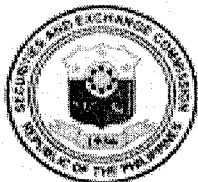




107132015000772

**SECURITIES AND EXCHANGE COMMISSION**

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
Tel:(632) 726-0931 to 39 Fax:(632) 725-5293 Email: mis@sec.gov.ph

Barcode Page**The following document has been received:**

Receiving Officer/Encoder : Edmundo Guia
Receiving Branch : SEC Head Office
Receipt Date and Time : July 13, 2015 11:56:16 AM
Received From : Head Office

Company Representative

Doc Source

Company Information

SEC Registration No. 0000023022
Company Name PANASONIC MANUFACTURING PHILIPPINES CORPORATIO-
N
Industry Classification
Company Type Stock Corporation

Document Information

Document ID 107132015000772
Document Type 17-A (FORM 11-A:AANU)
Document Code 17-A
Period Covered March 31, 2015
No. of Days Late 0
Department CFD
Remarks W/ FS AND FS-CONSO

COVER SHEET
for
ANNUAL REPORT

SEC Registration Number

2	3	0	2	2					
---	---	---	---	---	--	--	--	--	--

Company Name

P	A	N	A	S	O	N	I	C		M	A	N	U	F	A	C	T	U	R	I	N	G		P	H	I	L	I	P
P	I	N	E	S		C	O	R	P	O	R	A	T	I	O	N		A	N	D		S	U	B	S	I	D	I	A
R	Y																												

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

O	r	t	i	g	a	s		A	v	e	n	u	e		E	x	t	e	n	s	i	o	n						
B	a	r	r	i	o		M	a	p	a	n	d	a	n	,		B	a	r	a	n	g	a	y		S	a	n	
I	s	i	d	r	o	,		T	a	y	t	a	y	,		R	i	z	a	l									

Form Type

1	7	-	A
---	---	---	---

Department requiring the report

--	--	--	--

Secondary License Type, If Applicable

--	--	--	--

COMPANY INFORMATION

Company's Email Address

www.panasonic.com/ph

Company's Telephone Number/s

635-2260 to 65

Mobile Number

N/A

No. of Stockholders

448

Annual Meeting
Month/Day

June 19

Fiscal Year
Month/Day

March 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Mr. Marlon M. Molano

Email Address

marlon.molano@ph.panasonic.com

Telephone Number/s

635-2260 to 65

Mobile Number

(+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, 2015
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. 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 address: Ortigas Avenue Extension, Taytay, Rizal

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 [☒] 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 ☒ No ☐

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

Yes ☒ No ☐

13. Estimated aggregate market value of the voting stock held by non-affiliates of the issuer as of March 31, 2015 and June 30, 2015 based on stock market price amounted to about ₱272,494,685 and ₱258,738,944 respectively. The price used for this computation is the closing price as of March 31, 2015 is ₱4.16 and June 30, 2015 ₱3.95

**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

	<u>Page No.</u>
PART I BUSINESS AND GENERAL INFORMATION	
Item 1 Business	5
Item 2 Properties	13
Item 3 Legal Proceedings	13
Item 4 Submission of Matters to a Vote of Security Holders	13
PART II OPERATIONAL AND FINANCIAL INFORMATION	
Item 5 Market for Issuer's Common Equity and Related Stockholder Matters	14
Item 6 Management's Discussion and Analysis of Operation	16
Item 7 Financial Statements	24
Item 8 Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	24
PART III CONTROL AND COMPENSATION INFORMATION	
Item 9 Directors and Executive Officers of the Issuer	25
Item 10 Executive Compensation	27
Item 11 Security Ownership of Certain Beneficial Owners and Management	29
Item 12 Certain Relationships and Related Transactions	30
PART IV CORPORATE GOVERNANCE	
Item 13 Corporate Governance	35
PART V EXHIBITS AND SCHEDULES	
Item 14 Exhibits and Reports on SEC Form 17-C	36
SIGNATURES	39
MANAGEMENT PLANS AND REVIEWS	40
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES	

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, 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 or 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").

Fiscal year 2014 ended March 31, 2015

Fiscal year 2014 can be considered as one of the most critical yet very fulfilling periods in the history of the Company. The Company started the year on a very optimistic expectation along with the Philippine economy's steady path of growth and proven resiliency. However, our business operation was also upset by various challenges, including the typhoons that slowed down the production and retail sellout of our products. The Manila port congestion, which was very much felt at the start of our fiscal year operation in April, also caused delays in export and import transactions, transportation bottlenecks, and higher logistics costs. Moreover, the rotational brownouts in the Visayas and Mindanao regions affected our sales performance, triggering slower consumer spending.

Despite the setbacks, our Company posted a total sales of ₱6.713 billion which was 102% of last year's ₱6.596 billion. Most of the products lines did well in 204 with window airconditioners achieving 105%, Refrigerators at 117%, Freezers at 118% and Electric Fans at 101%. However, locally produced washing machines was only 99% of last year due to sudden shift in market demand to higher capacity washer, as well as the stoppage of production and sales of our 6.5 kg capacity due to profitability issue. The sales of imported consumer goods registered a 103% against last year due to increase in demand for higher capacity Refrigerators and washers. Export sales of window-type airconditioners, on the other hand was only 39%. Despite the 116% sales achievement for the shipments to Hong Kong, the Company achieved only 6% of its sales target for Africa due to the political unrest and "Ebola Virus" epidemic in the region.

In Business-to-Business (B2B) operations, the Company incurred a shortfall in Cold Chain business, achieving only 89% due to lower sales of showcase chillers. Likewise, Systems Solutions products realized only 96% due to the delay in the implementation of the projects.

In the area of profitability, the Company managed to register an amount of P217 million before tax, which was 7.4% or P15 million higher than last year despite the increase in the cost of doing business.

The fiscal year 2014 financial highlights and activities of the Group are incorporated as part of this Form 17-A as Annex "A".

Fiscal year 2013 ended March 31, 2014

The Company started the fiscal year 2013 mindful of its commitment to carry out its plans and programs along with the optimism to achieve record results.

FY 2013 operational performance posted P6.6 billion pesos sales which was 103% of last year. Locally manufactured products sales achievement was 109% versus last year. Comparing sales against last year, Window airconditioner posted 125%, Refrigerator 100%, Freezer 118%, Washing machine 104%, and Electric fan 112%. For imported products, however, the Company managed to achieve only 97%, given the Company's position as a minor player in the highly competitive TV category where aggressive pricing and promotional activities are the norms. Moreover, export sales posted only 96% because of the slow retail in the Company's major dealer abroad.

In FY 2013, the Company registered a net income of P162 million pesos, 93.3% versus last year of P 83.8 million pesos. This could be attributed to the dynamic mind-set of PMPC's employees who are guided by achieving sales target through the adoption of cost-buster measures aimed at cost savings on all operational aspects. The favorable market price of major raw material components also contributed to this encouraging result.

Fiscal year 2012 ended March 31, 2013,

Indeed, our clear focus and commitment to realize goals for the fiscal year in review contributed to the Group's better sales growth of 7.9 % at P6.4 billion pesos (FY 2012) compared to P5.9 billion pesos (FY 2011). Despite the typhoons and floods that ravaged the country last year, domestic demand remained steady due to the increase in OFW remittances; consumption was boosted by increase in consumers' purchasing power. The figures also contributed to the locally manufactured products' double-digit growth at 111.0 % with our Window-type Airconditioner posting 108 % versus last year; Refrigerator (115.0 %); Freezer (117.0 %); Washing Machine (107.0 %); and Electric Fan (107.0 %).

Export sales, however, fell short by 3.0% or at 97.0% achievement against last year mainly due to fluctuating exchange rate. The new gas type Window Type Air Conditioners entered the Hong Kong market in September 2012, where dealers took a "wait and see" attitude particularly in the products' introductory stage. We believe that full favorable acceptance will be realized in 2013.

Regarding our Imported Appliance products' performance, it is also worth mentioning that we achieved 106.0 % sales versus last year. However, we are now focused on devising more concrete strategies to match our competitors' aggressive pricing and design which contributed to a dip in sales.

Anchoring on various institutional special projects for panaboards, projectors, and POS, our System Network Products also achieved a remarkable sales performance of 138.0 % versus last year.

As reported also last year, new products like Sanyo's plug-in and showcase chillers under Cold Chain Group, as well as the solar panel under Eco Solutions Group were integrated into our sales operation. The initial year sales generated in FY 2012 was P92.0 million pesos. We shall see and evaluate the potentials of these businesses in 2013.

Along with all our concerted efforts and performances, we ended the fiscal year in review posting a net income after tax of P79.0 million pesos compared with the P57.0 million pesos achieved last year.

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: AVC Networks, Home Appliances and Others.

Segment reporting information is disclosed in Note 29 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		
	2015	2014	2013
Domestic	90.3%	87.8%	86.5%
Export	9.7%	12.2%	13.5%
	100.0%	100.0%	100.0%
Refrigerator	36.5%	33.2%	29.1%
Airconditioner	36.0%	37.9%	29.1%
Television	1.5%	1.9%	1.6%
Washing machine	11.6%	11.9%	10.0%
Others & Export	14.4%	15.1%	30.2%
	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		
	2015	2014	2013
Philippines	₱5,935,855	₱5,763,462	₱5,542,347
Hong Kong	768,971	659,824	706,823
Africa	8,599	153,533	103,100
Singapore	-	11,048	36,016
Bangladesh	-	8,209	16,239
Cambodia	-	317	2,805
Vietnam	-	-	63
Total Revenue	₱6,713,425	₱6,596,393	₱6,409,393

DISTRIBUTION NETWORK

The Group's principal office is located along Ortigas Avenue Extension, 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

Nowadays, competition is getting tougher. Thus, the Company has to adapt with the needs of the market in order to survive and stay ahead of the game. Consequently, we must ensure growth by going back to the basics such as by continuously enhancing the marketing and innovation activities. Innovation will strengthen competitive advantages in terms of product, pricing, customer service, and operational systems. On the other hand, marketing must be geared towards being responsive to the requirements of its customers in particular, and to the development of the society in general.

