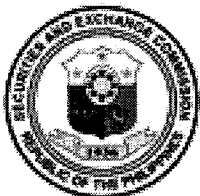




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SECURITIES AND EXCHANGE COMMISSION

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Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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Company Information

SEC Registration No. 0000023022
Company Name PANASONIC MANUFACTURING PHILIPPINES CORPORATION
Industry Classification
Company Type Stock Corporation

Document Information

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for
QUARTERLY REPORTS

Page 1 of 33

SEC Registration Number

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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														

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
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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

448

Annual Meeting
Month/Day

3rd Friday of June

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.

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common shares, ₱1.00 par value	
Class A	84,723,432
Class B	337,994,588

11. Are any or all of these securities listed on a stock exchange.

Yes [**X**] No []

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

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

12. Check whether the 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 [**X**] No []

(b) Has been subjected to such filing requirements for the past 90 days.

Yes [**X**] 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 September 30, 2017 (with comparative figures as of March 31, 2017 and period ended September 30, 2016 & 2015) and selected Notes to Consolidated Financial Statements are on pages 14 to 31.

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

Key Performance Indicators

Name of Index	Calculation	FY 2017 Apr – Sept	FY 2016 Apr – Sept
1. Rate of Sales Increase	$\frac{\text{CY Sales} - \text{LY Sales}}{\text{LY Sales}} \times 100\%$	0.4%	23.7%
2. Rate of Profit Increase	$\frac{\text{CY Profit Before Tax} - \text{LY Profit Before Tax}}{\text{LY Profit Before Tax}} \times 100\%$	-45.1%	83.3%
3. Rate of Profit on Sales	$\frac{\text{Profit Before Tax}}{\text{Total Sales}} \times 100\%$	3.5%	6.4%
4. Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	3.2:1	3.1:1 (as of March 31, 2017)
5. Dividend Ratio to Capital	$\frac{\text{Dividend}}{\text{Average Capital}} \times 100\%$	70.0%	20.0%

- (a) Rate of Sales Increase - This measures the sales growth versus the same period last year. For the first semester of 2017, the Company registered only 0.4% increase in sales to ₱ 5.314 billion from ₱ 5.292 billion of the same period last year.
- (b) Rate of Profit Increase - This measures the increase in profit before tax versus the same period last year. Rate of profit decreased to negative 45.1% from 83.3% of last year mainly due to decrease in sales and increase in cost of sales ratio by 5.4%.
- (c) Rate of Profit on Sales - This measures the percentage of profit before tax versus total sales for the period. Rate of profit on sale registered at 3.5% and 6.4% for the fiscal year 2017 and 2016 respectively.
- (d) Current Ratio - This measures the liquidity of the Group and its ability to pay off current liabilities. The Company registered current ratio of 3.2:1 as of September 30, 2017 and 3.3:1 as of March 31, 2017.
- (e) Dividend Ratio to Capital - This measures the dividend payout ratio versus capital for the period. The Group paid 70.0% and 20.0% cash dividend for the 1st quarter of 2017 and 2016 respectively.

RESULTS OF OPERATION

FIRST SEMESTER FY 2017 vs. 2016

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

(in thousands)

Accounts	Sept. 30, 2017 (Unaudited)	Sept. 30, 2016 (Unaudited)	Difference (%)
Sales	5,314,375	5,292,250	0.4%
Cost of Sales	4,078,981	3,775,469	8.0%
Gross profit	1,235,394	1,516,781	-18.6%
Selling expenses	626,840	813,330	-22.9%
General & administrative expense	470,336	413,306	13.8%
Other income – net	47,667	48,516	-1.7%
Income before tax	185,885	338,661	-45.1%
Income tax expense	35,762	70,259	-49.1%
Income after tax	150,123	268,402	-44.1%

The total Company's sales for the first semester of FY 2017 increased only by 0.4% only versus last year amounted to ₱ 5.314 billion from ₱ 5.292 billion posted in the same period last year due to 97% and 93% sales achievement of airconditioner and telephone respectively. This is also due to low purchases from Mindanao and Visayas main dealers and non-availability of some imported products.

Cost of ratio increased by 5.4% versus last year mainly due to increase in prices of imported materials. The Company's direct materials for its locally produced products are mostly imported and even local materials are more expensive versus last year due to peso devaluation.

