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SECURITIES AND EXCHANGE COMMISSION

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Company Information

SEC Registration No. 0000023022

Company Name PANASONIC MANUFACTURING PHILIPPINES CORPORATION

Industry Classification

Company Type Stock Corporation

Document Information

Document ID 108142018002244

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Department CFD

Remarks

COVER SHEET

for
QUARTERLY REPORTS

Page 1 of 37

SEC Registration Number

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Company Name

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

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Form Type

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Department requiring the report

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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address

www.panasonic.com/ph

Company's Telephone Number/s

635-2260 to 65

Mobile Number

No. of Stockholders

441

Annual Meeting
Month/Day

3rd Friday of June

Fiscal Year
Month/Day

March 31st

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) 932 697 2115

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- Q

QUARTERLY REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended June 30, 2018
2. SEC Identification Number 23022
3. BIR Tax Identification No. 000-099-692
4. Exact name of registrant 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
Brgy. San Isidro, Taytay, Rizal
Address of principal office
- 1920
Postal Code
8. (632) 635-22-60 to 65
Registrant's telephone number, including area code
9. Ortigas Avenue Extension, Taytay, Rizal
Former address changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the RSA.

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
<u>Common shares, ₱1.00 par value</u>	
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 registrant:

(a) Has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 there under 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 subjected to such filing requirements for the past 90 days.

Yes ☒ No ☐

PART I – FINANCIAL INFORMATION

Item I. Financial Statements

The Unaudited Consolidated Financial Statements of Panasonic Manufacturing Philippines Corporation (PMPC) and its subsidiary, Precision Electronics Realty Corporation (PERC), as of and for the period ended June 30, 2018 (with comparative figures as of March 31, 2018 and period ended June 30, 2017 & 2016) and selected Notes to Consolidated Financial Statements are on pages 14 to 32.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Key Performance Indicators

Name of Index	Calculation	FY 2018 Apr – Jun	FY 2017 Apr – Jun
1. Rate of Sales Increase ^(a)	$\frac{\text{CY}^{(b)} \text{ Sales} - \text{LY}^{(c)} \text{ Sales}}{\text{LY Sales}} \times 100\%$	14.5%	-5.8%
2. Rate of Profit Increase ^(a)	$\frac{\text{CY Profit Before Tax} - \text{LY Profit Before Tax}}{\text{LY Profit Before Tax}} \times 100\%$	-16.2%	-33.8%
3. Rate of Profit on Sales ^(a)	$\frac{\text{Profit Before Tax}}{\text{Total Sales}} \times 100\%$	3.8%	5.2%
4. Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	3.0:1	2.8:1
5. Dividend Ratio to Capital	$\frac{\text{Dividend}}{\text{Average Capital}} \times 100\%$	37.2%	70.0%

(a) Continuing operations only

(b) Current Year

(c) Last Year

- (a) Rate of Sales Increase - This measures the sales growth versus the same period last year. For the first quarter of 2018, the Group sales increased by 14.5% from ₱ 2.947 billion last year to ₱3.374 billion.
- (b) Rate of Profit Increase - This measures the increase in profit before tax versus the same period last year. Rate of profit decreased by 16.2% mainly due to 6.0% increase in material cost and unfavorable foreign exchange condition versus last year.
- (c) Rate of Profit on Sales - This measures the percentage of profit before tax versus total sales for the period. Rate of profit decreased to 3.8% from 5.2% of the same quarter last year.
- (d) Current Ratio - This measures the liquidity of the Group and its ability to pay off current liabilities. The Company registered current ratio of 3.0:1 as of June 30, 2018 and 2.8:1 last March 31, 2018.
- (e) Dividend Ratio to Capital - This measures the dividend payout ratio versus capital for the period. The Group paid 37.17% and 70.0% cash dividend for the 1st quarter of 2018 and 2017 respectively.

THREE MONTHS ENDED JUNE 30, 2018 vs. 2017**RESULTS OF OPERATION****Material Changes (+/-5% or more) in the financial statements (*in thousands*)**

Accounts	JUNE 2018 (Unaudited)	JUNE 2017 (Unaudited)	Difference (%)
Sales	3,374,441	2,947,410	14.5%
Cost of sales	2,677,176	2,219,649	20.6%
Gross profit	697,265	727,761	-4.2%
General administrative expenses	271,020	241,514	12.2%
Selling expenses	295,556	356,709	-17.1%
Other income / (loss) – net	(1,489)	24,607	-106.0%
Income before tax	129,200	154,145	-16.2%
Income tax expense	27,080	20,444	32.5%
Income after tax	102,120	133,701	-23.6%

Consolidated sales for the first quarter of FY 2018 amounted to ₱3.374 billion, increased by ₱427 million (14.5%) from ₱2.947 billion posted in the same quarter last year. This was mainly due to the improved retail sale of room air-conditioning products and bigger capacity imported refrigerators and washers.

Gross profit decreased by 4.2% due mainly to 20.6% increase in cost of sales despite of the increase in sales for the period by 14.5%. Cost of sales increase was mainly due to higher market price of major raw material components used in our production especially imported materials due to peso devaluation.

General administrative expenses increased by ₱29.5 million (12.2%) due to increase in various accounts such as brand license fee, technical assistance fee taxes and dues and outsourcing expenses.

Selling expenses decreased by ₱61.2 million (17.1%) mainly due to reduction in sales promotion expenses by ₱87.2 million. On the other hand, freight cost increased by ₱24.6 million.

Net non-operating income decreased by ₱26 million (106%) mainly due to foreign currencies rate loss by ₱19.9 million.

The Group's net income before tax and net income after tax decreased by ₱24.9 million (16.2%) and ₱31.6 million (23.6%) respectively due to 14.5% decrease in sales amount, increase in cost sales ratio by 20.6% and non-operating income reduction by 106% versus last year.