The Company has become very aggressive in developing and promoting its B2B operation. Projected increase in sales for the B2B segment will be driven by the demand of the hotels, real-estate developers, the retail and banking industries, to name a few, for security, surveillance and visual-systems products.

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 ₱26.9 million, ₱8.1 million and ₱14.1 million in 2015, 2014 and 2013, respectively. Purchases made from affiliates amounted to ₱2.5 billion, ₱2.2 billion and ₱2.1 billion in 2015, 2014 and 2013 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, 2015 and 2014 are unsecured and interest free and settlement occur in cash. There have been no guarantees provided or received for any related party receivables or payables. In 2015, 2014 and 2013, 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, 2015 and 2014. 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. The carrying amount of the receivable in the Parent Company's books and payable in the Subsidiary's books amounted to ₱146.3 million and ₱139.8 million as of March 31, 2015 and 2014, 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 4.3% interest in the Parent Company amounting to ₱136.5 million as of March 31, 2015 and 2014.

As of March 31, 2015 and 2014, certain loans and receivables amounting to ₱52.3 million and ₱50.4 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, 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 37 to 42.

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 ₱117.5 million, ₱110.5 million and ₱103.3 million in 2015, 2014 and 2013, 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 ₱35.8 million, ₱34.1 million and ₱31.6 million in 2015, 2014, and 2013, respectively, while brand license fees charged by the affiliates amounted to ₱ 0.7 million, ₱0.8 million and ₱0.7 million in 2015, 2014 and 2013, 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 2014 and 2013 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:

	2015	2014	2013
Cost	₱ 15,784,789	₱ 13,679,744	₱ 21,744,581
Ratio to Revenues	0.24%	0.21%	0.34%

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

COSTS AND EFFECTS OF COMPLIANCE WITH ENVIRONMENTAL LAWS

As an industrial corporation, the Group conducts its operations in compliance with all environmental, occupational health and safety and other related regulations of the government and along with the environmental policy and directives of PC, with its dedication to continuously improve its

environmental, occupational health and safety, product safety performance and responding to the requirement of the industrial organization in managing, controlling and mitigating all types of risk that the Group has been exposed to. In fact, the Group, more often than not, implements environment-protection measures ahead of government regulations.

Compliance with the various environmental laws definitely entails costs and additional investments on the part of the Group, resulting higher production costs and operating expenses. The Group spent a total of ₱1.2 million and ₱1.3 million for the treatment of wastes, monitoring and compliance, permits and personnel training for the fiscal year 2014 and 2013 respectively.

HUMAN RESOURCES AND LABOR MATTER

As of March 31, 2015, the Parent Company has 559 full time employees:

	<u>Administrative</u>	<u>Operations</u>	<u>Total</u>
Under CBA	-	202	202
Non-CBA	353	-	353
	353	202	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 30 of the Consolidated and Parent Company Audited Financial Statements, pages 49 to 55.

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.

The Group's policies on managing the risks arising from the financial instruments follow:

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 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 comprise 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 30 of the Consolidated and Parent Company Audited Financial Statements, pages 49 to 55.

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 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, 2014 and will expire on February 28, 2016 with a fixed monthly rental fee of US\$53,254.80. Rent income recognized under miscellaneous income amounted to ₱26.7 million, ₱27.4 million and ₱27.0 million in 2015, 2014 and 2013, 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, 2015, 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 PRICE AND DIVIDEND ON 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, 2015 and June 30, 2015, a total of 104,988,723 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:

	<u>High</u>	<u>Low</u>
<u>2015</u>		
Jan – Mar	4.47	4.00
Apr – Jun	4.47	3.82
<u>2014</u>		
Jan – Mar	6.29	5.00
Apr – Jun	5.10	3.38
Jul – Sept	4.80	3.37
Oct – Dec	4.88	4.00
<u>2013</u>		
Jan – Mar	6.75	4.50
Apr – Jun	6.65	5.00
Jul – Sept	6.75	5.00
Oct – Dec	6.49	5.03

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:

<u>Date of Declaration</u>	<u>Cash Dividend Per Share</u>	<u>Date of Record</u>	<u>Date of Payment</u>
<u>FY 2014</u>			
March 19, 2015	10%	April 7, 2017	May 4, 2015
<u>FY 2013</u>			
March 20, 2014	10%	April 10, 2014	May 8, 2014
<u>FY 2012</u>			
March 21, 2013	10%	April 12, 2013	May 8, 2013

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, 2015.

Name	No. of Shares Held	% to Total
1. Panasonic Corporation (Japanese)	337,994,588	79.96 %
2. PCD Nominee Corporation (Filipino)	38,846,561	9.19%
3. PMPC Employees Retirement Plan	19,219,902	4.55 %
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, 2015 and June 30, 2015
 - 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, 2015 and June 30, 2015

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 OF OPERATION

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

Please refer to Management Plans and Reviews discussion attached hereto on Pages 40, Annex "A"

Top 5 Key Performance Indicators of the Company

Name of Index	Calculation	FY 2014	FY 2013	FY 2012
1. Rate of Sales Increase	$\frac{\text{CY Sales} - \text{LY Sales}}{\text{LY Sales}} \times 100\%$	1.8%	2.9%	7.9%
2. Rate of Profit Increase	$\frac{\text{CY Profit After Tax} - \text{LY Profit After Tax}}{\text{LY Profit After Tax}} \times 100\%$	0.3%	93.3%	39.1%
3. Rate of Profit on Sales	$\frac{\text{Profit After Tax}}{\text{Total Sales}} \times 100\%$	2.4%	2.5%	1.3%
4. Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	3.2	3.1	3.2
5. Dividend Ratio to Capital	$\frac{\text{Dividend}}{\text{Average Capital}} \times 100\%$	10%	10%	10%

- (a) Rate of Sales Increase - This measures the sales growth versus the same period last year. Sales increased by 1.8%. Such was achieved due to improved domestic market and stable inflation.
- (b) Rate of Profit Increase - This measures the increase in profit after tax versus the same period last year. Rate of profit for the year increased by 0.3% 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 decreased to 2.4% vs. 2.5% last year due mainly to income tax.
- (d) Current Ratio - This measures the liquidity of the Company and its ability to pay off current liabilities. Current ratio as of March 31, 2015 slightly increased to 3.2:1 as of March 31, 2015 versus 3.1:1 of last year.
- (a) Dividend Ratio to Capital - This measures the dividend payout ratio versus capital for the period. The Group declared a 10% cash dividend for the fiscal year 2014 and 2013.

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, 2015, 2014 and 2013.

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, 2014. 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 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	1,174,875	1,242,120	-5.4%
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	259,118	177,877	45.7%

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 slightly increased at 3.2:1 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 P67.2 million (5.4%) 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.

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 P117.0 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 P407.8 million mainly due to increase in direct material usage by P268.7 million due to increase in sales requirement. Along with this, depreciation cost also increased by P39.7 million due to additional purchase equipment to improve operations of the Company. In addition, finished goods provision for inventory write-down increased by P90.0 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 P288.4 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 P29.9million (4.6%) due mainly to decrease in provision for other estimated liabilities by P50.4 million. On the other hand provision for impairment losses increased by P5.0 million.

Other income - net decreased by P12.1 million against 2014 mainly due to service income by P9.0 million and proceeds from sale of scraps by P6.8 million.

Income before tax increased by P15.4million (7.7%) due to increase in sales achievement by 1.8% and decrease in selling expense.

Fiscal Year 2013 vs. 2012**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 P187.0 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 P78.6 million last year to P39.4 million or a decrease of P39.2 million because of the write-off of deferred tax asset in FY 2012 amounting to P34.0 million.

Fiscal Year 2012 vs. 2011

Financial Positions

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

(in thousands)

Accounts	March 31, 2013	March 31, 2012	Difference (%)
Cash and cash equivalent	3,042,774	2,771,242	9.8%
Receivables	790,683	744,7963	6.2%
Inventories	615,148	470,041	30.9%
Other current assets	40,309	94,908	-57.5%
Property & equipment	492,918	518,286	-4.9%
Investment property	62,351	66,961	-6.9%
Deferred tax assets	119,370	132,924	-10.2%
Other assets	49,840	30,001	66.1%
Accounts payable & accrued expenses	1,275,911	941,156	35.6%
Provision for estimated liabilities	87,254	79,113	10.3%
Technical assistance payable	43,920	39,982	9.8%
Finance lease liability	7,965	6,547	21.7%

The Group continues to maintain its strong financial position with total assets amounting to P5.216 billion and P4.831 billion as of March 31, 2013 & 2012, respectively while total equity amounted to P3.618 billion and P3.667 billion as of the same period.

Current ratio slightly decreased at 3.0:1 as of March 31, 2013 compared to 3.6: 1 as of March 31, 2012 due to the payable on the build-up inventory from Refrigerator as well as reserves for promo and advertising.

Total current assets increased by P407.9 million (10.0%) due mainly to increase in cash and cash equivalents by P271.5 million (9.8%) due to increase in sales and collection efficiency. Accounts receivable increased by P45.9 million (6.2%) due to increase in sales amount.