Due to low sales achievement and high cost of sales ratio by 5.4% versus last year, gross profit decreased by ₱ 281.4 million (-18.6%). The Group managed to reduced its selling expenses by ₱186.5 million (36.4%) to minimize losses for the period. However, general and administrative expenses increased by ₱ 57.0 million (13.8%) mainly due to increase in compensation by ₱26.0 million and repair and maintenance of various properties by ₱17.2 million.

Net non-operating income decreased by ₱0.8 million (1.7%) due to interest income on time deposit by ₱ 9.2 million. Cash decreased during the period due to 70% cash dividend payment amounted to ₱295.9 million.

The Group's net income before tax for the first semester of fiscal year 2017 decreased by 45.1% amounting to ₱ 152.8 million due mainly to 5.4% increase cost of sales ratio and lower sales achievement.

FINANCIAL POSITIONS

▪ As of September 30, 2017 vs. March 31, 2017

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

(in thousands)

Accounts	SEPT 2017 (Unaudited)	MARCH 2017 (Audited)	Difference (%)
Cash and cash equivalents	3,315,045	3,586,650	-7.6%
Receivables	1,060,166	1,021,726	3.8%
Inventories	1,073,566	1,010,964	6.2%
Other current assets	125,741	72,957	72.3%
Property & equipment	770,729	770,581	0.0%
Investment properties	45,736	48,350	-5.4%
Other noncurrent assets	31,468	25,424	23.8%
Accounts payable & accrued expenses	1,740,977	2,036,315	-14.5%
Provision for estimated liabilities	385,672	366,597	5.2%
R/E – Unappropriated	565,380	416,088	35.9%

The Group continues to maintain its strong financial position with total assets amounting to ₱6.563 billion and ₱6.678 billion as of September 30, 2016 and March 31, 2016 respectively, while total equity amounted to ₱4.239 billion and ₱3.991 billion as of the same period.

Cash and cash equivalents increased by 14.3% amounting to ₱469.3 million due mainly to 23.7% increase in sales performance and improvement on collection of accounts for the period. And at the same time, accounts receivable decreased by 28.5% amounting to ₱283.2 million.

Inventories increased by 44.2% from ₱692 million of fiscal year 2015 ending March 31, 2016 to ₱997 million in September 2016 due to higher sales performance and advance orders of various dealers.

Other current assets increased by ₱22.4 million due to collection of creditable withholding tax certificates from various suppliers which were not yet applied to income tax payment.

Property, plant and equipment – net decreased by 0.6% amounting to ₱4.4 million due mainly to depreciation for the period amounting to ₱67.9 million. Total acquisition of new machineries and equipment as of September 2016 amounted to ₱64.2 million.

Accounts payable and accrued expenses increased by ₱234.6 million (13.7%) due to purchase of imported raw materials and merchandise from related parties and product promotional expenses to increase sales achievement.

Provisions for estimated liabilities increased by 9.1% amounting to ₱25.3 million mainly due to 1st semester provision of expenses.

Unappropriated retained earnings increased by 59.8% amounting to ₱246.7 million mainly due to increase on sales achievement by 23.7%.

RESULTS OF OPERATION

FIRST SEMESTER FY 2016 vs. 2015

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

(in thousands)

Accounts	Sept. 30, 2016 (Unaudited)	Sept. 30, 2015 (Unaudited)	Difference (%)
Sales	5,292,250	4,276,741	23.7%
Cost of Sales	3,775,469	3,148,954	19.9%
Gross profit	1,516,781	1,127,787	34.5%
Selling expenses	813,330	623,851	30.4%
General & administrative expense	413,306	344,961	19.8%
Other income – net	48,516	25,797	88.1%
Income before tax	338,661	184,772	83.3%
Income tax expense	70,259	36,038	95.0%
Income after tax	268,402	148,734	80.5%

The total Company's sales for the first semester of FY 2016 was 23.7% of last year amounted to ₱ 5.292 billion from ₱ 4.277 billion posted in the same period last year. This was mainly due to high sales achievement of Consumer products and favorable retail sales of locally produced appliances particularly refrigerator and window airconditioners during its peak season (April – Jun). Likewise, sell out in the market is at normal phase, and the dealers started the orders and delivery of goods in preparation also for the Christmas season.

With good sales results, cost of sales and gross profit improved by 19.9% and 34.5% respectively versus last year. Moreover, freight cost increased by ₱ 61.8 million and selling expenses by ₱ 189.5 million (30.4%) due to increase in direct selling expenses by ₱148.7 million for various promotion to achieve the Company's sales target for the period.

