25,164	₱2,176,686	₱2,176,686	₱–
Philippine Long Distance Telephone Company	14,925	164,772	164,772	–
	40,089	₱2,341,458	₱2,341,458	₱–

Panasonic Manufacturing Philippines Corporation

Schedule B – Amounts Receivable from Directors, Officers, Employees and Principal Stockholders (Other than Related Parties)

March 31, 2016

			Deductions		Ending Balance		
Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period

Nothing to report

Panasonic Manufacturing Philippines Corporation

Schedule C – Amounts Receivable from Related Parties which are eliminated during the Consolidation of financial statements

March 31, 2016

Name and Designation of debtor	Balance at beginning of period	*Addition	Deductions		Current	Not current	Balance at the end of the period
			Amounts collected	Amounts written off			
Precision Electronics Realty Corporation	₱146,283,547	₱7,706,628	₱–	₱–	₱–	₱153,990,175	₱153,990,175

**Represents accretion of day 1 difference*

Panasonic Manufacturing Philippines Corporation
Schedule D – Intangible Assets – Other Assets
March 31, 2016

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions(deductions)	Ending balance
Software	₱109,737,179	₱294,643	₱ 107,520,032	₱–	₱–	₱2,511,790

Panasonic Manufacturing Philippines Corporation
Schedule E – Long Term Debt
March 31, 2016

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of Long-term debt" in related statement of financial position	Amount shown under caption "Long-term Debt" in related statement of financial position

Nothing to report

Panasonic Manufacturing Philippines Corporation

Schedule F – Indebtedness to Related Parties (Long-Term Loans from Related Companies

March 31, 2016

Name of related party	Balance at beginning of period	Balance at end of period

Nothing to report

Panasonic Manufacturing Philippines Corporation
Schedule G – Guarantees of Securities of Other Issuers
March 31, 2016

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by persons for which statement is filed	Nature of guarantee

Nothing to report

Panasonic Manufacturing Philippines Corporation
Schedule H – Capital Stock
March 31, 2016

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under the related statement of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Panasonic Manufacturing Philippines Corporation- Common	847,000,000	422,718,020	–	337,994,581	21,682,606	63,040,833

PANASONIC MANUFACTURING PHILIPPINES CORPORATION

LIST OF FINANCIAL RATIOS
MARCH 31, 2016

		2016	2015
Current ratio	Current assets / Current liabilities	**3.28:1**	3.18:1
Debt to equity ratio	Total debt (liabilities) / Total equity (capital)	**0.50:1**	0.43:1
Solvency ratio	Net income + depreciation / Total debt (liabilities)	**0.19:1**	0.21:1
Interest rate coverage ratio	Net income before income tax / Interest expense	**475.03:1**	257.84:1
Asset to equity ratio	Total assets / Total equity (capital)	**1.50:1**	1.43:1
Sales growth	Current year sales – Prior year sales / Prior year sales	**21.02%**	1.77%
Gross profit margins	Gross profit / Net sales	**22.20%**	21.47%
Net income margins	Net income / Net sales	**3.09%**	2.42%
Return on equity	Net income / Total equity	**6.29%**	4.27%

COVER SHEET

					2	3	0	2	2

SEC Registration Number

PANASONIC MANUFACTURING PHILIPPIN
ES CORPORATION AND SUBSIDIARY

(Company's Full Name)

Ortigas Avenue Extension, Taytay,
Rizal

(Business Address: No. Street City/Town/Province)

MARLON M. MOLANO
(Contact Person)

(632) 635-22-60 to 65
(Company Telephone Number)

03 31
Month *Day*
(Fiscal year)

ACGR
(Form Type)