FINANCIAL POSITIONS

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

Accounts	JUNE 2018 (Unaudited)	MARCH 2018 (Audited)	Difference (%)
Cash and cash equivalents	3,015,767	3,356,080	-10.1%
Receivables	1,545,885	1,190,057	29.9%
Inventories	1,155,988	1,332,521	-13.3%
Other current assets	164,257	116,207	41.4%
Property & equipment	892,165	856,076	4.2%
Investment properties	-	31,391	-100.0%
Other noncurrent assets	52,419	52,045	0.5%
Accounts payable & accrued expenses	1,994,878	2,127,545	-6.2%
Provision for estimated liabilities	382,348	329,954	15.9%
R/E – Unappropriated	359,161	413,836	-13.2%

The Group continues to maintain its strong financial position with total assets amounting to ₱6.951 billion and ₱7.059 billion as of June 30, 2018 and March 31, 2018 respectively. Total equity amounted to ₱4.537 billion in June 30, 2018 and ₱4.591 billion as of March 31, 2018.

Net decreased on cash by ₱340.3 million (10.1%) mainly due to 37.17% cash dividend payment for the first quarter of fiscal year 2018 amounted to ₱157.1 million.

Accounts receivable increased by ₱355.8 million (29.9%) due to increase in sales by 14.5% on domestic and export sales.

Net increased on other current assets by ₱48.1 million (84.0%) mainly due to creditable withholding taxes for the period.

Net increased on property, plant and equipment by ₱36.1.0 million due to the continuous factory renovation and upgrade of factory facilities, machineries and equipment and the reclassification of investment property previously rented by Panasonic Precision Devices Philippines Corporation (PPRDPH). Total purchases for the period amounted to ₱50.6 million while total amortization of depreciation expense for the period amounted to ₱45.6 million.

Net decreased on accounts payable and accrued expenses by ₱177.0 million (8.3%) mainly due to decrease in trade payable by ₱209.5 million.

Provision for estimated expenses increased for product development and factory renovation.

Retained earnings – unappropriated decreased by ₱54.7 million (13.2%) mainly due to the declaration of dividend amounting to ₱157.1 million and lower net income generated during the quarter.

THREE MONTHS ENDED JUNE 30, 2017 vs. 2016**RESULTS OF OPERATION****Material Changes (+/-5% or more) in the financial statements (in thousands)**

Accounts	JUNE 2017 (Unaudited)	JUNE 2016 (Unaudited)	Difference (%)
Sales	2,947,410	3,127,366	-5.8%
Cost of sales	2,219,649	2,202,537	0.8%
Gross profit	727,761	924,829	-21.3%
General administrative expenses	241,514	214,849	12.4%
Selling expenses	356,709	512,444	-30.4%
Other income / (loss) – net	24,607	35,400	-30.5%
Income before tax	154,145	232,936	-33.8%
Income tax expense	20,444	43,551	-53.1%
Income after tax	133,701	189,385	-29.4%

Consolidated sales for the first quarter of FY 2017 amounted to ₱2.947 billion, decreased by ₱180 million (-5.8%) from ₱3.127 billion posted in the same quarter last year.

Gross profit decreased by 21.3% due mainly to 5.8% decrease in sales and increase in cost of sales ratio for the period by 4.9%. Cost of sales increase was mainly due to higher market price of major raw material components used in our production especially imported materials due to peso devaluation.

General administrative expenses increased by ₱26.7 million (12.4%) due to increase in salaries and wages by ₱13.2 million and repair & maintenance cost by ₱11.1 million.

Selling expenses decreased by ₱155.7 million (30.4%) due to reduction in sales promotion and warranty expenses by ₱154.9 million and ₱13.6 million respectively. On the other hand, freight cost increased by ₱10 million.

Net non-operating income decreased by ₱10.8 million (30.5%) due to interest income on time deposit by ₱4.0 million and foreign currencies rate loss by ₱9.2 million.

The Group's net income before tax and income tax expense decreased by ₱78.8 million (33.8%) and ₱23.1 million (53.1%) respectively due to 5.8% decrease in sales amount, increase in cost sales ratio by 4.9% and non-operating income reduction by 30.5% versus last year.

FINANCIAL POSITIONS

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

Accounts	JUNE 2017 (Unaudited)	MARCH 2017 (Audited)	Difference (%)
Cash and cash equivalents	3,418,600	3,586,650	-4.7%
Receivables	936,750	1,021,726	-8.3%
Inventories	1,022,906	1,010,964	1.2%
Other current assets	115,040	72,957	57.7%
Property & equipment	774,553	770,581	0.5%
Investment properties	47,043	48,350	-2.7%
Other noncurrent assets	32,009	25,424	28.5%
Accounts payable & accrued expenses	1,609,368	2,036,315	-21.0%
Provision for estimated liabilities	452,775	366,597	23.5%
R/E – Unappropriated	549,374	416,088	32.0%

The Group continues to maintain its strong financial position with total assets amounting to ₱6.488 billion and ₱6.678 billion as of June 30, 2017 and March 31, 2017 respectively. Total equity amounted to ₱4.404 billion in June 30, 2017 and ₱4.270 billion as of March 31, 2017.

Cash decreased by ₱168.0 million (4.7%) due mainly to 70% cash dividend payment for the first quarter of fiscal year 2017 amounted to ₱295.9 million versus 20% of the same period last year.

Accounts receivable decreased by ₱85.0 million (8.3%) due to decrease in sales by 5.8%, domestic and export sales.

Other current assets increased by ₱42.1 million (57.7%) due mainly to ₱57.6 million collection of creditable withholding taxes for the period.

Property, plant and equipment – net increased by ₱4.0 million due to the continuous factory renovation and upgrade of factory facilities, machineries and equipment. Total purchases for the period amounted to ₱41.6 million while total amortization of depreciation expense for the period amounted to ₱37.6 million.

Other assets increased by ₱6.6 million (28.5%) due to increase in deposits paid by ₱5.5 million.