General and administrative expenses increase of ₱ 68.3 million (19.8%) due mainly to increase in technical assistance and brand license fee brought by 23.7% increase in sales. Also increase in salaries and wages was due to increase in production of finished goods for sales requirement.

Net non-operating income increased by ₱22.7 million (88.1%) due to interest income on time deposit by ₱ 14.5 million and other income of ₱ 3.7 million.

The Group's net income before tax for the first semester of fiscal year 2016 increased by 83.3% amounting to ₱ 34.2 million due mainly to 23.7% increase in sales achievement and non-operating miscellaneous income.

FINANCIAL POSITIONS

▪ As of September 30, 2016 vs. March 31, 2016

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

(in thousands)

Accounts	SEPT 2016 (Unaudited)	MARCH 2016 (Audited)	Difference (%)
Cash and cash equivalents	3,761,736	3,292,423	14.3%
Receivables	710,287	993,452	-28.5%
Inventories	997,673	692,094	44.2%
Other current assets	55,176	32,734	68.6%
Property & equipment	748,437	752,800	-0.6%
Investment properties	51,049	53,579	-4.7%
Other noncurrent assets	26,474	26,360	0.4%
Accounts payable & accrued expenses	1,951,143	1,716,529	13.7%
Provision for estimated liabilities	303,999	278,731	9.1%
R/E – Unappropriated	659,356	412,657	59.8%

The Group continues to maintain its strong financial position with total assets amounting to ₱6.494 billion and ₱5.987 billion as of September 30, 2016 and March 31, 2016 respectively, while total equity amounted to ₱4.239 billion and ₱3.991 billion as of the same period.

Cash and cash equivalents increased by 14.3% amounting to ₱469.3 million due mainly to 23.7% increase in sales performance and improvement on collection of accounts for the period. And at the same time, accounts receivable decreased by 28.5% amounting to ₱283.2 million.

Inventories increased by 44.2% from ₱692 million of fiscal year 2015 ending March 31, 2016 to ₱997 million in September 2016 due to higher sales performance and advance orders of various dealers.

Other current assets increased by ₱22.4 million due to collection of creditable withholding tax certificates from various suppliers which were not yet applied to income tax payment.

Property, plant and equipment – net decreased by 0.6% amounting to ₱4.4 million due mainly to depreciation for the period amounting to ₱67.9 million. Total acquisition of new machineries and equipment as of September 2016 amounted to ₱64.2 million.

Accounts payable and accrued expenses increased by ₱234.6 million (13.7%) due to purchase of imported raw materials and merchandise from related parties and product promotional expenses to increase sales achievement.

Provisions for estimated liabilities increased by 9.1% amounting to ₱25.3 million mainly due to 1st semester provision of expenses.

Unappropriated retained earnings increased by 59.8% amounting to ₱246.7 million mainly due to increase on sales achievement by 23.7%.

FIRST SEMESTER FY 2015 vs. 2014**Material Changes (+/-5% or more) in the financial statements***(in thousands)*

Accounts	Sept. 30, 2015 (Unaudited)	Sept. 30, 2014 (Unaudited)	Difference (%)
Sales	4,276,741	3,806,228	12.4%
Cost of Sales	3,148,954	2,764,844	13.9%
Gross profit	1,127,787	1,041,384	8.3%
Selling expenses	623,851	624,349	-0.1%
General & administrative expense	344,961	304,617	13.2%
Other income – net	25,797	13,527	90.7%
Income before tax	184,772	125,945	46.7%
Income tax expense	36,038	25,738	40.0%
Income after tax	148,734	100,207	48.4%

The total Company's sales for the first semester of FY 2015 was 12.4% of last year amounted to ₱ 4.277 billion from ₱ 3.806 billion posted in the same period last year. This was mainly due to high sales achievement of Consumer products. Local and imported appliances are making good in the market with the Company's inverter models and sell out activities. Likewise, sell out in the market is at normal phase, and the dealers started the orders and delivery of goods in preparation also for the Christmas season.

With good sales results, Cost of sales and gross profit increased by 13.9% and 8.3% respectively versus last year.

General and administrative expenses increase of 13.2% due mainly to increase in technical assistance and brand license fee due to 12.4% increase in sales. Also salaries and wages increased due to increase in production of finished goods.

Net non-operating income increased by ₱12.3 million (90.7%) due to interest income on time deposit by ₱3.4 million and other income of ₱8.9million.

The Group's net income before tax for the first semester of fiscal year 2015 increased by 46.7% amounting to ₱58.8 million due mainly to 12.4% increase in sales achievement and non-operating miscellaneous income.