Inventories increased by P145.1 million (30.9%) due mainly to build-up inventory of Refrigerator in preparation for its transfer to a new building next fiscal year 2013. On the other hand, other current assets decreased by P54.6 million (57.5%) mainly due to increase in allowance for probable losses on prepaid expenses and other receivables amounting to P40.0 million for the period.

Total non-current assets decreased by P23.7 million (3.2%) due mainly to decrease in net property, plant and equipment by P25.4 due to current year's provision for impairment losses of P28.9 million for the idle building and structures. Investment property decreased by P4.6 million (6.9%) due to depreciation for the year. Other asset increased by P19.8 million (66.1%) due mainly to advances to contractors for the construction of a multi-purpose covered court, warehouse building improvement and various equipment amounting to P27.6 million. Deferred tax assets decreased by P13.6 million (10.2%) due to write-off since the Company assesses 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.

Total current liabilities increased by P370.6 million (33.5%) due mainly to accounts payable and accrued expenses by P334.8 million (35.6%) for the payment of cash dividend P42.3 million and P194.9 million for trade payable on inventory build-up. Provision for estimated liabilities increased by P8.1 million (10.3%) due to increase promo and advertising expenses payable in fiscal year 2013. Technical assistance payable increased by P3.9 million due to increase in sales achievement by 9.8%. Finance lease liability increased by P1.4 million (21.7%) due to the upgrade of top management company vehicle based on length of years of usage.

Capital expenditures amounted to P116.8 million during the year as the Group continues to upgrade its factory facilities, machinery and equipment to improve productivity and profitability of the Company. Appropriated retained earnings for plant expansion decreased by P50.0 million.

Results of Operation

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

(in thousands)

Accounts	FY 2012 Ended 3/31/2013	FY 2011 Ended 3/31/2012	Difference (%)
Sales	6,409,393	5,942,727	7.9%
Cost of sales	4,720,260	4,519,166	4.4%
Gross profit	1,689,133	1,423,561	18.7%
Selling expenses	1,004,745	897,351	12.0%
General administrative	653,497	530,682	23.1%
Other income – net	131,576	91,321	43.7%
Income before tax	162,467	87,120	86.5%
Income tax expense	78,624	29,015	171.0%
Income after tax	83,843	58,105	44.3%

Consolidated sales of the Group for the FY 2012 amounted to P6.409 billion, increased by 7.9% from P5.943 billion posted in fiscal year 2011. Despite the various typhoons and floods that savaged the country, the increase domestic demand is notable due to the continued flow of remittances from overseas workers and stable inflation which accelerated consumption and increased the purchasing power of the

consumers and concerted efforts to produce the demand products thru production innovation, efficiency improvement and maximized machine utilization. The Company also managed to have promo activities at par with competitors thru the utilization of certain revenues from cost savings. Also the Company had revived the advertisement activities on TVs, radios and newspapers this year.

Gross profit increased by 18.7% due mainly to increase in sales performance by 7.9% and decrease in cost of sales ratio by 2.4% from 76.0% to 73.6% this year mainly due to the reduction in the major cost components of production.

Selling expenses increased by ₱107.4 million (12.0%) due mainly to increase in sales promotion by ₱61.7 million and advertising expense by ₱40.3 million to achieve sales .

General and administrative expenses increased by ₱122.8 million (23.1%) due mainly to the payment of additional incentive of employees who availed of the early retirement program of the Company in September 2012 as well as accruals and on allowance for losses on impairment of asset.

Non-operating income increased by ₱40.0 million (43.7%) due mainly to Aircon department service income received amounting to ₱42.7 million which include reimbursement of expenses.

Provision for income tax increased by ₱49.6 million (171.0%) due mainly to increase in the Company's taxable income. The Company also applied unexpired MCIT which has no DTA amounting to ₱32.6 million and write-off deferred tax assets by ₱32.1 million.

The Group's net income after tax for the fiscal year 2012 amounted to P83.8 million, increased by P25.7 million (44.3%) posted in fiscal year 2011.

▪ **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 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.

▪ **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**

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.

▪ Significant Elements of Income or Loss

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

▪ Seasonal Aspects

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

CASHFLOWS

A brief summary of cash flow movement is shown below

<i>(In thousands)</i>	2015	2014	2013
Net cash provided by operating activities	160,823	263,055	397,816
Net cash used in investing activities	(153,862)	(394,190)	(78,620)
Net cash used in financing activities	(45,781)	(50,268)	(46,888)

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:

<i>In thousands</i>	2015	2014	2013
Interest received from bank deposits	26,249	29,472	55,279
Proceeds from sale of PPE	262	5,313	2,512
Acquisitions of property, plant and equipment	(199,240)	(424,439)	(110,792)
Acquisition of software	(1,630)	(505)	(450)
Decrease (increase) in other assets	21,122	(4,031)	(25,169)
Total	(153,862)	(394,190)	(78,620)

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

<i>In thousands</i>	2015	2014	2013
Cash dividends paid	(42,272)	(42,272)	(42,272)
Finance lease liabilities paid	(3,509)	(7,996)	(4,616)
Total	(45,781)	(50,268)	(46,888)

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 2014 ended March 31, 2015 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 2014 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 2014 ended March 31, 2015 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:

		2015		2014		2013
Audit	P	1.70	P	1.60	P	1.60
Audit-Related		—		—		—
Tax compliance		0.3		—		—
Total	P	2.00	P	1.60	P	1.60

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
Nobuo Yasuhira	Chairman of the Board & President	Japanese	55
Yoshiyuki Takahashi	Executive Director & Treasurer	Japanese	53
Hiroshi Yamada	Executive Director	Japanese	52
Masaru Toyota	Director & VP – PMPC PPH	Japanese	55
Yoichi Takemoto	Director	Japanese	50
Toshikazu Kudo	Director	Japanese	52
Miguel Castro	Director	Filipino	58
Emiliano Volante	Independent Director	Filipino	71
Elizabeth Gildore	Independent Director	Filipino	57
Mamerto Z. Mondragon	Corporate Secretary	Filipino	71

Nobuo Yasuhira, Japanese, is a graduate of Faculty of Engineering with a Master's degree from Kyoto University, Japan. He is the Chairman of the Board since July 1, 2014. He has been the President and Director of the Company since June 24, 2013. He is a former Director of Panasonic Corporation – Japan (PC) from April 2012 to March 2013. He was the Director of Production Engineering Laboratory, Corporate Manufacturing Innovation Division, PC - Japan from April 2008 to March 2012. He was assigned to Development & Design Process Innovation Group, Development & Design Capability Enhancement Center, Corporate Manufacturing Innovation Division, PC – Japan from Nov. 2005 to March 2007.

Yoshiyuki Takahashi, Japanese, graduated from Osaka University, Faculty of Business with a Bachelor's degree. He has been the Executive Director of the Company since June 22, 2015. He also holds the following positions: Treasurer, Vice – Chairman, Chairman of the Compensation/Remuneration & Risk Management Committee. He is the former General Manager – Accounting Department, Panasonic Corporation's regional office, Panasonic Asia Pacific Pte., Ltd. ('PA') from August 2013 to May 2015. From April to July 2013, he was assigned to Equity Management Team, Global Finance Administrator Center, Professional Business Support Sector, PC – Japan, as the Manager. He was assigned to Finance Management Team, Corporate Finance & IR Group, HQ of PC – Japan, as Councilor from June 2010 to March 2013. From April 2009 to May 2010, he was the Manager PC's Funds Management Team, Financial Operation Center, HQ. He was the Finance – Director of PC's German Subsidiary, Matsushita Electronic Components Co., Ltd. ("MACO") from December 2000 to March 2009.

Hiroshi Yamada, Japanese, is a graduate of Faculty of Science with a Bachelor's degree from the University of Toyama, Japan. He has been elected as PMPC – Executive Director since February 01, 2014. He is 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.

Masaru Toyota, Japanese, graduated from Otaru University. He was elected as a 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.

Yoichi Takemoto, Japanese, graduated from Kobe University. He was elected as Director last July 1, 2014. He is currently assigned as Senior Manager, Corporate Management Support Group, Corporate Strategy Division of Panasonic Asia Pacific Pte., Ltd from June 2014. He was also assigned as Senior Manager of Panasonic Corporation HQ – Japan from February 2010 to September 2012. He is a former Senior Manager of Panasonic Electronic Devices Co., Ltd – Corporate Accounting & Finance Department from October 2007 to January 2010. And from January 2000 to September 2007 as Finance Director of Panasonic Electronic Components U.k. Ltd.

Toshikazu Kudo, Japanese, graduated from George Washington University Law School with Master of Law. He was elected as Director last June 23, 2014. He was assigned as Director of Legal & Risk Management Group of Panasonic Asia Pacific Pte., Ltd from October 2012 to June 2014 and from April 2008 to September 2012 as Manager of Corporate Legal Division. He is a former General Manager of Legal Consultation & Solution from April 2006 to March 2008. He joined Matsushita Electric Industrial Co., Ltd. in March 2002 as Manager of Corporate Legal Division.

Miguel Castro, Filipino, is a graduate of B.S. Mechanical Engineering from FEATI University. He has been a Director since August 01, 2007. He is a former General Manager of PMPC – Refrigerator Division from September 2004 to July 2007 and PMPC – Audio Video and Electric Fan Departments from April 2002 to August 2004.

Independent Directors / (Nominees)

Emiliano S. Volante, Filipino, is a graduate of B. S. in Commerce from Far Eastern University. He was elected as Independent Director since October 2010. He is also a member of the Audit Committee and 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.

Elizabeth Gildore, Filipino, is a graduate of B. S. in Commerce, Major in Accounting. She was elected as Independent Director last May 4, 2015. 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.