Accounts payable and accrued expenses decreased by ₱426.9 million (21.0%) mainly due to payment of cash dividend amounting to ₱295.9 million, decrease in trade payable by ₱91.0 million.

Provision for estimated expenses increased for product development and factory renovation.

Retained earnings – unappropriated increased by ₱133.3 million (32.0%) due to net income for the period.

THREE MONTHS ENDED JUNE 30, 2016 vs. 2015**RESULTS OF OPERATION****Material Changes (+/-5% or more) in the financial statements (in thousands)**

Accounts	JUNE 2016 (Unaudited)	JUNE 2015 (Unaudited)	Difference (%)
Sales	3,127,366	2,355,158	32.8%
Cost of sales	2,202,537	1,791,506	22.9%
Gross profit	924,829	563,652	64.1%
General administrative expenses	214,849	177,737	20.9%
Selling expenses	512,444	278,344	84.1%
Other income / (loss) – net	35,400	11,760	201.0%
Income before tax	232,936	119,331	95.2%
Income tax expense	43,551	19,181	127.1%
Income after tax	189,385	100,150	89.1%

Consolidated sales for the first quarter of FY 2016 amounted to ₱3.127 billion, increased by ₱772.2 million (32.8%) from ₱2.355 billion posted in the same quarter last year. Sales increase due mainly to favorable retail sales of locally produced appliances particularly refrigerator and window air conditioners considering the period April – June as peak season for such product.

Gross profit improved by 64.1% due mainly to 32.8% increase in sales and decrease in Cost of Sales ratio for the period by 5.7%. Cost of sales decrease was mainly due to lower market price of major raw material components used in our production such as copper, metal sheets and resins.

General administrative expenses increased by ₱37.1 million (20.9%) was due mainly increase in technical assistance and brand license fee (₱19.6 million) due to increase in sales amount for the period.

Selling expenses increased by ₱234.1 million (84.1%) due to increase in direct selling expenses by ₱186.0 million due various promotion to achieve the Company's sales target for the period. In addition, freight cost increased by ₱28.2 million (36.9%) and warranty provision by ₱14.5 million.

Net non-operating income increased by ₱23.6 million (200.0%) due to interest income on time deposit by ₱6.8 million, foreign currencies rate by ₱7.9 million and other income of ₱8.7 million.

The Group's net income before tax and income tax expense increased by ₱113.6 million (95.2%) and ₱24.4 million (127.1%) respectively due to 32.8% increase in sales amount and decrease in cost sales ratio by 5.7%.

FINANCIAL POSITIONS

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

Accounts	JUNE 2016 (Unaudited)	MARCH 2016 (Audited)	Difference (%)
Cash and cash equivalents	3,590,122	3,292,423	9.0%
Receivables	1,131,949	993,452	13.9%
Inventories	723,234	692,094	4.5%
Other current assets	53,638	32,734	63.9%
Property & equipment	761,272	752,800	1.1%
Investment properties	52,314	53,579	-2.4%
Other noncurrent assets	26,692	26,360	1.3%
Accounts payable & accrued expenses	1,783,581	1,510,803	18.1%
Provision for estimated liabilities	313,229	278,731	12.4%
R/E – Unappropriated	601,654	412,657	45.8%

The Group continues to maintain its strong financial position with total assets amounting to ₱6.483 billion and ₱5.987 billion as of June 30, 2016 and March 31, 2016 respectively. Total equity amounted to ₱4.181 billion in June 30, 2016 and ₱ 3.991 billion as of March 31, 2016.

Accounts receivable increased by ₱138.5 million (13.9%) due to increase in sales by 32.8%, domestic and export sales.

Inventories increased by ₱31.1 million (4.5%) due to increase in sales requirement for the succeeding period.

Other current assets increased by ₱20.9 million (63.9%) due mainly to ₱10.2 million increased in prepaid expenses on management house rental and advance payments to suppliers by ₱6.9 million for building renovation.

Property, plant and equipment – net increased by ₱8.5 million due to the continuous factory renovation and upgrade of factory facilities, machineries and equipment. Total purchases for the period amounted to ₱43.7 million while total amortization of depreciation expense for the period amounted to ₱34.6 million.

Accounts payable and accrued expenses increased by ₱272.8 million (18.1%) mainly due to increase in provision for product and sales promotion by ₱201.2 million. The additional increase was due to increase in provision for income tax ₱43.8 million and other provisions for the period such as retirement, bonus, insurance, etc.

Provisions for estimated liabilities increased by ₱34.5 million (12.4%) due to the current year's provisions for warranty claims amounting to ₱15.1 million and product development by ₱16.9 million.

Retained earnings – unappropriated increased by ₱189.0 million (45.8%) due mainly to 132.8% sales achievement thus, the increase in profit.

CASH FLOWS

A brief summary of cash flow movement is shown below

<i>(In thousands pesos)</i>	2018	2017
Net cash flows provided by operating activities	(132,042)	129,522
Net cash flows provided by (used in) investing activities	(51,075)	(664)
Net cash flows used in financing activities	(157,197)	(296,908)

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 increase in inventory level.

Net cash flows used in investing activities included the following:

<i>(In thousands pesos)</i>	2018	2017
Additions to property and equipment - net	(50,601)	(2,665)
Additions to other assets	(474)	(6,585)

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

<i>(In thousands pesos)</i>	2018	2017
Cash dividends paid	(157,124)	(295,903)

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.

OTHER MATTERS

- a. There were no material changes in estimates of amounts reported in prior interim periods of the current year or changes in estimates of amounts reported in prior financial years.

The causes for any material change from period to period of the relevant accounts were discussed in the Management's Discussion and Analysis of Financial Conditions and Results of Operation.

- b. There were no known events, trends, and demands, commitments or uncertainties that might affect or might have a material impact on the Company's liquidity or cash flows within the next twelve (12) months, except those stated in Management's Discussion and Analysis of Financial Conditions and Results of Operations.
- c. There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets since the last annual balance sheet date.