FINANCIAL POSITIONS

▪ As of September 30, 2015 vs. March 31, 2015

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

(in thousands)

Accounts	SEPT 2015 (Unaudited)	MARCH 2015 (Audited)	Difference (%)
Cash and cash equivalents	3,332,996	2,822,927	18.1%
Receivables	743,288	811,799	-8.3%
Inventories	588,609	714,234	-17.6%
Other current assets	91,999	60,237	52.7%
Property & equipment	769,594	811,335	-5.1%
Investment properties	51,367	53,703	-4.3%
Other noncurrent assets	26,928	27,998	-3.8%
Accounts payable & accrued expenses	1,300,499	1,174,875	10.7%
Provision for estimated liabilities	173,873	159,176	9.2%
Technical assistance payable	63,756	48,113	32.5%

The Group continues to maintain its strong financial position with total assets amounting to ₱5.757 billion and ₱5.455 billion as of September 30, 2015 and March 31, 2015 respectively, while total equity amounted to ₱3.953 billion and ₱3.804 billion as of the same period.

Cash and cash equivalents increased by 18.1% amounting to ₱510.1 million due mainly to 12.4% increase in sales performance and improvement on collection of accounts for the period. And at the same time, accounts receivable decreased by 8.3% amounting to ₱67.8 million.

Inventories decreased by 17.6% from ₱714 million versus fiscal year 2014 ending March 31, 2015 to ₱589 million in September 2015 due to higher sales performance and advance orders of various dealers.

Other current assets increased by ₱31.8 million due to collection of creditable withholding tax certificates from various suppliers which were not yet applied to income tax payment.

Property, plant and equipment decreased by 5.1% amounting to ₱41.7 million (net) due mainly to depreciation for the period amounting to ₱75.7 million. Total acquisition of new machineries and equipment as of September 2015 amounted to ₱32.6 million.

Other non-current assets decreased of 3.8% was due to utilization of advances to contractors.

Accounts payable and accrued expenses increased by ₱125.6 million (10.6%) due to purchase of imported raw materials and merchandise from related parties and product promotional expenses to increase sales achievement.

Provisions for estimated liabilities increased by 9.2% amounting to ₱14.7 million mainly due to 1st semester provision of expenses.

Technical assistance fees payable increased by 32.5% amounting to ₱15.6 million mainly due to increase on sales achievement by 12.4%.

CASHFLOWS

A brief summary of cash flow movement is shown below

<i>(In thousands pesos)</i>	Sept 2017	Sept 2016
1. Net cash provided by operating activities	25,042	520,659
2. Net cash provided by (used) in investing activities	14,920	34,516
3. Net cash used in financing activities	(297,128)	(85,862)

1. 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.

2. Net cash flows used in investing activities included the following:

<i>(In thousands pesos)</i>	Sept 2017	Sept 2016
Interest received	18,498	27,737
Additions to property and equipment - net	2,466	6,893
Additions to other assets	(6,044)	(114)

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

<i>(In thousands pesos)</i>	Sept.2017	Sept 2016
Cash dividends paid	(295,902)	(84,544)

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 and for purchase of industrial land for future business expansion of PERC.

OTHER MATTERS

- a. There were no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Conditions and Results of Operations.
- b. 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.
- c. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity.
- d. 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.
- e. 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.
- f. 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.
- g. There were no seasonal aspects that have had a material effect on the financial condition or results of operations of the Group.

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 November 13, 2017.

PANASONIC MANUFACTURING PHILIPPINES CORPORATION

By:



YOSHIYUKI TAKAHASHI

Treasurer & Executive Director


MASARU TOYOTA
Executive Director

**PANASONIC MANUFACTURING PHILIPPINES
CORPORATION AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2017 (Unaudited) and March 31, 2017 (Audited)
And for the Six Months ended September 30, 2016 and 2015 (Unaudited)

PANASONIC MANUFACTURING PHILIPPINES CORP. & SUBSIDIARY**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****AS AT SEPTEMBER 30, 2017 AND MARCH 31, 2017***(In Thousand Pesos)*