Corporate Secretary

Atty. Mamerto Z. Mondragon has been a corporate secretary of the Company since 1975. He is also the Corporate Secretary of Panasonic Precision Devices Philippines Corporation (PSNP) and Precision Electronics Realty Corporation (PERC).

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 of the Company's Directors and Officers for the last two fiscal years and for the ensuing year are as follows:

FY 2014

(In Millions)

NAME	POSITION	SALARY	BONUS	OTHERS	TOTAL
President and The Four Highest Compensated Officers					
Nobuo Yasuhira	President & Chairman				
Hiroshi Yamada	Executive Director				
Hiroyoshi Fukutomi *	Treasurer, Executive Director & Vice – Chairman				
Masaru Toyota	Vice President – PMPC PPH Sales & Marketing				
Miguel Castro	Director				
Total		37.4	7.4	1.5	46.3
All Officers & Directors As a Group		37.4	7.4	1.5	46.3

FY 2013*(In Millions)*

<i>NAME</i>	<i>POSITION</i>	<i>SALARY</i>	<i>BONUS</i>	<i>OTHERS</i>	<i>TOTAL</i>
President and The Four Highest Compensated Officers					
Naoya Nishiwaki	President				
Waichi Tamiya	Vice – President				
Hiroyoshi Fukutomi	Treasurer, Executive Director & Vice – Chairman				
Shigeyoshi Terawaki	Vice President – PMPC PPH Sales & Marketing				
Miguel Castro	Director				
Total		39.1	13.8	0.4	53.3
All Officers & Directors As a Group		39.1	13.8	0.4	53.3

For the ensuing FY 2015*(In Millions)*

<i>NAME</i>	<i>POSITION</i>	<i>SALARY</i>	<i>BONUS</i>	<i>OTHERS</i>	<i>TOTAL</i>
President and The Four Highest Compensated Officers					
Nobuo Yasuhira	President & Chairman				
Hiroyoshi Fukutomi / Yoshiyuki Takahashi **	Treasurer, Executive Director & Vice – Chairman				
Hiroshi Yamada	Executive Director				
Masaru Toyota	Executive Director & VP – PMPC PPH Sales & Marketing				
Miguel Castro	Director				
Total		38.3	7.5	3.1	48.9
All Officers & Directors As a Group		38.3	7.5	3.1	48.9

The directors and executive officers receive basic salary, performance bonus and other usual benefits that are already included in the amounts stated above.

The Group has no standard compensatory plan or arrangement regarding the remuneration with respect to their existing directors and executive officers aside from the compensation received as herein stated.

For the ensuing fiscal year 2015, the Board approved Gratuity pay for retiring Regular Directors and Independent Directors.

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, 2015 and June 30, 2015**

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"	Panasonic 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. Nobuo Yasuhira – 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, 2015.

Title of Class	Name of Beneficial Owner	Amount of Beneficial Ownership (Php)	Nature of Beneficial Ownership	Citizenship	Percent
Common "B"	Nobuo Yasuhira	1	Direct	Japanese	NIL
Common "A"	Miguel Castro	185	Direct	Filipino	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"	Yoichi Takemoto	1	Direct	Japanese	NIL
Common "B"	Toshikazu Kudo	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, 2014 is 96,430 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

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. 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 Hongkong Co.,LTD.
- Panasonic Ecology Systems (Hongkong)
- PT. Panasonic Gobel Energy Indonesia
- Panasonic Manufacturing Indonesia Eco System Division
- Panasonic Corporation - Energy Device Business Division
- Panasonic Corporation Procurement Company Materials Procurement Center
- Panasonic Ecology Systems
- Panasonic Corporation - Export Division
- Panasonic Corporation
- Panasonic Corporation - Home Appliance Co.
- Panasonic Corporation Eco Solutions Company Energy Systems Business Group
- Panasonic AVC Networks Kuala Lumpur Malaysia Sdn.Bhd.
- Panasonic Procurement Malaysia SDN.BHD. (PPMY)
- Panasonic Appliances Air-conditioning R&D (M) Sdn.Bhd
- Panasonic Industrial Devices Sales (M) SDN.BHD.
- Panasonic Precision Devices Philippines Corporation (PPRDPH)
- Panasonic Asia Pacific Pte. Ltd.
- Panasonic Asia - Panasonic Logistics Asia Pacific (PPLAP)
- Panasonic Systems Asia Pacific (PSAP)
- Panasonic Eco Solutions Asia Pacific (PESAP)
- Panasonic Industrial Devices Automation Control Sales Asia Pacific (PIDACSAP)
- Panasonic Consumer Marketing Asia Pacific (PCMAP)
- Panasonic Systems Communications Company of Asia Pacific
- Panasonic Ecology Systems (Thailand) (PES)
- Panasonic Appliances Cold Chain (Thailand) Co., Ltd. (PACC)

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.

2015			
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
Parent Company			
Trade payables	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	₱26,917,170	₱322,433
Technical assistance fee payable	Related to technical assistance fees payable equivalent to 3.0% of sales of selected products, non-interest bearing, payable semi-annually, unsecured	117,537,813	48,112,915
Non-trade payable	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	36,502,094	15,191,405
Non-trade receivable	Related to product 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	395,793	395,793
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 Parent 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
Dividends payable	Dividends declared to stockholders of the Parent Company	33,799,458	33,799,458

(Forward)

2015

	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
<i>Affiliates</i>			
Trade receivable	Sale of airconditioner units, 30-day term, non-interest bearing, unsecured, no impairment	₱778,196,330	₱122,907,955
Non-trade receivable	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	5,820,481
	Related to electricity consumption charged by the Company to a lessee-affiliate, 30-day term, non-interest bearing, unsecured	80,404,535	5,730,706
	Related to promo support, 30-day term, non-interest bearing, unsecured, no impairment	22,872,917	7,338,880
	Related to certain expenses paid in behalf of affiliates, 30-day term, non-interest bearing, unsecured	8,196,914	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 Parent 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	

(Forward)

		2014	
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
Parent Company			
Non-trade receivable	Related to receivable from PERC, 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
Technical assistance fee payable	Related to technical assistance fees payable equivalent to 3.0% of sales of selected products, non-interest bearing, payable semi-annually, unsecured	110,525,558	44,673,928
Non-trade payable	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
Accrued expenses	Related to compensation and welfare expenses of certain employees, payable quarterly, non-interest bearing, unsecured	47,707,828	9,933,947
	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
Dividend payable	Dividend declared to stockholders of the Parent Company	33,799,458	33,799,458
Affiliates			
Trade receivable	Sale of airconditioner units, 30-day term, non-interest bearing, unsecured, no impairment	833,339,395	155,245,120
Non-trade receivable	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 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

(Forward)

		2014	
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
	Related to certain expenses paid in behalf of affiliates, 30-day term, non-interest bearing, unsecured	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 charges to the Company for certain services, 30-day term, non-interest bearing, unsecured	5,366,885	5,817,794
	Related to expenses payable for management fee, 30-day term, non-interest bearing, unsecured	5,366,885	295,085
		27,414,240	-
Rent income	Related to rental income on investment properties, 30-day term, non-interest bearing, unsecured, no impairment		

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, 2014 and 2013 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 2014, 2013 and 2012, 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 to its Subsidiary amounting to ₱154.0 million as of March 31, 2014 and 2013. 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. The carrying amount of the receivable in the Parent Company’s books and payable in the Subsidiary’s books amounted to ₱139.8 million and ₱134.2 million as of March 31, 2014 and 2013, 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:

	2015	2014	2013
Short-term employee benefits	₱46,303,571	₱55,741,462	₱60,293,075
Post-employment benefits	3,740,807	4,093,035	3,915,818
	₱50,044,378	₱59,834,497	₱64,208,893

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 Group'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 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% interest in the subsidiary of the Parent Company amounting to ₱47.7 million and 4.3% interest in the Parent Company amounting to ₱129.2 million. The carrying value of the assets of the fund which approximates the fair value are as follows:

	2015	2014
Cash and cash equivalents	₱907,032	₱28,839,850
Loans and receivables	52,293,603	50,448,072
Investments in shares of stocks	194,844,518	194,098,978
	₱248,045,153	₱273,386,900

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 ₱186.5 million, net of the ₱61.5 million payable to the Parent Company. The transaction has been approved by the Board of the Parent Company (see Note 24).

As of March 31, 2015 and 2014, certain loans and receivables amounting to ₱52.3 million and ₱50.4 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.

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, 2015 and 2014.

However, 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 (5) years.

The latest actuarial valuation report of the Group is as of March 31, 2015.

Please refer to Note 23 – Related Party Transactions of the Notes to Consolidated Financial Statements which is incorporated herein.

PART IV - CORPORATE GOVERNANCE

ITEM 13 - CORPORATE GOVERNANCE

Please refer to the attached Annex "C".