- d. There were no material off-balance sheet transactions, arrangements, obligations and other relationship of the Parent Company with unconsolidated entities or other persons created during the reporting period.
- e. The Company has commitments for capital expenditures. Among these are investments on relocation and renovation of its head office and branch premises, acquisition and repairs of machinery and equipment, furniture and fixtures, and IT-related projects needed to bring the Company at par with competitors.
- f. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operation.
- g. There were no significant elements of income or loss that did not arise from the Company's continuing operations.
- h. There were no seasonal aspects that have had a material effect on the Company's financial condition or results of operations.

PART II – OTHER INFORMATION

NOT APPLICABLE

SIGNATORIES

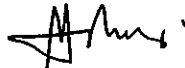
Pursuant to the requirements of the Securities Regulation Code, Panasonic Manufacturing Philippines Corporation has duly caused this report to be signed on its behalf by the following persons in their capacities stated below in Taytay, Rizal on August 8, 2018.

PANASONIC MANUFACTURING PHILIPPINES CORPORATION

By:



YOSHIYUKI TAKAHASHI
Treasurer & Executive Director



MARLON MOLANO
Assistant director

PANASONIC MANUFACTURING PHILIPPINES
CORPORATION AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

As of June 30, 2018 (Unaudited) and March 31, 2018 (Audited)
And for the Three Months ended June 30, 2018 and 2017 (Unaudited)

PANASONIC MANUFACTURING PHILIPPINES CORP. & SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In Thousand Pesos)

	(Unaudited) June 30, 2018	(Audited) March 31, 2018
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	P3,015,767	P3,356,080
Receivables - net (Notes 5)	1,545,885	1,190,057
Inventories - net (Note 6)	1,155,988	1,332,521
Other current assets (Note 10)	164,257	116,207
Total Current Assets	5,881,897	5,994,865
Non-current Assets		
Property, plant and equipment - net (Note 8)	892,165	856,076
Investment properties – net (Note 9)	-	31,391
Deferred tax assets – net	124,634	124,634
Other assets – net (Note 10)	52,519	52,046
Total Non-current Assets	1,069,318	1,064,148
	P6,951,215	P7,059,012
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 11)	P1,994,878	P2,127,544
Income tax payable	37,043	9,963
Finance lease liability	378	451
Total Current Liabilities	2,032,299	2,137,958
Noncurrent Liability		
Provisions for estimated liabilities (Note 12)	382,348	329,954
Finance lease liability	-	-
Total Noncurrent Liabilities	382,348	329,954
	2,414,647	2,467,912
Stockholders' Equity		
Equity attributable to equity holders of the parent		
Capital stock - P1 par value (Note 13)	422,718	422,718
Additional paid-in capital	4,780	4,780
Other comprehensive income	(14,626)	(14,626)
Retained earnings (Note 13)		
Appropriated	3,692,400	3,692,400
Unappropriated	359,161	413,836
	4,464,433	4,519,107
Non-controlling interest	72,135	71,992
Total Stockholders' Equity	4,536,568	4,591,100
	P6,951,215	P7,059,012

See accompanying Notes to Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORP. & SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Three Months ended June 30, 2018, 2017 & 2016

	JUNE (UNAUDITED)		
	2018	2017	2016
<u>CONTINUING OPERATIONS</u>			
NET SALES	₱3,374,441	₱2,947,410	₱3,127,366
COST OF GOODS SOLD (Note 15)	2,677,176	2,219,649	2,202,537
GROSS PROFIT	697,265	727,761	924,829
SELLING EXPENSES (Note 16)	295,556	356,709	512,444
GENERAL AND ADMINISTRATIVE EXPENSES (Note 17)	271,020	241,514	214,849
INCOME FROM OPERATIONS	130,689	129,538	197,536
OTHER INCOME – Net (Note 19)	(1,489)	24,607	35,400
INCOME BEFORE INCOME TAX	129,200	154,145	232,936
PROVISION FOR INCOME TAX	27,080	20,444	43,551
NET INCOME	102,120	133,701	189,385
OTHER COMPREHENSIVE INCOME:			
Net unrealized gains on available-for-sale investments	-	-	-
TOTAL COMPREHENSIVE INCOME	₱102,120	₱133,701	₱189,385
Attributable to:			
Equity holders of the parent	₱101,977	₱133,286	₱189,774
Minority interest	143	415	(389)
Earnings Per Share (Note 21)	₱0.24	₱0.32	₱0.45

(In Thousand Pesos except Earnings per Common Share Amount)

See accompanying Notes to Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORP. & SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousand pesos)

	(Unaudited) June 2018	(Unaudited) June 2017	(Audited) June 2016
Capital Stock (Note 13)	₱422,718	₱422,718	₱422,718
Additional Paid-in Capital	4,780	4,780	4,780
Net unrealized Gains on AFS Investments	1,381	1,381	1,381
Re-measurement loss on Retirement liability	(16,007)	(73,218)	(111,595)
RETAINED EARNINGS (Note 14)			
Appropriated:			
Balance at beginning of period	3,692,400	3,427,400	3,192,400
Appropriations			
Reversals			
Balance at end of period	3,692,400	3,427,400	3,192,400
Unappropriated:			
Balance at beginning of period	414,308	416,088	412,657
Net income	101,977	133,286	188,996
Other comprehensive income	-		
Reversals	-		
Appropriations	-		
Cash dividends	(157,124)		
Balance at end of period	359,161	549,374	601,654
	4,464,431	4,332,436	4,111,338
Minority interest	72,135	71,102	69,570
Total Stockholders' Equity	₱4,536,568	₱4,403,538	₱4,180,908

See accompanying Notes to Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORP. & SUBSIDIARY**CONSOLIDATED STATEMENTS OF CASH FLOWS****For the Three Months Ended June 30, 2018 and 2017***(In thousand pesos)*