	(Unaudited) September 30, 2017	(Audited) March 31, 2017
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱3,315,045	₱3,586,650
Receivables - net (Notes 5)	1,060,166	1,021,726
Inventories - net (Note 6)	1,073,566	1,010,964
Other current assets	125,741	72,957
Total Current Assets	5,574,518	5,692,297
Non-current Assets		
Property, plant and equipment - net (Note 8)	770,729	770,581
Investment properties – net (Note 9)	45,736	48,350
Deferred tax assets – net	140,974	140,974
Other assets – net	31,468	25,424
Total Non-current Assets	988,907	985,329
	₱6,563,425	₱6,677,626
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 11)	₱1,740,977	₱2,036,315
Income tax payable	15,286	2,153
Finance lease liability	1,079	2,305
Total Current Liabilities	1,757,342	2,040,773
Noncurrent Liabilities		
Retirement liability	63,903	63,903
Provision for estimated liabilities	321,769	302,694
Finance lease liability	451	451
Total Noncurrent Liabilities	386,123	367,048
Total Liabilities	2,143,465	2,407,821
Stockholders' Equity		
Equity attributable to equity holders of the parent		
Capital stock - ₱1 par value (Note 13)	422,718	422,718
Additional paid-in capital	4,780	4,780
Other comprehensive income	(71,837)	(71,837)
Retained earnings (Note 14)		
Appropriated	3,427,400	3,427,400
Unappropriated	565,380	416,088
	4,348,441	4,199,150
Minority interest	71,519	70,656
Total Stockholders' Equity	4,419,960	4,269,806
	₱6,563,425	₱6,677,626

See accompanying Notes to Financial Statements.

**PANASONIC MANUFACTURING PHILIPPINES CORP. & SUBDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2017 & 2016**

(In Thousand Pesos except Earnings per Common Share Amount)

	UNAUDITED			
	Apr-Sept 2017	Apr-Sept 2016	Jul-Sept 2017	Jul-Sept 2016
NET SALES	₱5,314,375	₱5,292,250	₱2,366,965	₱2,164,884
COST OF GOODS SOLD (Note 15)	4,078,981	3,775,469	1,859,332	1,572,932
GROSS PROFIT	1,235,394	1,516,781	507,633	591,952
SELLING EXPENSES (Note 16)	(626,840)	(813,330)	(270,131)	(300,886)
GENERAL AND ADMINISTRATIVE EXPENSES (Note 17)	(470,336)	(413,306)	(228,822)	(198,457)
INCOME FROM OPERATIONS	138,218	290,145	8,680	92,609
OTHER INCOME – Net (Note 19)	47,667	48,516	23,060	13,116
INCOME BEFORE INCOME TAX	185,885	338,661	31,740	105,725
PROVISION FOR INCOME TAX	35,762	70,259	15,318	26,708
NET INCOME FOR THE PERIOD	₱150,123	₱268,402	₱16,422	₱79,017
OTHER COMPREHENSIVE INCOME				
TOTAL COMPREHENSIVE INCOME	₱150,123	₱268,402	₱16,422	₱79,017
Attributable to:				
Equity holders of the parent	₱149,569	₱267,880	₱16,145	₱78,754
Minority interest	554	522	277	263
Earnings Per Share (Note 21)	₱0.35	₱0.63	₱0.04	₱0.19

See accompanying Notes to Financial Statements.

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

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2017 & 2016

(In Thousand Pesos)

	(Unaudited) September 2017	(Unaudited) September 2016	(Audited) March 2017
CAPITAL STOCK (Note 13)	₱422,718	₱422,718	₱422,718
ADDITIONAL PAID-IN CAPITAL	4,780	4,780	4,780
Net Unrealized Gain on AFS	1,381	1,381	1,381
Re-measurement Loss on Retirement Liability	(73,218)	(111,595)	(73,218)
RETAINED EARNINGS (Note 14)			
Appropriated:			
Balance at beginning of period	3,427,400	3,192,400	3,192,400
Appropriations			431,382
Reversals			(196,382)
Balance at end of period	3,427,400	3,192,400	3,427,400
Unappropriated:			
Balance at beginning of period	416,088	412,657	412,657
Net income	149,292	246,699	495,957
Other comprehensive income			38,377
Reversals			196,382
Appropriations			(431,382)
Cash dividends			(295,903)
Balance at end of period	565,380	659,356	416,088
	4,348,441	4,169,040	4,199,150
Minority interest	71,519	69,965	70,656
Total Stockholders' Equity	₱4,419,960	₱4,239,005	₱4,269,806

See accompanying Notes to Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORP. & SUBSIDIARY**CONSOLIDATED STATEMENTS OF CASH FLOWS**

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2017 & 2016

(In Thousand Pesos)