PART V - EXHIBITS AND SCHEDULES

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

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

Date Filed	Item Reported
06/22/2015	<p>Matters taken – up during Annual Board of Directors’ Meeting held June 22, 2015:</p> <ol style="list-style-type: none"> 1. Resignation of Mr. Hiroyoshi Fukutomi as Executive Director, Treasurer & Vice – Chairman effective June 22, 2015. 2. Election of Mr. Yoshiyuki Takahashi as the new Executive Director, Treasurer & Vice – Chairman effective June 22, 2015. 3. Election of Corporate Officers for 2015 – 2016 <ul style="list-style-type: none"> 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 4. Approval of Gratuity Pay for retiring Regular Director, Independent Director & Corporate Secretary 5. Election of Chairman & Members of various Committees: <ol style="list-style-type: none"> a. Audit Committee: <ul style="list-style-type: none"> Chairman Mr. Emiliano Volante Member Mr. Yoshiyuki Takahashi Member Ms. Elizabeth Gildore b. Nomination Committee: <ul style="list-style-type: none"> Chairman Mr. Miguel Castro Member Mr. Yoshiyuki Takahashi Member Ms. Elizabeth Gildore c. Compensation/Remuneration Committee: <ul style="list-style-type: none"> Chairman Mr. Yoshiyuki Takahashi Member Mr. Miguel Castro Member Ms. Elizabeth Gildore d. Risk Management Committee: <ul style="list-style-type: none"> Chairman Mr. Yoshiyuki Takahashi Member Mr. Miguel Castro Member Ms. Elizabeth Gildore e. Corporate Governance Committee: <ul style="list-style-type: none"> Chairman Mr. Emiliano Volante Member Mr. Yoshiyuki Takahashi Member Mr. Miguel Castro

06/19/2015	<p>Election of the following during Annual Stockholders' Meeting:</p> <ol style="list-style-type: none"> 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																								
03/19/2015	Declaration of ten percent (10%) cash dividend to all stockholders as of April 7, 2015, payable on May 4, 2015																								
02/27/2015	Notice of the death of Independent Director – Chairman, Mr. Evangelista Cuenco																								
01/29/2015	Sworn Corporate Secretary's Certification as to the number of board meetings (twenty – four) and attendance of the Board of Directors																								
06/23/2014	<p>Matters taken – up during Annual Board of Directors' Meeting held June 23, 2014:</p> <ol style="list-style-type: none"> Resignation of Mr. Masao Okawa as Director and Chairman of the Board effective July 1, 2014 Resignation of Mr. Shigeyoshi Terawaki and Mr. Tatsuyuki Nonaka as Directors effective June 23, 2014 Election of Mr. Masaru Toyota and Mr. Toshikazu Kudo as Directors effective June 23, 2014 Election of Mr. Yoichi Takemoto effective July 1, 2014 Election of Corporate Officers for 2014 – 2015: <table> <tr> <td>Mr. Nobuo Yasuhira</td><td>Chairman</td></tr> <tr> <td>Mr. Nobuo Yasuhira</td><td>President</td></tr> <tr> <td>Mr. Hiroyoshi Fukutomi</td><td>Executive Director, Treasurer & Exec. Director</td></tr> <tr> <td>Mr. Hiroshi Yamada</td><td>Executive Director</td></tr> <tr> <td>Mr. Masaru Toyota</td><td>Vice – President PPH</td></tr> <tr> <td>Atty. Mamerto Mondragon</td><td>Corporate Secretary & Compliance Officer</td></tr> </table> Election of Officers & Members of various Committees: <ol style="list-style-type: none"> Audit Committee: <table> <tr> <td>Mr. Evangelista Cuenco</td><td>Chairman</td></tr> <tr> <td>Mr. Hiroyoshi Fukutomi</td><td>Member</td></tr> <tr> <td>Mr. Emiliano Volante</td><td>Member</td></tr> </table> Nomination Committee: <table> <tr> <td>Mr. Miguel Castro</td><td>Chairman</td></tr> <tr> <td>Mr. Hiroyoshi Fukutomi</td><td>Member</td></tr> <tr> <td>Mr. Evangelista Cuenco</td><td>Member</td></tr> </table> 	Mr. Nobuo Yasuhira	Chairman	Mr. Nobuo Yasuhira	President	Mr. Hiroyoshi Fukutomi	Executive Director, Treasurer & Exec. Director	Mr. Hiroshi Yamada	Executive Director	Mr. Masaru Toyota	Vice – President PPH	Atty. Mamerto Mondragon	Corporate Secretary & Compliance Officer	Mr. Evangelista Cuenco	Chairman	Mr. Hiroyoshi Fukutomi	Member	Mr. Emiliano Volante	Member	Mr. Miguel Castro	Chairman	Mr. Hiroyoshi Fukutomi	Member	Mr. Evangelista Cuenco	Member
Mr. Nobuo Yasuhira	Chairman																								
Mr. Nobuo Yasuhira	President																								
Mr. Hiroyoshi Fukutomi	Executive Director, Treasurer & Exec. Director																								
Mr. Hiroshi Yamada	Executive Director																								
Mr. Masaru Toyota	Vice – President PPH																								
Atty. Mamerto Mondragon	Corporate Secretary & Compliance Officer																								
Mr. Evangelista Cuenco	Chairman																								
Mr. Hiroyoshi Fukutomi	Member																								
Mr. Emiliano Volante	Member																								
Mr. Miguel Castro	Chairman																								
Mr. Hiroyoshi Fukutomi	Member																								
Mr. Evangelista Cuenco	Member																								

	<p>c. Compensation / Remuneration Committee:</p> <p>Mr. Hiroyoshi Fukutomi Chairman</p> <p>Mr. Miguel Castro Member</p> <p>Mr. Emiliano Volante Member</p> <p>d. Risk Management Committee:</p> <p>Mr. Hiroyoshi Fukutomi Chairman</p> <p>Mr. Miguel Castro Member</p> <p>Mr. Emiliano Volante Member</p> <p>e. Corporate Governance Committee:</p> <p>Mr. Evangelista Cuenco Chairman</p> <p>Mr. Miguel Castro Member</p> <p>Mr. Hiroyoshi Fukutomi Member</p>
6/20/2014	<p>Election of the following during Annual Stockholders' Meeting:</p> <p>3. Regular Directors:</p> <p>Mr. Masao Okawa</p> <p>Mr. Nobuo Yasuhira</p> <p>Mr. Hiroyoshi Fukutomi</p> <p>Mr. Shigeyoshi Terawaki</p> <p>Mr. Hiroshi Yamada</p> <p>Mr. Tatsuyuki Nonaka</p> <p>Mr. Miguel Castro</p> <p>4. Appointment of Sycip, Gorres, Velayo & Company as the Company's External Auditor</p>
06/04/2014	List of stockholders of PMPC as of June 02, 2014 entitled to notice and to vote during its Annual Stockholders' Meeting on June 20, 2014
05/06/2014	<p>Retirement of Mr. Shigeyoshi Terawaki as President of PPH (Sales & Marketing Division) effective May 15, 2014</p> <p>Assumption and discharge by Mr. Nobuo Yasuhira, President of PMPC of the functions and duties of the President of PPH effective May 15, 2014; and</p> <p>Election of Mr. Masaru Toyota as Vice – President of PPH (Sales & Marketing Division)</p>
04/14/2014	Reversal of 2013 Appropriated Earnings nad set-up new Appropriated Earnings for 2014 in the amount of P2,875,000,000.00 for fiscal year ending March 31, 2014

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 July 3, 2015.


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:


NOBUO YASUHIRA
Chairman & President


YOSHIYUKI TAKAHASHI
Treasurer & Vice – Chairman
Executive Director


MASARU TOYOTA
Executive Director &
Vice – President PPH Division

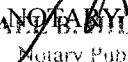

ATTY. MAMERTO Z. MONDRAGON
Corporate Secretary

Signed on this 3rd day of July 2015

SUBSCRIBED AND SWORN to before me this 09 JUL 2015, affiants exhibiting to me their passport numbers as follows:

NAMES	PASSPORT NO.	DATE ISSUED	PLACE ISSUED
Nobuo Yasuhira	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

Doc. No. 189
Page No. 038
Book No. III
Series of 2015


RAFAEL B. SILLAN, JR.
Notary Public
Until December 31, 2016
Appointment No. 15-11
Roll No. 27265

PTR No. RZL 3113279 Tanay, Rizal 1/07/15
IBP Life Roll No. 00464
Unit D, Alberto Bldg., Manila East Road,
Taytay, Rizal

ANNEX “A”

Financial highlights and plans of operation

Management’s discussion and analysis of financial condition and results of operation



Panasonic

Your Aspiration. Our Innovation.
The New Panasonic

FY 2014
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 Philippines.

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.

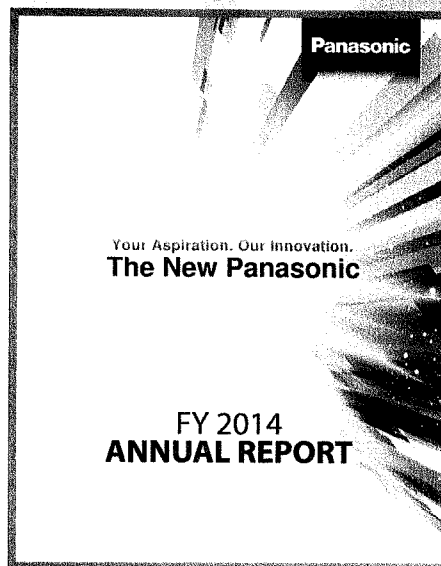
In 2011, PC made Panasonic Electric Works Co., Ltd. (PEW) and SANYO Electric Co., Ltd. wholly owned subsidiaries. Consequently, with the said integration, PEW-Philippines and SANYO-Philippines ceased their existence as independent companies in the country. However, some of PEW operations with products 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.

Since an enterprise uses society's resources - people, capital, real estate, community services - PMPC believes that it started out and remains indebted to society. Along with this premise, the Company recognizes that the primary role of its business is to serve society in return for the use of its resources and thus devotes its business activities to the progress and development of society and the well-being of people. This commitment serves as guidance for PMPC in carrying out its operation and corporate activities.

Panasonic

ON THE COVER



The cover symbolizes The New Panasonic... our commitment to realize our customers' aspirations through our innovative products and services.