	JUNE (UNAUDITED)	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱129,200	₱154,145
Adjustments for:		
Depreciation and amortization (Note 20)	45,978	37,316
Interest income (Note 19)	(8,171)	(8,586)
Net movement for estimated liabilities	52,396	86,236
Operating income before working capital changes	219,403	269,111
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	(355,828)	84,976
Inventories	176,533	(11,942)
Other current assets	(48,050)	(42,083)
Increase (decrease) in:		
Accounts payable and accrued expenses	(105,190)	150,096
Net cash generated in operations	(113,132)	149,966
Income taxes paid	(27,080)	(20,444)
Interests received	8,171	8,586
Net cash provided by operating activities	(132,041)	129,522
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment –net	(50,601)	(2,665)
Decrease (increase) in other assets	(474)	(6,585)
Net cash provided by (used in) investing activities	(51,075)	(664)
CASH FLOW FROM FINANCING ACTIVITIES		
Cash dividends paid	(157,124)	(295,903)
Finance lease liabilities paid	(73)	(1,005)
Cash used in financing activities	(157,197)	(296,908)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(340,313)	(168,050)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	3,356,080	3,586,650
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱3,015,767	₱3,418,600

See accompanying Notes to Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORP. & SUBSIDIARY

SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Panasonic Manufacturing Philippines Corporation (the Parent Company) was incorporated in the Philippines on May 14, 1963 and is a subsidiary of Panasonic Corporation (PC or the Ultimate Parent Company) which is incorporated in Japan on December 15, 1935. The Securities and Exchange Commission (SEC) approved on March 19, 2013 the extension of Parent Company's corporate life for another fifty (50) years or until May 15, 2063. The Parent Company holds 40% interest in Precision Electronics Realty Corporation (PERC or the Subsidiary), over which the Parent Company has the control over the Subsidiary. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the Subsidiary and has the ability to affect those returns through its power over the Subsidiary.

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

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

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The accompanying unaudited consolidated interim financial statements of the Parent Company and the Subsidiary (collectively referred to as the "Group") as of and for the period ended June 30, 2018 has been prepared on a historical cost basis, except for available-for-sale (AFS) investments which are measured at fair value. The accompanying unaudited consolidated financial statements are presented in Philippine Peso (₱), which is also the Parent Company's functional currency. The functional currency of PERC is also the Philippine peso.

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its Subsidiary over which the Parent Company has the ability to govern the financial and operating policies to obtain benefits from their activities. The financial statements of PERC are prepared for the same reporting period as the parent company, using consistent accounting policies.

All inter-company balances, income and expenses are eliminated in full.

Noncontrolling interest represents the interest in PERC not held by the Parent Company.

Changes in Accounting Policies and Disclosures

The Group applied the applicable new and revised accounting standards. Unless otherwise indicated, these new and revised accounting standards have no impact to the Group. The accounting policies adopted are consistent with those of the previous financial year

Effective in fiscal year 2019

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

The Group has assessed that the adoption of these amendments will not have any impact on the 2019 consolidated financial statements.

- PFRS 9, *Financial Instruments*

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

The Group plans to adopt the new standard on the mandatory effective date and will not restate comparative information. The Group is currently assessing the impact of adopting PFRS 9 in its 2019 consolidated financial statements.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after April 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

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

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after April 1, 2018. Early adoption is permitted.

The Group is currently assessing the impact of adopting PFRS 15 in its 2019 consolidated financial statements.

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

The amendments should be applied retrospectively, with earlier application permitted.

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

Since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements upon adoption of these amendments.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the consolidated financial statements of the reporting period in which the entity first applies the interpretation.

Since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements upon adoption of this interpretation.

Effective in fiscal year 2020

- *Amendments to PFRS 9, Prepayment Features with Negative Compensation*
The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after April 1, 2019. Earlier application is permitted.
- *PFRS 16, Leases*
PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is currently assessing the impact of adopting PFRS 16 in its 2020 consolidated financial statements.

- *Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures*
The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after April 1, 2019. Earlier application is permitted.
- *Philippine Interpretation IFRIC-23, Uncertainty over Income Tax Treatments*
The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.
The interpretation specifically addresses the following:
 - Whether an entity considers uncertain tax treatments separately
 - The assumptions an entity makes about the examination of tax treatments by taxation authorities

- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Group is currently assessing the impact of adopting this interpretation.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

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

3. Summary of Significant Accounting and Financial Reporting Policies

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

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

4. Cash and Cash Equivalents

This account consists of: (in thousand)

	(Unaudited) June 2018	(Audited) March 2018
Cash on banks	₱808,267	₱680,988
Cash equivalents	2,207,500	2,675,092
	₱3,015,767	₱3,356,080

5. Receivables

This account consists of: (in thousands)

	(Unaudited) June 2018	(Audited) March 2018
Trade		
Domestic	₱1,215,316	₱904,504
Export	183,471	192,924
Non-trade		
Related parties	108,032	56,704
Third parties	25,292	36,145
Employees	1,839	2,538
Others	24,516	1,981
	1,558,466	1,194,796
Less allowance for doubtful accounts	12,581	4,739
	₱1,545,885	₱1,190,057

6. Inventories

This account consists of: (in thousands)

	(Unaudited) June 2018	(Audited) March 2018
At NRV:		
Finished goods and merchandise	-	₱4,797
At cost:		
Finished goods and merchandise	₱845,603	958,791
Raw materials	290,582	344,880
Goods in-process	16,729	19,786
Supplies	3,074	4,267
	1,155,988	1,327,724
	₱1,155,988	₱1,332,521

7. Available-for-sale investments

This account consists of: (in thousands)

	(Unaudited) June 2018	(Audited) March 2018
Meralco	₱1,218	₱1,218
PLDT	1,123	1,123
	₱2,341	₱2,341

8. Property, Plant and Equipment

This account consists of (Php1,000):