06 15
Month *Day*
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

AMENDED ACGR
Amended Articles Number/Section

Total Amount of Borrowings

487
Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year : **2012**

2. Exact Name of Registrant as Specified in its Charter: **PANASONIC MANUFACTURING PHILIPPINES CORP.(PMPC)**

3. **Ortigas Avenue Extension, Taytay, Rizal**
   Address of Principal Office

   1920
   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
Masao Okawa	NED	Panasonic Corp. Japan	Panasonic Corp. Japan	7/22/08	6/22/12	Annual	4.7 yrs.
Naoya Nishiwaki	ED	Panasonic Corp. Japan	Panasonic Corp. Japan	3/31/10	6/22/12	Annual	3 yrs
Waichi Tamiya	ED	Panasonic Corp. Japan	Panasonic Corp. Japan	10/4/07	6/22/12	Annual	5.5yrs.
Hiroyoshi Fukutomi	ED	Panasonic Corp. Japan	Panasonic Corp. Japan	5/1/10	6/22/12	Annual	2.9 yrs.
Shigeyoshi Terawaki	ED	Panasonic Corp. Japan	Panasonic Corp. Japan	June 2009	6/22/12	Annual	3.8 yrs.
Tatsuyuki Nonaka	NED	Panasonic Corp. Japan	Panasonic Corp. Japan	10/1/12	10/1/12	Special	.6 yrs
Miguel Castro	ED	Panasonic Corp. Japan	Panasonic Corp. Japan	8/1/07	6/22/12	Annual	5.7 yrs.
Evangelista Cuenco	ID	M. Castro	No Relationship	1/6/03	6/22/12 1.3 yrs.	Annual	13.2 yrs.
Emiliano Volante	ID	M. Molano	No Relationship	October 2010	6/22/12 1.3 yrs.	Annual	2.4 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 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.
Masao Okawa	*Panasonic Asia Pacific Pte., Ltd.,*	*Non-Executive*
Tatsuyuki Nonaka,	*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:
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.
	None	

(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:
Currently, there are no specific guidelines limiting the number of directorships in other companies a director may have. However, general guidelines are stipulated in the Manual 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).

	Guidelines	Maximum Number of Directorships in other companies
Executive Director		-
Non-Executive Director		-
CEO		-

(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
Masao Okawa	*1*	-	*NIL*
Naoya Nishiwaki	*1*	-	*NIL*
Shigeyoshi Terawaki	*1*	-	*NIL*
Waichi Tamiya	*1*	-	*NIL*
Hiroyoshi Fukutomi	*1*	-	*NIL*
Atsuwi Miwa	*1*	-	*NIL*
Miguel Castro	*185*	-	*NIL*
Emiliano Volante	*9879*	-	*NIL*
Evangelista Cuenco	*10193*	-	***.0024***
TOTAL	***20,263***		

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 [X] No [ ]

Identify the Chair and CEO:

Chairman of the Board	*Masao Okawa*
CEO/President	*Naoya Nishiwaki*

(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 an established professional development program and succession planning which are facilitated by the Parent Company in Japan. The Parent Company decides who should be the CEO/President, and Japanese directors to be assigned at PMPC. The Local and independent directors are usually officers and previous officers of PMPC respectively.

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 Board is a combination of executive and non-executive that possessed with qualifications and stature that enable them to effectively participate in the deliberation of the Board. PMPC's manual on corporate governance incorporates a policy on board diversity as a consideration in board composition to ensure balance of professional skills and experience.

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 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. The Chairman of the Audit Committee is a Certified Public Accountant (CPA).

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 report of the operations of the Company for the preceding year, and the state of its affair.*	• *Ensure there is strong and efficient Governance system in place.* • *Report to the stockholders the state of its governance affairs and the result of business operation*	• *Report the state of the Company's Internal Control System over the Company's governance process, risk 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.
PMPC has adopted SEC memorandum circular no. 9 series of 2011 which limits the term of independent directors. Independent directors can only serve for five (5) consecutive years, provided that after completion of the said period an independent director can be re-elected for another four (4) years after they have undergone a "cooling period of two (2) years. After serving as independent director for 9 (nine) years, the said independent directors shall be perpetually barred form being elected as such in the company.

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
Atsushi Miwa	*Director*	*October 1, 2012*	*Resignation*

(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/ Stockholders*	Performance/Deliverables based on Charter/Manual on 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*	*After serving five (5) consecutive years and cooling period of two (2) years independent directors can be re-instated for another four (4) years.*
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
Masao Okawa	*Unanimous*
Naoya Nishiwaki	*Unanimous*
Shigeyoshi Terawaki	*Unanimous*
Waichi Tamiya	*Unanimous*
Hiroyoshi Fukutomi	*Unanimous*
Atsuwi Miwa	*Unanimous*
Miguel Castro	*Unanimous*
Emiliano Volante	*Unanimous*
Evangelista Cuenco	*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.

(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.