CONTENTS

Financial Highlights	3
Message to Shareholders	4
Highlights of FY 2014 Operation	6

Fiscal Year
2014, 2013, 2012

TOTAL OPERATIONS

	FY 2014	FY 2013	FY 2012
NET SALES	6,713,425,158	6,596,393,138	6,409,393,181
NET INCOME AFTER TAX	162,575,505	162,053,479	83,843,024
Attributable to:			
Equity Holders of the Parent Company	164,644,760	163,427,461	84,626,796
Minority Interest	(2,069,255)	(1,373,982)	(783,772)
EARNINGS PER SHARE	0.39	0.39	0.20
TOTAL EQUITY	3,804,127,318	3,755,729,246	3,617,981,115
Book Value Per Share	9.00	8.88	8.56
WORKING CAPITAL (EOY)	3,022,496,838	2,915,583,805	3,076,462,504
(Current Assets - Current Liabilities)			
CURRENT ASSETS RATIO	3.18	3.10	3.18

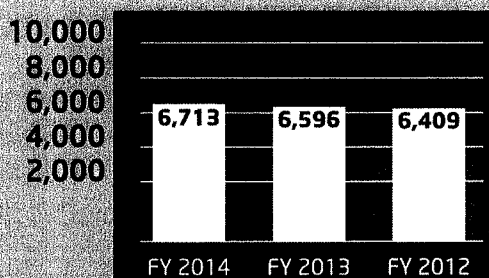
CASH DIVIDENDS

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

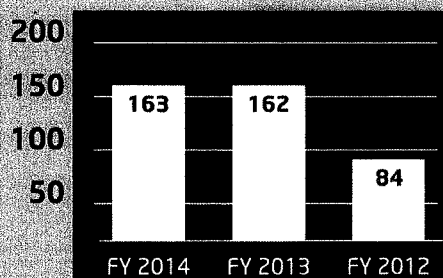
FY 2013 - 10% cash dividend. Declaration date March 20, 2014

FY 2012 - 10% cash dividend. Declaration date March 21, 2013

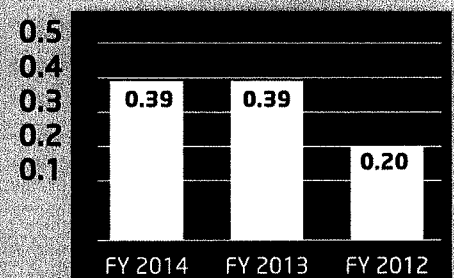
Total Sales (In Millions)



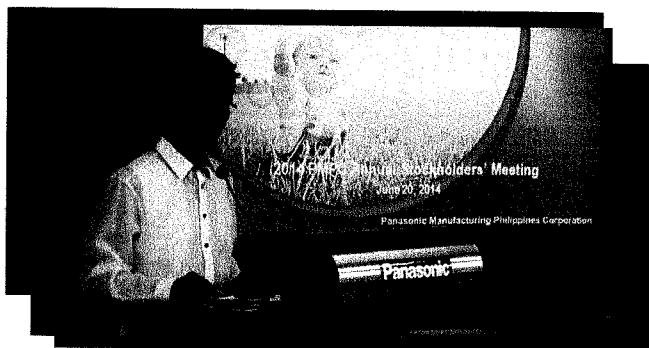
Net Income (In Millions)



Net Earnings per Share



MESSAGE TO SHAREHOLDERS



To our valued SHAREHOLDERS

Fiscal year 2014 can be considered as one of the most critical yet very fulfilling periods in the history of PMPC. Our company started the year on a very optimistic expectation along with the Philippine economy's steady path of growth and proven resiliency. However, our business operation was also upset by various challenges, including the typhoons that slowed down the production and retail sellout of our products. The Manila port congestion, which was very much felt at the start of our fiscal year operation in April, also caused delays in export and import transactions, transportation bottlenecks, and higher logistics costs. Moreover, the rotational brownouts in the Visayas and Mindanao regions affected our sales performance, triggering slower consumer spending.

Despite the setbacks, our company posted a total sales of 6.713 billion pesos, which was 102 percent of last year's 6.596 billion pesos. Comparing such performance on a per product basis against last year, our locally produced products actually recorded a 10 percent growth. Most of our product lines did well in 2014 with window-type air conditioners achieving 105 percent, refrigerators at 117 percent, freezers at 118 percent, and electric fans at 101 percent. Our achievement in washing machines, however, was only 99 percent of last year due to the sudden shift in market demand to higher capacity washer, as well as the temporary stoppage of production and sales of our 6.5 kg capacity due to profitability issue. The sales of imported consumer goods, nevertheless, registered a 103 percent performance against last year due to the increase in demand for higher capacity refrigerators and washers. Our export sales of window-type air conditioners, on the other hand was only 93 percent

versus last year. Despite the 116 percent sales achievement for the shipments to Hong Kong, we achieved only 6 percent of our sales target for Africa due to the political unrest and "Ebola virus" epidemic in the region.

In our other B2B operations, we also incurred shortfall in cold chain business, achieving only 89 percent of last year due to lower sales of showcase chillers. Likewise, our systems solutions products realized only 96 percent of last year due to the delay in the implementation of projects.

In the area of profitability, we managed to register an amount of 217 million pesos before tax, which is 7.4 percent or 15 million pesos higher than last year despite the increase in the cost of doing business.

Starting fiscal year 2012, we reported to our valued stockholders our aggressive investments in factory improvements and innovations. In fiscal year 2014, we invested about 210 million pesos in new machineries, mould and dies for production enhancement and other productivity-related activities. As part of these improvement activities, the production operations for our Washing Machine and Electric Fan departments were transferred to a new location near our Refrigerator Department. Likewise, the production efficiency of our Refrigerator Department along with the able support of its personnel tremendously improved from 550 units per day before the innovation to 750 units in fiscal year 2014. Such improvement contributed to meeting the finished goods requirement of our business partners, which actually resulted in the increase in the sales of our refrigerators and freezers.

It is also very encouraging to note that recently our company has become very aggressive in developing and promoting our B2B or business-to-business operation. Thus, in addition to the space we have on the 14th floor of our Makati Office at Ayala Avenue, we added a space by occupying a portion of the 12th floor of the same building effective January 2015. The additional space is intended to boost our sales of B2B products.

We also continued to invest in facilities for the health and wellness of our PMPC employees, encouraging camaraderie and improving productivity. For instance, we inaugurated our Wellness & Learning Center in Sta. Rosa, and upgraded our gym in Taytay.

Pursuing a new PMPC...

Fiscal year 2014 too will be remembered in the history of PMPC as the time when the three top executives of Panasonic Corporation (PC) visited PMPC: PC Chairman Shusaku Nagae; PC President Kazuhiro Tsuga; and PC Executive Vice President Yoshihiko Yamada giving fresh challenge and inspiration to all PMPC employees in achieving our Company's double-digit growth target.

As we all know, business is constantly changing, and competition is getting tougher. Thus, PMPC has to adapt with the needs of the market in order to survive and stay ahead of the game. Consequently, we must ensure growth by going back to the basics, such as by continuously enhancing our marketing and innovation activities. Innovations will strengthen our competitive advantages in terms of product, pricing, customer service, and operational systems. On the other hand, marketing must be geared towards being responsive to the requirements of our customers in particular, and to the development of our society in general.

Looking forward, we have committed to achieve a double-digit growth in our fiscal year 2015 performance versus fiscal year 2014 by strengthening our fundamentals, particularly our adherence to our corporate social responsibilities in line with our mission. It is extremely important to manage all our business activities based on the sense of mission to sustain our operation and ensure the continuing success of our company.

We are confident that with all the members of our PMPC Family contributing their very best effort and commitment to meet the overall target of our company, we can do better and continue making a difference in the industry. We shall then gather the strength of each and every member of our company, making "himozuke" concept as the foundation of our solid team by having all the functions and areas of our operation and activities closely connected and related with the spirit of harmony, co-creativity, and cooperation.

Along with our commitment to realize a higher performance, our Company also continues to cultivate the spirit of social responsibility through our CSR and corporate citizenship activities such as our tree planting and eco-learning programs for environmental preservation and promotion, manifesting our existence as an



eco-factory. Likewise, we humbly share our available resources by supporting programs like scholarship, donations, employee volunteerism, and partnering with non-profit organizations for sustainable growth and the development of our communities.

Time and again I say that the future of PMPC is in the hands of the members of our Company with their unique strengths, skills, and abilities in pursuing "cross-value innovation" to create new things resulting from our synergy that lead us in aggressively pursuing a new PMPC: a robust and flexible company.

We thank our customers, business partners, and valued stockholders for the continued confidence, support, and trust as we devote ourselves to the progress and development of society and the well-being of people.

With humbleness in spirit, rest assured that we will continue to serve along with all our best and utmost determination towards the realization of our corporate vision.


NOBUO YASUHIRA
President

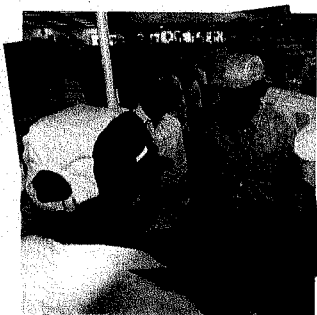
HIGHLIGHTS of FY 2014 OPERATION

One mind, one PMPC in serving society... a continuing commitment...

FY 2014 brought about challenges for PMPC, but in the face of difficulties, the Company realized its objectives through momentous activities focused on sustainable operation and service.