	(Unaudited) September 2017	(Unaudited) September 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before tax	₱185,885	₱338,661
Adjustments for:		
Depreciation and amortization	78,828	74,913
Interest income	(18,498)	(27,737)
Provision for estimated liabilities	19,075	25,268
Operating income before working capital changes	265,290	411,10
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	(38,440)	283,165
Inventories	(62,602)	(305,579)
Other current assets	(52,784)	(22,442)
Decrease in:		
Accounts payable and accrued expenses	(90,166)	200,309
Technical assistance fees payable	3,744	24,360
Cash generated from operating activities	25,042	590,918
Income taxes paid	(14,439)	(70,259)
Net cash provided by (used in) operating activities	10,603	520,659
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment – net	2,466	6,893
Interests received	18,498	27,737
Decrease (increase) in other assets	(6,044)	(114)
Net cash provided by (used in) investing activities	14,920	34,516
CASH FLOW FROM FINANCING ACTIVITY		
Cash dividends paid	(295,902)	(84,544)
Finance lease liabilities paid	(1,226)	(1,318)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(271,605)	469,313
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	3,586,650	3,292,423
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱3,315,045	₱3,761,736

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 (see Note 9).

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 September 30, 2017 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

Future Changes in Accounting Policies effective fiscal year 2020

PFRS 16, Leases

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

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

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

Deferred Effectivity

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

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

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

3. 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.

4. Cash and Cash Equivalents

This account consists of: (in thousand pesos)

	(Unaudited) September 2017	(Audited) March 2017
Cash on hand	₱26,457	₱0
Cash in banks	504,088	364,150
Short-term investments	2,784,500	3,222,500
	₱3,315,045	₱3,586,650

5. Receivables

This account consists of: (in thousands)

	(Unaudited) September 2017	(Audited) March 2017
Trade		
Domestic	₱880,949	₱833,487
Export	22,849	117,143
Non-trade		
Related parties	60,573	61,607
Third parties	122,374	32,645
Employees	1,195	2,853
Others	-	1,765
	1,087,940	1,049,500
Less allowance for doubtful accounts	27,774	27,774
	₱1,060,166	₱1,021,726

6. Inventories

This account consists of: (in thousands)

	(Unaudited) September 2017	(Audited) March 2017
At NRV:		
Finished goods and merchandise	₱486,729	₱461,092
Raw materials	244,155	221,077
Goods in-process	13,461	12,285
Supplies	16,285	10,452
Goods in-transit	312,936	306,058
	₱1,073,566	₱1,010,964

7. Available-for-sale investments

This account consists of: (in thousands)

	(Unaudited) September 2017	(Audited) March 2017
Meralco	₱1,217	₱1,217
PLDT	1,124	1,124
	₱2,341	₱2,341

8. Property, Plant and Equipment

This account consists of (Php1,000):

As of September 30, 2017	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	P1,456,629	P779,486	P161,452	P122,949	P31,667	P2,788,212
Acquisitions		73,118	17,609	6,453	8,089	(27,192)	78,077
Disposals/write-off & transfer		(6,096)		(7,856)	(6,560)		(20,512)
Balance at end of period	236,029	1,523,651	797,095	160,049	124,478	4,475	2,845,777
Accumulated Depreciation And Amortization							
Balance at beginning of period	P2,851	P1,260,850	P514,470	P150,382	P89,078	-	P2,017,631
Depreciation (Note 17)		47,524	16,802	4,780	7,417		76,523
Sale/write-offs/adjustments		(6,096)		(7,856)	(5,154)		(19,106)
End of the period	2,851	1,302,279	531,272	147,305	91,341		2,075,048
Net Book Value							
(Unaudited) September 2017	P233,178	P221,372	P265,823	P12,744	P33,137	P4,475	P770,729
(Audited) March 2017	P233,178	P195,779	P265,016	P11,071	P33,870	P31,667	P770,581

9. Investment Properties

This account consists of: (in thousand pesos)

	Building	Building Improvements	Total
As of September 2017			
Cost			
Balance at beginning and end of period	P115,252	P121,188	P236,440
Accumulated Depreciation And Amortization			
Balances at beginning of period	72,535	116,861	189,396
Depreciation and amortization (Note 17)	2,388	226	2,614
End of the period	74,923	117,087	192,010
Net Book Value			
(Unaudited) September 2017	P40,329	P4,101	P44,430
(Audited) March 2017	P43,910	P4,440	P48,350