(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
Masao Okawa	*January 19, 2012*	*Corporate Governance*	*SGV & Co.*
Naoya Nishiwaki	*January 19, 2012*	*Corporate Governance*	*SGV & Co.*
Waichi Tamiya	*January 19, 2012*	*Corporate Governance*	*SGV & Co.*
Shigeyoshi Terawaki	*January 19, 2012*	*Corporate Governance*	*SGV & Co.*
Hiroyoshi Fulutomi	*January 19, 2012*	*Corporate Governance*	*SGV & Co.*
Atsushi Miwa	*January 19, 2012*	*Corporate Governance*	*SGV & Co.*
Atty. Mondragon	*January 19, 2012*	*Corporate Governance*	*SGV & Co.*
Evangelista Cuenco	*January 19, 2012*	*Corporate Governance*	*SGV & Co.*

[3] Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

Emiliano Volante	*January 19, 2012*	*Corporate Governance*	*SGV & Co.*
Miguel Castro	*January 19, 2012*	*Corporate Governance*	*SGV & Co.*

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 determines possible conflict of interest.*	*Duty to disclose existing or potential financial and business interest. Audit Committee determines possible conflict of interest*	*Duty to disclose existing or potential financial and business interest to his superior. 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 whistleblow 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 that have confirmed by the Board.	Ensure the development of a complaints management framework which includes policy and a set of procedures that have confirmed by its Executive Board.	Execution of the complaints management framework which includes policy and a set of procedures that have 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 new employee is oriented with the Company's Code of Conduct.

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 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 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

(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.*

[4] Family relationship up to the fourth civil degree either by consanguinity or affinity.

C. BOARD MEETINGS & ATTENDANCE

1) Are Board of Directors' meetings scheduled before or at the beginning of the year?
No.

2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the Year	No. of Meetings Attended	%
Chairman	Masao Okawa	December 1, 2011	22	8	36.36%
Member	Naoya Nishiwaki	June 15, 2012	22	22	100%
Member	Waichi Tamiya	June 15, 2012	22	22	100%
Member	Shigeyoshi Terawaki	June 15, 2012	22	22	100%
Member	Hiroyoshi Fukutomi	June 15, 2012	22	22	100%
Member	Miguel Castro	June 15, 2012	22	22	100%
Member	Atsushi Miwa*	June 15, 2012	14	14	100%
Member	Tatsuyuki Nonaka	October 1, 2012	8	8	100%
Independent	Evangelista C. Cuenco	June 15, 2012	22	22	100%
Independent	Emiliano Volante	June 15, 2012	22	22	100%

*Resigned October 1, 2012 and replaced by Tetsuyuki Nonaka

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 2012.

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 adjourn 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 are bound and/or required to submit to the Board any report or information which the latter may require.

(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.) *Be loyal to the mission, vision and objectives of the corporation;*
(ii.) *Work fairly and objectively with the Board, Management and stockholders;*
(iii.) *Have appropriate administrative and interpersonal skills;*
(iv.) *If he is not at the same time the corporation's legal counsel, be aware of the laws, rules and regulation necessary in the performance of his duties and responsibilities;*
(v.) *Have a working knowledge of the operations of the Company;*
(vi.) *Inform the members of the Board, in accordance with the by-laws, of the agenda of their meetings and*

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[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.

ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;

(vii.) *Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so;*

(viii.) *Ensure that all Board procedures, rules and regulations are strictly followed by the members; and*

(ix.) *If he is also Compliance Officer, perform all the duties and responsibilities of the said officer as provided for this Code.*

(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 2012 except for extension of Corporate Life.

Existing Policies	Changes	Reason
Corporate Life	*Approval of the Amendment of the Articles of Incorporation extending its corporate life for another fifty (50) years*	*Expiration of Corporate Life on May 14, 2013*

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	**37.4 Million**		
(b) Variable Remuneration			
(c) Per diem Allowance			
(d) Bonuses	**20.1 Million**		
(e) Stock Options and/or other financial instruments			
(f) Others (Specify)	**.4 million**		
Total	**57.9 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 2012.

Incentive Program	Amendments	Date of Stockholders' Approval

5) Remuneration of Management

Identify the five (5) members of management who are not 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	**5**			With Approved Charter	Exercises all the powers of the Board in the management and direction of the affairs of the company	• Serve as the operating arm of the Board in all matters relating to corporate governance • May approve all major policies and oversees all	Execute all resolution and direction of the Board.