As of June 30, 2018	Land and Improvements	Factory Machinery, Equipment and Tools	Building and Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Construction in Progress	Total
Cost							
Balance at beginning of period	P236,029	P1,556,368	P1,061,698	P165,701	P133,881	P80,898	P3,234,576
Acquisitions		2,178	3,589	2,989	2,696	39,148	50,601
Retirements/disposals		(5,824)	(2,957)	(4,321)	-	-	(13,102)
Reclassification		68,738	22,589	-	-	(91,597)	-
Balances at end of period	236,029	1,621,459	1,085,189	164,370	136,578	28,449	3,272,074
Accumulated Depreciation And Amortization							
Balance at beginning of period	P2,851	P1,348,519	P742,976	P153,526	P99,236	-	P2,347,108
Depreciation (Note 20)		27,593	11,942	2,320	3,744	-	45,598
Retirements/disposals		(5,559)	(2,957)	(4,281)	-	-	(12,797)
Reclassification		-	-	-	-	-	-
Balances at end of period	2,851	1,370,553	751,960	151,565	102,980	-	2,379,909
Net Book Value							
(Unaudited) June 2018	P233,178	P250,906	P333,230	P12,805	P33,597	P28,449	P892,165
(Audited) March 2018	P233,178	P207,849	P287,331	P12,175	P34,645	P80,898	P856,076

9. Investment Properties

This account consists of: (Php 1,000)

As of June 30, 2018	Building	Building Improvements	Total
Cost			
Balance at beginning of period	P81,742	P110,767	P192,509
Reclassification	(81,742)	(110,767)	(192,509)
Balance at end of period	-	-	-
Accumulated Depreciation And Amortization			
Balances at beginning of period	71,341	116,748	188,089
Depreciation	-	-	-
Reclassification	(71,341)	(116,748)	(188,089)
End of the period	-	-	-
Net Book Value			
(Unaudited) June 2018	-	-	-
(Audited) March 2018	P27,602	P3,789	P31,391

10. Other Current Assets and Other Assets

These accounts consist of the following: (Php 1,000)

	June 2018	March 2018
Other current assets		
Advances to suppliers and employees	₱12,361	₱14,513
Prepaid expenses	32,069	36,603
Tax credit certificate (TCC)	3,460	3,460
Creditable withholding taxes (CWTs)	119,867	65,131
	167,757	119,707
Less: Allowance for probable loss	3,500	3,500
	₱164,257	₱116,207
Other assets		
Deposits	₱22,508	₱22,029
Retirement asset	16,941	16,941
Deferred input VAT	7,124	6,751
Available-for-sale investments	2,341	2,341
Software	3,605	3,984
	₱52,419	₱52,046

The composition and movements of Intangible Assets - software follow:

	June 2018	March 2018
Cost		
Balances at beginning of year	₱115,010	₱110,477
Additions	-	4,533
Retirement	(1,592)	-
Balances at end of year	113,418	115,010
Accumulated amortization		
Balances at beginning of year	111,026	109,910
Amortization (Note 20)	379	1,116
Retirement	(1,592)	-
Balances at end of year	109,813	111,026
Net book value	₱3,605	₱3,984

Software is included under “Other assets” account in the consolidated statements of financial position. Amortization of software cost is included in the “Depreciation and amortization” account under general and administrative expenses in profit or loss.

11. Accounts Payable, Accrued Expenses and Provisions for Estimated Liabilities

Accounts payable consists of:

	June 2018	March 2018
Trade payable		
Related parties	₱405,766	₱534,749
Third parties	330,367	410,931
Non-trade payable		
Related parties	71,922	119,212
Third parties	7,391	102,251
Accrued expense		
Third parties	1,082,940	827,185
Related parties	11,932	31,463
Others		
Advances from customers	23,941	78,116
Dividends payable	889	31
Output VAT	59,730	23,607
	₱1,994,878	₱2,127,545

Trade accounts payable are non-interest-bearing and are generally on 30- to 60- day terms. Other accrued expenses include withholding taxes and utilities.

Accrued expense to third parties consists of:

	June 2018	March 2018
Accrued advertising expenses and sales promotions	₱695,757	₱453,954
Payable to suppliers	306,069	306,053
Accrued freight expenses	16,317	21,632
Salaries and other employee benefits	48,953	15,735
Other accrued expenses	15,844	29,811
	₱1,082,940	₱827,185

12. Other Liabilities

This account consists of:

	2018	2018
Provisions for estimated liabilities	₱357,282	₱305,940
Other long-term employee benefits	25,066	24,014
	₱382,348	₱329,954

Provisions for estimated liabilities

The rollforward of this account follows:

	June 2018		
	Warranty	Provisions for Other Estimated Liabilities	Total
	Claims		
Balances at beginning of year	₱94,524	₱211,416	₱305,940
Provisions	15,723	130,729	146,452
Claims/usage/reclassifications	(11,871)	(83,239)	(95,110)
Balances at end of year	₱98,376	₱258,906	₱357,282

	March 2018		
	Warranty	Provisions for Other Estimated Liabilities	Total
	Claims		
Balances at beginning of year	₱104,852	₱197,843	₱302,695
Provisions	51,895	-	51,895
Claims/usage/reclassifications	(62,223)	13,573	(48,650)
Balances at end of year	₱94,524	₱211,416	₱305,940

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

Provision for other estimated liabilities consists of provisions for discounts and other liabilities.

13. Capital Stock

Details of capital stock follow:

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

- a. The Class A shares of stock can be issued to Philippine nationals only, while the Class B shares of stock can be issued to either Philippine or foreign nationals. As of June 30, 2018, all Class B shares are issued to foreign nationals only. The Group's Class A shares of stock are listed in the Philippine Stock Exchange.

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

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

As of June 30, 2018, the total number of shares registered under the SRC is 84,723,432 shares being held by 441 stockholders.

The Parent Company declared cash dividends amounting to ₱157.1 million and ₱295.9 million in the first quarter of fiscal year 2018 and 2017, respectively.