10. Other Current Assets and Other Assets

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

	Sept 2017	March 2017
Other current assets		
Advances to suppliers	P21,465	P39,700
Prepaid expenses	37,966	30,503
Tax credit certificate	3,460	3,460
Creditable withholding taxes	63,597	2,438
Advances to employees	2,753	356
	129,241	76,457
Less: Allowance for probable loss	3,500	3,500
	P125,741	P72,957

Other assets		
Deposits	₱20,340	₱15,183
Deferred input vat	8,151	7,333
Available-for-sale investments	2,341	2,341
Software	636	567
	₱31,468	₱25,424

The composition and movements of Intangible Assets - software follow:

	Sept 2017	March 2017
Cost		
Balances at beginning of year	₱110,477	₱110,032
Additions	444	445
Retirement	-	-
Balances at end of year	110,921	110,477
Accumulated amortization		
Balances at beginning of year	109,910	107,520
Amortization (Note 20)	375	2,390
Retirement	-	-
Balances at end of year	110,285	109,910
Net book value	₱636	₱567

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:

	Sept 2017	March 2017
Trade payable		
Third parties	₱289,563	₱348,833
Related parties	390,910	400,559
Non-trade payable		
Related parties	104,921	101,339
Accrued expense		
Third parties	917,597	798,896
Related parties	23,330	16,431
Others		
Advances from customers	14,985	62,102
Dividends payable	-	295,920
Output VAT	16,036	12,325
	₱1,757,342	₱2,036,315

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:

	Sept 2017	March 2017
Accrued advertising expenses and sales promotions	₱377,787	₱377,376
Payable to suppliers	331,057	316,706
Accrued freight expenses	14,725	18,309
Salaries and other employee benefits	94,382	31,973
Other accrued expenses	99,646	54,532
	₱917,597	₱798,896

12. Provisions for Estimated Liabilities

The roll-forward of this account follows:

	September 2017		
	Warranty	Other	
	Claims	Estimated	Total
		Liabilities	
Balances at beginning of year	₱104,852	₱197,842	₱302,695
Provisions	23,674	157,780	181,454
Usage	(21,471)	(77,005)	(98,476)
Balances at end of year	₱107,055	₱278,617	₱385,672

	March 2017		
	Warranty	Other	
	Claims	Estimated	Total
		Liabilities	
Balances at beginning of year	₱84,990	₱193,741	₱278,731
Provisions	71,420	54,711	126,131
Usage	(51,557)	(50,610)	(102,167)
Balances at end of year	₱104,853	₱197,842	₱302,695

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	Shares		Shares Issued and	
	Value	Authorized	Amount	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 September 30, 2017, 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 September 30, 2017, the total number of shares registered under the SRC is 84,723,432 shares being held by 448 stockholders.

The Parent Company declared cash dividends amounting to ₱295.9 million and ₱84.5 million in the first quarter of fiscal year 2017 and 2016, 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.

- b. On March 31, 2017, the Parent Company's BOD authorized and directed the reversal of the appropriated retained earnings amounting to P196.4 million. From the total appropriations of P3.4 billion as of March 31, 2017, P3.0 billion represents the reinstatement of the previous appropriations for in-plant production for plastic and metal parts, Group's change of IT System and other future projects of the Parent Company. The remaining P431.4 million additional appropriations represent appropriation for replacement and upgrading of old machines, molds and dies and other future projects and activities intended to boost B2B sales as growth engine. These projects are expected to be completed starting 2018 onwards.
- c. On March 22, 2016, the Parent Company's BOD authorized and directed the reversal of the appropriated retained earnings amounting to ₱71.3 million. From the total appropriations of ₱3.2 billion, ₱2.9 billion represents the reinstatement of the previous appropriations for in-plant production for plastic and metal parts, replacement and upgrading of old machines, molds and dies, new freezer model, plans to change the Group's IT System and other future projects of the Parent Company. The remaining ₱246.3 million additional appropriations represent appropriation for solar panel installation in various buildings located in Taytay and Sta. Rosa manufacturing plants, future projects and for activities intended to boost B2B sales as growth engine. These projects are expected to be completed starting 2017 onwards.

- d. On March 19, 2015, the Parent Company's BOD authorized and directed the reversal of the appropriated retained earnings amounting to ₱210.9 million and set-up of new appropriated retained earnings amounting to ₱310.9 million. The ₱210.9 million appropriation has been utilized for various projects of the Parent Company relating to the completion of buildings and machines, replacement and upgrading of old machines, molds and dies, plans to change the Parent Company's Information Technology (IT) System and other future projects of the Parent Company.
- e. The Parent Company's BOD declared cash dividends as follows:
- 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).
- 10% cash dividend on March 19, 2015 to stockholders of record as of April 7, 2015 and paid on May 4, 2015 (₱0.10 per share).
- f. No subsequent event after September 30, 2017.