						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.
Nomination	2		1	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.
Remuneration	2		1	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.	2		1	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	Naoya Nishiwaki	June 15, 2012	4	4	100%	3 yrs.
Member (ED)	Waichi Tamiya	June 15, 2012	4	4	100%	5.5 yrs
Member (ED)	Shigeyoshi Terawaki	June 15, 2012	4	4	100%	3.8 yrs.

Member (ED)	Hiroyoshi Fukutomi	June 15, 2012	4	4	100%	2.9 yrs.
Member (ED)	Miguel Castro	June 15, 2012	4	4	100%	5.7 yrs.

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Evangelista c. Cuenco	June 15, 2012	5	5	100%	1.3 yrs.
Member (ED)	Hiroyoshi Fukutomi	June 15, 2012	5	5	100%	2.9 yrs.
Member (NED)						
Member (ID)	Emiliano Volante	June 15, 2012	5	5	100%	1.3 yrs.
Member						

Disclose the profile or qualifications of the Audit Committee members.

The Chairman of the Audit Committee is a Certified Public Accountant (CPA) and formerly head of PMPC Finance Department. Other Audit Committee members have financial management background as well. The profile and qualification of Audit Committee members are 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 should be reviewed and approved by the Audit Committee.

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Miguel Castro	June 15, 2012	2	2	100%	5.7 yrs.
Member (ED)	Hiroyoshi Fukutomi	June 15, 2012	2	2	100%	2.9 yrs.
Member (NED)						
Member (ID)	Evangelista Cuenco	June 15, 2012	2	2	100%	1.3 yrs
Member						

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Hiroyoshi Fukutomi	June 15, 2012	2	2	100%	2.9 yrs
Member (ED)	Miguel Castro	June 15, 2012	2	2	100%	5.7 yrs.
Member (NED)						
Member (ID)	Emiliano Volante	June 15, 2012	2	2	100%	1.3 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	Hiroyoshi Fukutomi	June 15, 2012	4	4	100%	9 mos.
Member (ED)	Miguel Castro	June 15, 2012	4	4	100%	9 mos.
Member (NED)						
Member (ID)	Emiliano Volante	June 15, 2012	4	4	100%	9 mos.
Member						

(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	Evangelista Cuenco	June 15, 2012	2	2	100%	9 mos.
Member (ED)	Miguel Castro	June 15, 2012	2	2	100%	9 mos.
Member (ED)	Hiroyoshi Fukutomi	June 15, 2012	2	2	100%	9 mos.
Member (ID)						
Member						

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	• Renovation of the Head Office Bldg. • Renovation of Refrigerator Plant • Construction of Multi-Purpose Facility. • Transfer of Customer Service Office to H.O.	• Office & Factory efficiency and cost savings.
Audit	• Oversee the review of Governance Process • Reviewed and/or assessed the company internal control over financial reporting, governance process, risk management and operation.	• Improvement of Corporate Governance Processes. • Various improvements on internal control over financial reporting, governance process, risk management and operation.

Nomination	• List of recommended directors and officers for 2012 stockholders' meeting.	• List of directors and officers
Remuneration	• Review and update the compensation program for directors and executive management	• Updated Compensation Program
Risk Management	• Annual Risk Assessment	• Compliance Risk • Business Continuity Risk • Disaster Recovery Plan Risk • Operational Risk • Health and Safety Risk
Corporate Governance	Partial Implementation of ASEAN Corporate Governance	Compliance with ASEAN Scorecard

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	• Disclosure of best practices in Corporate Governance. • Preparation of Annual Scheduled Board Meeting
Audit	• Annual Audit Committee Report. • Audit Committee Meetings • Removal of Internal Auditor	• Disclose the status of the Company's Internal Control system in the Company's Annual Report • Disclosure of Audit Committee Meetings. • Disclosure of the appointment and removal of Internal Auditors requires the approval of Audit Committee.
Nomination	• Attendance of Director during Board Meeting. • Training and/or continuing education program attended by directors. • Threshold on Board seats. • 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 maximum limit directorship in other public listed company. • 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 adoption of ASEAN scorecard	Best Practices in ASEAN not yet adopted

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

All policy directions, business strategies and management initiatives emanate from the BOD which strives to provide the most effective leadership for the Parent Company. 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 in quarterly meetings and in addition, is available to meet in the interim should the need arise.

(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.