14. Retained Earnings

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

The retained earnings inherited from NPPI before the effectivity of the merger amounting to ₱64.7 million are included in the consolidated statement of financial position under "unappropriated retained earnings". Such is not available for distribution to stockholders in the form of cash or property dividends. Based on the SEC guidelines and after considering this adjustment, the retained earnings available for dividend declaration as of March 31, 2018 and 2017 amounted to ₱209.3 million and ₱210.4 million, respectively.

In 2018 and 2017, the consolidated retained earnings include the retained earnings of PERC amounting to ₱42.4 million, respectively which are not available for dividend declaration.

- b. On March 31, 2018, the Parent Company's BOD authorized and directed the reversal of the appropriated retained earnings amounting to ₱417.6 million. From the total appropriations of ₱3.7 billion as of March 31, 2018, ₱3.0 billion represents the reinstatement of the previous appropriations for in-plant production of plastic and metal parts, Group's change of IT System and other future projects of the Parent Company. The remaining ₱682.6 million additional appropriations represents appropriations for replacement and upgrading of old machines, molds and dies and other future projects and activities intended to boost B2B sales as growth engine. These projects are expected to be completed starting 2019 onwards.
- c. On March 31, 2017, the Parent Company's BOD authorized and directed the reversal of the appropriated retained earnings amounting ₱196.4 million. From the total appropriations of ₱3.4 billion as of March 31, 2017, ₱3.0 billion represents the reinstatement of the previous appropriations for in-plant production of plastic and metal parts, Group's change of IT System and other future projects of the Parent Company. The remaining ₱431.4 million additional appropriations represents appropriations for replacement and upgrading of old machines, molds and dies and other future projects and activities intended to boost B2B sales as growth engine. These projects are expected to be completed starting 2018 onwards.

- d. On March 22, 2016, the Parent Company's BOD authorized and directed the reversal of the appropriated retained earnings amounting ₱71.3 million. From the total appropriations of ₱3.2 billion as of March 31, 2016, ₱2.9 billion represents the reinstatement of the previous appropriations for in-plant production for plastic and metal parts, replacement and upgrading of old machines, molds and dies, new freezer model, plans to change the Group's IT System and other future projects of the Parent Company. The remaining ₱246.3 million additional appropriations represent appropriations for solar panel installation in various buildings located in Taytay and Sta. Rosa manufacturing plants, future projects and for activities intended to boost B2B sales as growth engine. These projects are expected to be completed starting 2017 onwards.
- e. The Parent Company's BOD declared cash dividends as follows:
- 37.1% cash dividend on April 11, 2018 to stockholders of record as of April 15, 2018 and paid on May 11, 2018 (₱0.3717 per share).
- 70% cash dividend on March 31, 2017 to stockholders of record as of April 18, 2017 and paid on May 10, 2017 (₱0.70 per share).
- 20% cash dividend on March 22, 2016 to stockholders of record as of April 7, 2016 and paid on April 26, 2016 (₱0.20 per share).
- f. No subsequent event after June 30, 2018.

15. Cost of Goods Sold

This account consists of: (in thousands)

	(Unaudited) June 2018	(Unaudited) June 2017
Material costs	₱1,327,815	₱1,253,049
Direct labor (Note 18)	45,444	42,906
Manufacturing overhead:		
Indirect labor (Note 18)	46,568	43,693
Depreciation and amortization (Note 20)	39,380	30,736
Electricity, gas and water	14,711	12,072
Indirect materials	7,435	5,409
Supplies	4,996	4,775
Repairs and maintenance	6,216	4,519
Research and development	3,680	4,181
Traveling	2,714	3,258
Outsourcing	3,568	3,171
Provision for obsolescence of materials	1,153	3,140
Insurance	2,168	1,951
Taxes and dues	1,111	894
Rent	775	440
Others	1,283	1,113
Total manufacturing overhead	135,757	119,352
	1,509,016	1,415,307

Goods in process:		
Beginning of period	19,787	12,284
End of period	(15,939)	(9,075)
Cost of goods manufactured	1,512,863	1,418,516
Finished goods and merchandise:		
Beginning of period	963,587	692,841
Add purchases – net	1,046,329	664,434
End of period	(845,603)	(556,142)
	₱2,677,176	₱2,219,649

16. Selling Expenses

This account consists of: (in thousands)

	(Unaudited) June 2018	(Unaudited) June 2017
Sales promotion, rebates and discounts	₱128,478	₱215,687
Freight	139,044	114,439
Advertising	26,383	24,009
Provision for warranty costs	1,651	2,574
	₱295,556	₱356,709

17. General and Administrative Expenses

This account consists of: (in thousands)

	(Unaudited) June 2018	(Unaudited) June 2017
Salaries, wages and employees' benefits	₱83,635	₱81,281
Technical assistance fees	54,853	51,859
Brand license fees	23,182	19,012
Information processing expenses	20,622	13,494
Outsourcing	13,599	9,425
Traveling	10,303	8,519
Taxes and dues	11,395	8,081
Rent	8,674	6,228
Depreciation and amortization (Note 20)	6,598	6,580
Provision for other estimated liabilities	5,889	477
Allocated Cost – Regional Headquarter	4,370	3,785
Insurance	4,267	2,826
Supplies	1,853	2,488
Repairs and maintenance	1,765	3,992
Electricity, gas and water	1,506	1,432
Freight and storage	1,267	522
Communication	552	2,911
Others	16,689	18,602
	₱271,020	₱241,514

18. Personnel Expenses

Details of personnel expenses are as follows: (in thousands)

	(Unaudited) June 2018	(Unaudited) June 2017
Compensation	₱135,865	₱130,268
Other salaries	22,223	18,560
Retirement and severance	7,656	8,589
Other benefits	9,902	10,463
	₱175,647	₱167,880

19. Other Income (Expenses)

This account consists of: (in thousands)