The year in review will be remembered in the history of PMPC as the time when the three top executives of Panasonic Corporation (PC)

namely: PC Chairman Shusaku Nagae, PC President Kazuhiro Tsuga, and PC Executive Vice President Yoshihiko Yamada visited the Company in separate occasions in FY 2014, encouraging the employees to make a difference. The top executives were one in saying that PMPC should adjust a notch higher in pushing forward the Company's business performance targets along with the continuing commitment of Panasonic to serve society.



Mr. Nagae urged the members of PMPC Family to take the lead and have a positive attitude in work, blowing away any negative atmosphere. "As we move toward Panasonic's 100th anniversary, I really hope that all of you will take up the challenge with a positive attitude," the Chairman said. He also shared

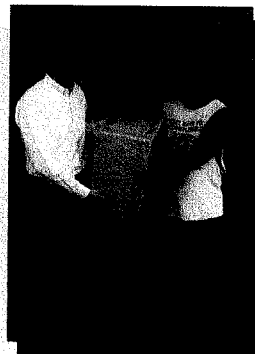
to the employees his humble beginnings in Panasonic and emphasized that each of the employees has great potential.

Likewise, in expressing his high expectation that PMPC members can achieve the Company's double-digit growth target, Mr. Tsuga cited that PMPC can do better than the other brands because it has a manufacturing capacity to develop and create products that are "Made in the Philippines" customized for the local market.

Mabuhay!



On the other hand, Mr. Yamada challenged especially the members of PMPC top management to pursue the continuing commitment of Panasonic in making people's lives truly better and contributing to society's development.



Other PC executives followed suit, such as PC Managing Executive Officer and Appliances Company President Tetsuro Homma, who urged all the members of PMPC Family to work together to foster growth in the Philippines and continue to contribute to the country's prosperity by utilizing the Company's strengths that have been cultivated for many years.

... continuing commitment to responsible management

The Company's desire to make a difference was carried out up to the end of FY 2014, weathering all difficulties to accomplish a lot of things and making real progress in meeting the needs of customers in particular, and contributing to society in general.

PMPC President Nobuo Yasuhira revived the holding of the Company's annual policy meeting along with his belief that for PMPC to succeed, it is important that all employees must have a common understanding of the Company's strategies, directions, and goals. Thus, instead of requiring only the managers and members of the top management to attend the event as practiced in the past, all employees were able to join the FY 2014 Annual Policy Meeting, including those in area offices through video conferencing. The management expects this approach to provide employees a better understanding of how to achieve the company's goals.

A clear manifestation of PMPC's encouraging synergy is its continuing journey to sustain the status of being at par with international standards when it received its ISO27001:2005 certification, which confirmed its compliance with the standard of Information Security Management (ISM). This adds to PMPC's

HIGHLIGHTS of FY 2014 OPERATION

ISO9001 certification in quality management, ISO14001 in environmental management, and OHSAS 18001 in occupational health and safety.

In addition to these, PMPC is proud that its Refrigerator Factory was able to realize the sequential and synchronized system based on mix production, making it possible for the factory to assemble products in the same sequence and rhythm and to manifest the importance of putting the concept of HIMOZUKE at work.

The cost busters theme of PMPC won the Bronze Award in the Group-wide Cost Busters Project Group B (non-manufacturing category) during the CB World Cup FY 2014 after winning the Southeast Asian and Pacific region (APAC) Group B Cost Busters competition.

On September 12, 2014, PMPC marked its 47th anniversary along with its continuing service to society. In his message during the event, Mr. Yasuhira emphasized the humble beginnings of the Company and reaffirmed its desirable target, which is expected to be realized along with PMPC's mission-vision being carried out by the Company's most valuable asset, its workforce. The following day, PMPC held its Employees Day, which served as a manifestation of team spirit, sportsmanship and camaraderie among the employees.

Members of the PMPC top management and workers union officers renewed their commitment in promoting the spirit of one Panasonic, one solid team with the signing of the 2014 collective bargaining agreement, which will benefit the employees and the Company.

In spearheading the Quality Promotion Month activities in November under the theme, "Step Ahead. Be Pro-active in Quality. Initiate. Involve. Commit," PMPC encouraged all employees to participate actively in promoting quality awareness and good practices in view of quality improvement that contributes in strengthening customer satisfaction.

The Silveo Tech Circle of Refrigerator Factory won the Bronze award in the 22nd Panasonic Group QC Circle World Convention held on November 28, 2014 in Osaka, Japan.

PMPC also held its Christmas Party at the Company's multipurpose gymnasium with the Japanese-inspired theme "Panasonic

Bounenkai 2014" Yakisoba Party, where employees showed up in kimono and yukata outfits while others garbed themselves in anime and manga costumes. Members of the top management took the event as an opportunity to share their generosity, goodness, and spirit of love giving away exciting prizes to raffle draw winners.



Moreover, in the Company's desire to achieve new levels of value creation and customers' loyalty for its products and services, and continue to strengthen the foundation for its B2B business, PMPC marked the completion of the transfer of its B2B groups with the blessing and inauguration of its new office in Makati. The Company's B2B groups are tasked to reach and touch base more customers and business partners in the country's central business district.

Responding to the challenge of the new endeavor, our B2B groups continue to strive in designing schemes, carrying out various activities, and establishing partnerships to really take advantage of the unique solutions that Panasonic could offer.



Before the end of FY 2014, PMPC received its ISO27001:2013 certification after passing the audit conducted from March 18 to 20, 2015.

HIGHLIGHTS of FY 2014 OPERATION

... continuing commitment to environment, health and safety

As an eco-factory, PMPC continued to manage actively its commitment to environmental and social sustainability, necessary not only for operating its factories but also for the sustainable growth and development of the communities where it serves.

A simple illustration of the Company's progress on its commitment and as part of the energy conservation and safety and health programs of PMPC, Refrigerator Factory now uses a tri-bike for materials handling instead of pallet truck or power generating material handling equipment.

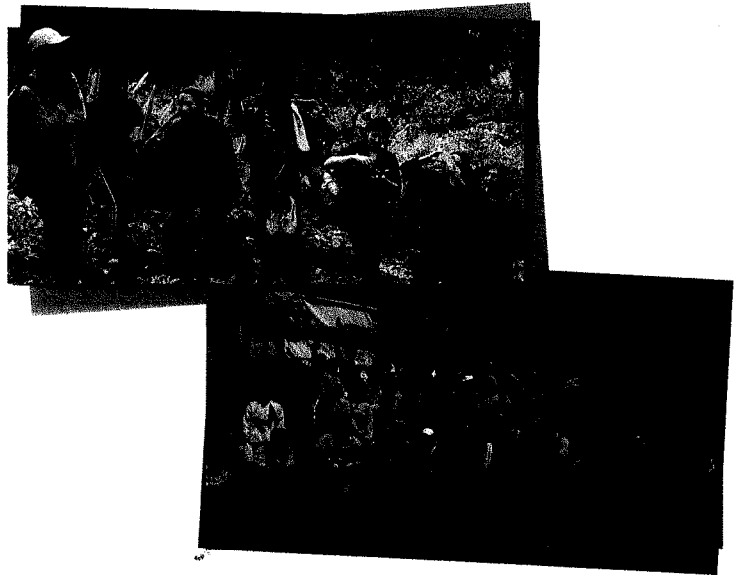
In support of the global environmental month of June along with the posting of environment month tarpaulins in Taytay and Sta. Rosa plants, PMPC employees shared their ideas on environmental and energy conservation through posting of "environmental tips" at designated post-it corners. The message of Mr. Tsuga on environmental awareness was also read during morning assemblies.

In separate occasions, PMPC conducted eco learning programs (ELP) at Cainta Catholic College, Siena College of Taytay, Don Jose Elementary School, and Kapalaran Elementary School bringing the number of those who participated in the discussion of the nature of global warming and ways to minimize it to a total of 2,245 elementary students in FY 2014.

In line also with the said eco learning program, PMPC distributed 1,000 copies of booklets for the FY 2014 Eco Picture Diary Contest to selected schools from June to September 2014, in which Miss Simeone Keana Tibos of Siena College of Taytay won.

PMPC, in partnership with the Philippine Red Cross - East Rizal Branch, conducted Basic life Support and First Aid Workshop for Civilians in an Industrial Setting on September 24-26, 2014. The three-day workshop equipped rescuers with basic knowledge and skills on performing life support and responding to emergencies in the workplace.

On October 11, 2014, members of PMPC Family went outdoors to once again scale the mountainous area of Barangay Tinu-



can at Tanay, Rizal and plant some 1,000 tree seedlings. During the activity, while some of the employees worked on the soil led by Mr. Yasuhira with his family in tow, some stayed at the foot of the mountain where they held a cooking competition to prepare the best, if not the most delicious, "pancit bihon" and "arroz caldo" for all the members who joined the outdoor activity. Members of the Japanese management also dished out delicious "Yakisoba" obra to everyone's gustatory delight.

During PMPC's eco learning program at Don Jose Elementary School in Sta. Rosa, Laguna, Mr. Yasuhira led in the sharing of environmental lessons to the students and teachers. He told an audience of schoolchildren that Panasonic is committed to sustaining society through ELP, which is an "expression of the purpose of our company's existence". This effort is also complemented by the company's slogan "A Better Life, A Better World," which envisions a better life for customers and the world.

With March as Fire Prevention Month and in line with the Bureau of Fire Protection's theme of "Kaligtasan sa Sunog: Alamin, Gawin at Isabuhay Natin", Panasonic conducted fire prevention initiatives such as fire evacuation drill for employees, fire prevention video showing, display of fire prevention month streamers at PMPC Taytay and Sta. Rosa and participated in the 2015 Laguna Technopark Association (LTA) Fire Brigade Competition in which PMPC's representative, Miss Cristina Ann Pascual was adjudged "Best Muse".