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

(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; and, c.) Corporate actions

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
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
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
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

(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)

(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*

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; *No disclosure of 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 annually reviewed to ensure its effectiveness to achieve the objective of the business units, system or operation. The company uses the COSO's Internal Control – integrated framework to assess its internal control systems.

(e) Where no review was conducted during the year, an explanation why not.
There is no law and/or regulation which requires any publicly listed corporation to disclose the state of

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 Auditing Firm (External Auditor) require the approval of the Audit Committee in accordance with Code of the Corporate Governance.*

(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.

Name of Audit Staff	Reason
Michael Adrian P. Borja	*Mr. Borja was transferred to other business unit to lead an I.T. Project Business Intelligence Innovation. The said internal auditor has an IT background and formerly from IT Department before joining the Internal Audit Department.*

(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 95% 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

[The relationship among progress, plans, issues and findings should be viewed as an internal control review

[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.

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*
Fraud Statement Policy	*Implemented*

(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 and external auditors report functionally to Audit Committee	*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 and Audit Fees.			
Limits on the non-audit services of external auditors			

(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:

- *President/ 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 to Disaster Stricken Communities. • Sponsorship 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	• 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).

3) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?

1. *Provision of safe, Healthy and Environment Friendly Workplace.*
2. *Compliance to Government Regulations and other requirements.*
3. *Pollution, Accident and Incident Prevention.*
4. *Sustainable use of natural resources.*
5. *Management and Control of EHS hazards*
6. *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. *A(H1N1) Virus Prevention and Awareness Campaign*
15. *Corporate enhancement of production working areas.*

Annual Accident/Illness Exposure Data Report (January to December 2012)

Exposure Data	
No. of Employees	379
Total Hours Worked By All Employees During the Year	804,996
Injury Summary	
Total-All Disabling Injuries/Illness	0
Total-Non-Disabling Injuries	3
Frequency Rate	0.00
Severity Rate	0.00

(c) State the company's training and development programmes 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 FY2012 (ending March 31, 2013), 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:

- *Discounted Panasonic Appliance*
- *Employee Appreciation Program*
- *External (Abroad)Training and Development Program*
- *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 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 Owners
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
Naoya Nishiwaki	1	-	NIL
Waichi Tamiya	1	-	NIL
Shigeyoshi Terawaki	1	-	NIL
Hiroyoshi Fukutomi	1	-	NIL
Miguel Castro	185	-	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 programme 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 2013.*
- *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)	P 1.6 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 2011: May 4, 2012 / FY 2012: May 7, 2013*

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	*NO*
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)	*NO*

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

7) **Disclosure of RPT**

RPT	Relationship	Nature	Value
Purchases	Parent	Purchases of materials, merchandise and parts	14,077,943
Technical assistance fees	Parent	Related to technical assistance agreements with PC, non-interest bearing, payable semi-annually, unsecured	103,332,834
Brand license fees	Parent	Related to trademark license agreements with PC, non-interest bearing, payable semi-annually, unsecured	32,341,219
Non-trade payables	Parent	Related to salaries and bonuses of Japanese officers, payable quarterly, non-interest bearing, unsecured	61,656,386
Non-trade payable	Parent	Related to research and development charges, 30-day term, non-interest bearing, unsecured	13,015,692
Sales	Affiliates	Sale of various products, 30-day term, noninterest bearing, unsecured, no impairment	867,737,697
Purchases	Affiliates	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	2,136,804,325
Receivables Non-trade	Affiliates	Related to service agreements, 30-day term, noninterest bearing, unsecured, no impairment	43,824,521
Receivables Non-trade	Affiliates	Related to electricity consumption charged by the Company, 30-day term, non-interest bearing,	74,111,028

		unsecured, no impairment	
Receivables Non-trade	Affiliates	Related to support provided for marketing activities, 30-day term, non-interest bearing, unsecured, no impairment	42,742,947
Receivables Non-trade	Affiliates	Related to rental income on investment property, 30-day term, non-interest bearing, unsecured, no impairment	26,962,639
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	45,571,840
Non-trade payables	Affiliates	Related to expenses payable for the system maintenance fee, 30-day term, non-interest bearing, unsecured	6,450,377
Allocated cost	Affiliates	Related to allocated costs charged to the Company for certain services, 30-day term, noninterest bearing, unsecured	8,522,463
Benefits	Key Management Personnel	Short-term employee benefits	60,293,075
Benefits	Key Management Personnel	Post-employment benefits	3,915,818

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, 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
April 10, 2012	*May 4, 2012*	*May 30, 2012*

(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 which ever the stockholder prefers to communicate.*
Accessible venue of the Annual Stockholders' Meeting.	*Notice of Stockholders' Meeting via registed 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
   b. Authorization of additional shares

c. Transfer of all or substantially all assets, which in effect results in the sale of the company.