	(Unaudited) June 2018	(Unaudited) June 2017
Interest income	₱8,171	₱8,586
Scrap sales	1,986	3,409
Miscellaneous – net	3,403	1,020
Rent income – PPPRDPH (Peza)	-	6,791
Forex gain / (loss)	(15,049)	4,801
	(₱1,489)	₱24,607

20. Depreciations and Amortization Expenses

Details of depreciation and amortization expenses are as follows: (in thousands)

	(Unaudited) June 2018	(Unaudited) June 2017
Cost of goods sold (Note 15)	₱39,380	₱30,736
Operating expenses (Note 17)	6,598	6,580
	₱45,978	₱37,316

21. Earnings per Share

Earnings per share amounts were computed as follows:
(In thousands except Earnings per share)

	(Unaudited) June 2018	(Unaudited) June 2017
Net income (a)	₱102,120	₱133,701
Weighted average number of common shares (b)	422,718	422,718
Earnings per share (a/b)	₱0.24	₱0.32

22. Reporting Segments

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

Products under each business segment are as follows:

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

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

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

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

The Group's segment information for the periods ended June 30, 2018 and 2017 are as follows (in thousands):

Three Months ended June 30, 2018 vs. 2017 (Unaudited)

	2018				
	GCMS	SNC	Others	Adjustments/ Eliminations	Total
Consolidated Statement of Comprehensive Income					
Net sales	P3,180,461	P80,170	P113,810	P--	P3,374,441
Cost of goods sold (Note 15)	(2,521,751)	(61,399)	(94,026)	--	(2,677,176)
Selling expenses (Note 16)	(246,363)	(7,700)	(41,493)	--	(295,556)
General and administrative expenses (Note 17)	(288,396)	(7,441)	(24,817)	--	(271,020)
Other income - net (Note 19)	321	321	(2,131)	--	(1,489)
Income before income tax	P124,272	P3,951	P977	P--	129,200
Provision for income tax					27,080
Net income					P102,120

2017

	GCMS	SNC	Others	Adjustments/ Eliminations	Total
Consolidated Statement of Comprehensive					
Income					
Net sales	P2,796,354	P115,217	P35,839	P-	P2,947,410
Cost of goods sold (Note 15)	(2,123,763)	(81,989)	(13,900)	-	(2,219,649)
Selling expenses (Note 16)	(354,376)	(23,171)	20,838	-	(356,709)
General and administrative expenses (Note 17)	(209,120)	(7,955)	(24,439)	-	(241,514)
Other income - net (Note 19)	12,758	(89)	11,938	-	24,607
Income before income tax	P121,853	P2016	P30,276	P-	154,145
Provision for income tax					20,444
Net income					P133,701

23. Subsequent Events

None

24. Financial Risk Management Objectives and Policies

Risk management structure

All policy directions, business strategies and management initiatives emanate from the BOD which strives to provide the most effective leadership for the 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.

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 of these financial instruments is to raise finances for the Group's operations. The Group has various other financial instruments such receivables, accounts payable and accrued expenses, dividends payable and technical assistance payable which arise from normal operations.

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

Liquidity Risk

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

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

Market Risk

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

Foreign currency risk

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

As of June 30, 2018 and March 31, 2018, the foreign currency-denominated financial assets and financial liabilities in original currencies and their Philippine Peso (PHP) equivalents are as follows:

(in thousands)

	JUNE 2018		
	USD	JPY	Equivalents in PHP
Financial assets			
Cash in banks and cash equivalents	803	54,884	69,414
Receivables – net	2,889	3,634	155,864
	<u>3,692</u>	<u>58,518</u>	<u>225,278</u>
Financial liabilities			
Accounts payable and accrued expenses	10,954	720	584,273

	MARCH 2018		
	USD	JPY	Equivalents in PHP
Financial assets			
Cash in banks and cash equivalents	1,451	145,572	147,838
Receivables – net	4,208	58,521	248,509
	<u>5,659</u>	<u>204,093</u>	<u>396,347</u>
Financial liabilities			
Accounts payable and accrued expenses	14,882	132,273	841,786

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

(in thousand pesos)

	Increase/ decrease in USD rate	Effect on income before tax
June 2018	+8%	₱13,578
	-8%	(13,578)
March 2018	+8%	₱35,644
	-8%	(41,843)

	Increase/ decrease in JPY rate	Effect on income before tax
June 2018	+7%	(¥1,895)
	-7%	1,895
March 2018	+7%	(¥2,329)
	-7%	2,680

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

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

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

Equity price risk

The Group's exposure to equity price pertains to its investments in quoted shares 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 June 30, 2018 and March 31, 2018) 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 will fail to discharge an obligation and cause the other party to incur financial loss. With respect to credit risk arising from financial assets of the Group, which comprise of cash and cash equivalents, receivables, AFS investments and other assets, the Group's exposure to credit risks arises from default of the counterparty, with a maximum exposure equal to carrying amount of the instrument.

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

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

Fair Value Measurement

The methods used by the Group in estimating the fair value of its assets and liabilities are as follow:

Cash and cash equivalent and, receivables

Carrying amounts of cash on hand and in banks, time deposits and receivables maturing within

twelve (12) months are assumed to approximate their fair values. This assumption is applied to liquid assets and the short-term elements of all other financial assets. Other assets are carried at cost because of the unpredictable nature of the cash flows.

AFS investments

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

Investment properties

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

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

Accounts payable and accrued expenses and technical assistance fees payable

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

Finance lease liability

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

PANASONIC MANUFACTURING PHILIPPINES & SUBSIDIARY
AGING OF ACCOUNTS RECEIVABLE
As of June 30, 2018

	Amount (Php 1,000)
Trade Receivables:	
Current Due	1,344,657
01 – 30 days	52,381
31 – 60 days	-
61 – 90 days	1,042
Over 90 days	708
	1,398,788
Less: Allowance for doubtful accounts	(12,581)
Total	1,386,207
Other Receivables:	
Receivable from affiliates	108,032
Third parties	25,292
Employees	1,838
Others	24,516
	159,678
Total	1,545,885