HIGHLIGHTS of FY 2014 OPERATION

... continuing commitment to corporate citizenship



PMPC continues to cultivate the spirit of social responsibility through its business activities. Aside from its programs related to environmental preservation and promotion, the Company shared even its limited resources to society by supporting and carrying out various corporate citizenship initiatives.

Panasonic Group awarded Full scholarship to a graduate student of the University of the Philippines-Baguio and four technical-vocational students of Don Bosco College-Mandaluyong through the 2014 Panasonic Scholarship Program. The scholarship program, which is being administered by PMPC in the Philippines and supported by Panasonic Precision Devices Philippines Corporation (PPRDPH), aims to cultivate new breed of leaders who will live up to Panasonic's commitment to a better world.

A few days before Christmas, middle managers of PMPC volunteered their services for Habitat for Humanity Philippines' housing project at Bistekville I, Payatas, Quezon City. Likewise, the activity helped PMPC in its effort to develop new breed of leaders, who could influence the resurgence of genuine Panasonic spirit.

PMPC picked Children's Joy Foundation as recipient of its 2014 Munting Handog Laking Tuwa ang Dulot Project. Members of the Foundation's Rondalla Group performed during PMPC's Bounenkai Party, where they belted out a serenading medley number. The project has become a regular part of the Company's advocacy to raise fund for the less privileged.

In response to EDSA Shrine's request, PMPC donated LED/LCD TV units to be used in the various ministries of the said Church.

PMPC helped facilitate and organize the donation of 2,376 solar lantern units to 18 non-government organization recipients in the Philippines. The activity, which started in FY 2012 as part of the 100 Thousand Solar Lanterns Project of Panasonic Corporation is expected to continue up to 2018--the 100th anniversary of Panasonic. The noble project aims to address the communities' lack of access to electricity.

... continuing commitment to co-existence and co-prosperity



Subscribing to the idea that it is not enough for the Company alone to prosper, but an enterprise succeeds when those companies around it are also flourishing in an environment of co-existence and co-prosperity, PMPC continues to work with its customers and business partners, listening and learning from feedbacks for improvement and encouragement.

In the first month of FY 2014, PMPC launched its Silveo Max Refrigerator, which is more energy efficient, eco-friendly, and has a bigger storage volume model.

Panasonic also participated in the 8th anniversary celebration of Digital Photographer Philippines (DPP), the country's leading photography magazine. At the event, a professional photographer with over 35 years of experience and ambassador for Lumix Asia, Gunther Deichmann, held a 2-session talk about "Traveling light without Sacrificing Quality," which

HIGHLIGHTS of FY 2014 OPERATION

promoted Panasonic's lineup of G Series / System Cameras and Lenses.

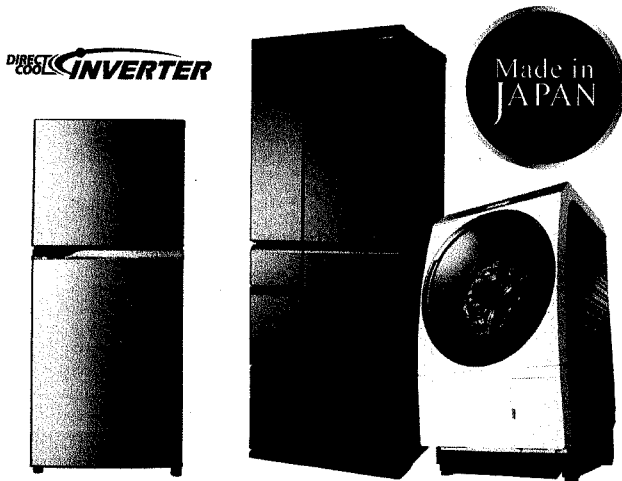
On May 13, 2014, members of the management and staff from Yuchengco Group of Companies visited PMPC for a factory tour. Yuchengco Group includes RCBC Bank, Mapua Institute of Technology, Malayan Insurance, and other companies. PMPC took the opportunity to promote its "Philippine-made" eco products during the visit.

Along with the determination to upgrade the skills of those serving as field coordinators in support of its dealers, PMPC conducted a 3-day Train the Trainer program and certified the participating team leader promoters as product trainers.

The 2014 PMPC Annual Stockholders Meeting was held on June 20, 2014, presided by Mr. Yasuhira and attended by stockholders, representatives, PMPC Members of the Board and partner from SGV & Co. Mr. Yasuhira emphasized that the Company would be focusing on building a sustainable foundation geared toward PMPC's aim of becoming a "Development-Manufacturing-Sales" company.

PMPC also conducted a product handling seminar for its dealer's delivery group consisting of 120 drivers and helpers with topics including proper stocking level, handling of products, customer handling, proper outfit, fitness training, and safety training in product delivery.

Moreover, the Company organized technical training programs for Panasonic authorized service centers and technicians nationwide intended for split type air conditioner in June and July.



Amid high anticipation and great expectations for 2015, PMPC held the dealers convention on January 15-16, 2015, not only to showcase new products Made in Japan (MIJ) and Made in the Philippines, but also to appeal to its business partners and promote a new Panasonic image with the theme "Your Aspiration, Our Innovation" receiving a lot of encouraging feedbacks.

Likewise, the visit of Shun Hing Group Chairman David Mong to PMPC on February 16, 2015 allowed the Company to renew its business relationship with the said Group. As he commended PMPC's well-maintained facilities and appreciated the dedication of employees in realizing the Company's goal of giving quality products to customers, Mr. Mong reassured



the management that he would do his best to meet the objectives of the business partnership.

In March 2015, training programs were conducted in area offices, including Dau and San Pablo to improve the skills of the Panasonic promoters and field coordinators through awareness and application of various marketing concepts.

continuing commitment to promoting people before products

PMPC continued to introduce and conduct training programs along with the belief of Panasonic Founder Konosuke Matsushita that the measure of a company was the people who worked for it, that no enterprise could succeed if its employees did not grow as human beings, and that business, first and foremost, was about cultivating human potential, especially individual self-reliance and responsibility, guiding employees to an understanding of the value and significance of their own work and of the obligation of the company to contribute to society.

A two-day workshop from May 20 to 21, 2014 was conducted for participants from QAC, Customer Service, Aircon Factory, and Refrigerator Factory, who got their fill on Elementary Quality Course-Train the Trainer and Problem Solving Skills with Quality Story Method.

On July 26, 2014, PMPC through the help of the Philippine Forklift Center conducted a forklift safety seminar for regular and

HIGHLIGHTS of FY 2014 OPERATION

contractual employees of Taytay Factory, in which safety guidelines were discussed as well as the application of return demonstration in operating forklifts. Members of the Company's Product Design Team attended a two-day workshop designed to enhance skills in using the Rhinoceros, a 3D modeling software for designing and developing products on August 2 and 16, 2014.

A short session on EHS Back to Basics Training Program was conducted for IMS team leaders and representatives on August 14 and 15, 2014 designed as a "Train the Trainer" program to equip participants with the basics of environment, health and safety regulations.

PMPC employees took part in a series of seminars in Malaysia, Japan, Thailand, and Singapore in line with the Company's thrust of sharpening its workforce: A-Next Cell Seminar in Malaysia for team leaders; technical training for broadcast camera in Japan, and split type air conditioning technical service seminar in Malaysia for CS Team members; Productivity Improvement in Japan, and Manufacturing Dojo Training in Thailand for Aircon Group members; and the Executive Development Seminar in Singapore for members of the management.

On October 16-17, 2014 and December 19, 2014, pre-selected team leaders attended the FY 2014 Middle Management Course, which was aimed at enhancing the middle managers' capability to identify their strengths and areas for improvement.

Seminar program on Cost Control was also conducted on September 17, 2014 for the members of Product Planning and Design Team as well as Accounting Group.

Stress and Time Management workshops were held for team leaders (December 11), and team members (December 12) to help participants manage their emotions as they cope with stressors and become more productive in their work environment.

A one-day seminar that covered the fundamentals of business-to-business operation and understanding of B2B marketing to help improve the Company's growth was conducted for the members of PMPC B2B groups.

The 6-Part module on Advanced Retail Marketing Course took off in February 2015 to help participants accomplish their marketing and sales objectives and eventually help the Company improve business performance.

Other compliance seminars and workshops were also conducted in the fourth quarter of the fiscal year in review for all PMPC members, including ISMS Transition Seminar, ISMS Internal Audit Training, Risk Assessment Seminars, ISM Refresher Seminar, and Business Continuity Seminar.

Effective Presentation Skills Seminar was conducted on February 20, 2015 to help participants in mastering critical verbal and non-verbal skills through the incorporation of fundamental techniques.

Candidates for promotion to MA/S1 attended training courses in Effective Management through PLOC Framework on March 10, 2015, and Leadership Challenge on March 12, 2015. Similarly, the candidates for promotion to MM/S1 participated in the Horenso Seminar held on March 11, 2015, and PDCA Approach to Problem Solving Seminar on March 12, 2015.



PMPC also held its annual corporate governance seminar, which was attended by the Company's Board of Directors and key officers along with its commitment of ensuring that the Company's business operations are managed and supervised in a manner consistent with good corporate governance, including the necessary checks and balances.

2014... PMPC's 47th year of existence... another manifestation of the Company's continuing commitment to creating a better life and a better world....

Panasonic Manufacturing Philippines Corporation

www.panasonic.com/ph



ISO 9001:2008
ISO 14001:2004
OHSAS 18001:2007
ISO 27001:2013



www.tuv.com
ID 9105066072