- *Stockholders are allowed to actively participate on corporate matters that require resolution, decision and approval.*

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 24, 2012

   b. Date of the Annual/Special Stockholders' Meeting: June 15, 2012

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

   - *A certain stockholder asked if he can get or obtain a copy of PMPC's Capital Expenditure Plans and Program to verify and check whether the appropriation of retained earnings last year serves its purpose or materialized. Answer: The Assistant Director mentioned that he would provide the stockholder a copy of the PMPC's Capital Expenditure Plans and Programs report right after the stockholders meeting.*
   - *PMPC's corporate life has been extended to another 50 years, what would be the benefits to the stockholders of PMPC? Answer: Continuous business and return in investments (dividends).*
   - *The stockholder observed that Panasonic has advertising tie-up program with Meralco, and asked if there would be free installation or subsidy if ever he buys Panasonic Split Type Air conditioner? Answer: Yes.*

5. Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining
Amending PMPC's Article s of Incorporation extending its corporate life to 50 more years	Majority	None	None

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

(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 2012 Annual Stockholders' Meeting regulations which remained consistent from annually.

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	Masao Okawa Naoya Nishiwaki, Waichi Tamiya Shigeyoshi Terawaki Hiroyoshi Fukutomi	June 15, 2012	Poll	148	30	79.72%

	Miguel Castro Atsushi Miwa Atty. Mamerto Mondragon Evangelista Cuenco Emiliano Volante					
Special	Masao Okawa Naoya Nishiwaki, Waichi Tamiya Shigeyoshi Terawaki Hiroyoshi Fukutomi Miguel Castro Atsushi Miwa Atty. Mamerto Mondragon Evangelista Cuenco Emiliano Volante	Jan. 23, 2012. Mar. 31, 2012 April 10, 2012 April 25, 2012 May 17, 2012 June 13, 2012 June 22, 2012 July 18, 2012 Aug. 16, 2012 Aug. 17, 2012 Aug. 28, 2012 Oct. 2, 2012 Nov. 28, 2012	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*
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 21 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 received 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 24, 2012*
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 24, 2012*
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.

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 communication section. The communication policy is 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 nature of the announcement 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*

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.

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.

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*
Panasonic Eco Picture Diary Contest	*Elementary School Children*
Panasonic Eco Learning Program	*Elementary School Children*
Support to "SILAKBO" for Sta. Rosa watershed	*Laguna Communities*

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 of 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 QUEZON CITY JUN 2 8 2013

SIGNATURES

Masao Okawa **Chairman of the Board**	Naoya Nishiwaki **Chief Executive Officer**
Evangelista C. Cuenco **Independent Director**	Emiliano Volante **Independent Director**
Atty. Mamerto Mondragon **Compliance Officer**	

SUBSCRIBED AND SWORN to before me this ________ day of JUN 2 8 2013 20__ , affiant(s) exhibiting to me their ____________________, as follows:

NAME/NO.	DATE OF ISSUE	PLACE OF ISSUE
1. NAOYA NISHIWAKI/PASSPORT NO. T20689198	FEB. 10, 2010	MALAYSIA
2. EVANGELISTA C. CUENCO/DRIVER'S LICENSE #N18-72-004170	APRIL 25, 2011	LAS PIÑAS CITY
3. EMILIANO VOLANTE/COMMUNITY TAX CERT. # 35477712	JANUARY 14, 2013	MARIKINA CITY

ATTY. JOEL G. GORDOLA
NOTARY PUBLIC
NOTARIAL COMMISSION NO. 066
COMMISSION EXPIRES DEC. 31, 2013
PTR NO. 756[illegible], 1/02/2013, Q.C.
IBP NO. 83448[illegible], 1/02/2013, Q.C.
ROLL OF ATTORNEY NO. 25103

NOTARY PUBLIC

Doc No. 214
Page No. 44
Book No. IV
Series of 2013