15. Cost of Goods Sold

This account consists of: (in thousand pesos)

	(Unaudited) September 2017	(Unaudited) September 2016
Material costs	₱1,976,329	₱2,187,274
Direct labor (Note 18)	75,406	81,432
Manufacturing overhead:		
Indirect labor (Note 16)	89,564	87,974
Depreciation and amortization (Note 20)	64,364	59,488
Electricity, gas and water	20,593	24,158
Product and development cost	16,150	29,485
Repairs and maintenance	11,181	13,356
Indirect materials	8,610	10,540
Supplies	7,855	8,187
Traveling	6,951	6,981
Outsourcing	6,551	6,308
Provision for decline in inventories	6,339	9,256
Provision for estimated liabilities –net	-	6,185
Insurance	4,455	4,262
Taxes and dues	1,945	1,714
Rent	912	1,072
Others	2,735	2,230
Total manufacturing overhead	248,205	271,196
Goods in process:		
Beginning of period	12,284	18,689
End of period	(13,461)	(4,404)
Cost of goods manufactured	2,298,763	2,554,187
Finished goods and merchandise:		
Beginning of period	692,841	532,183
Add purchases – net	1,574,106	1,306,685
End of period	(486,729)	(617,586)
	₱4,078,981	₱3,775,469

16. Selling Expenses

This account consists of: (in thousand pesos)

	(Unaudited) September 2017	(Unaudited) September 2016
Selling		
Sales commission, promotion, and discounts	₱376,335	₱528,026
Freight	214,165	215,462
Advertising	32,160	44,389
Provision for warranty costs	4,180	25,453
	₱626,840	₱813,330

17. General and Administrative Expenses

This account consists of: (in thousand pesos)

	(Unaudited) September 2017	(Unaudited) September 2016
General and Administrative		
Salaries, wages and employees' benefits (Note 18)	₱168,964	₱142,979
Technical assistance fees (Note 10)	80,585	94,947
Brand license fees (Note 10)	36,108	29,988
Repairs and maintenance	31,373	14,203
Outsourcing	19,656	12,879
Taxes and dues	16,692	15,017
Traveling	16,556	14,137
Depreciation and amortization (Note 20)	14,464	15,425
Rent	14,307	13,172
Insurance	7,742	5,160
Communication	7,512	10,045
Allocated Cost – Regional Headquarter (Note 10)	6,706	5,602
Supplies	4,693	3,537
Electricity, gas and water	3,028	3,661
Freight and storage	950	4,592
Provision for doubtful accounts	-	4,862
Provision for other estimated liabilities	-	2,630
Others	41,003	20,470
	₱470,339	₱413,306

18. Personnel Expenses

Details of personnel expenses are as follows: (in thousand pesos)

	(Unaudited) September 2017	(Unaudited) September 2016
Compensation	₱262,711	₱239,235
Retirement and severance	17,266	15,814
Other benefits	26,012	24,960
Other salaries (OJT)	27,945	32,376
	₱333,934	₱312,385

19. Other Income (Expenses)

This account consists of: (in thousand pesos)

	(Unaudited) September 2017	(Unaudited) September 2016
Interest income	₱18,498	₱27,737
Rent income	13,606	13,882
Foreign exchange gains (losses)	43	(340)
Miscellaneous – net	15,520	7,237
	₱47,667	₱48,516

20. Depreciation and Amortization Expenses

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

	(Unaudited) September 2017	(Unaudited) September 2016
Cost of goods sold (Note 15)	₱64,364	₱59,488
Operating expenses (Note 17)	14,464	15,425
	₱78,828	₱74,913

21. Earnings Per Share

Earnings per share amounts were computed as follows:
(in thousand pesos except for Earnings per share)

	(Unaudited) September 2017	(Unaudited) September 2016
Comprehensive net income after tax (a)	₱150,123	₱268,402
Weighted average number of common shares (b)	422,718	422,718
Earnings per share (a/b)	₱0.35	₱0.63

22. Reporting Segments

For management purposes, the Group's business segments are grouped in accordance with that of the Parent Company's Panasonic Corporation – Japan (PC) lines of business, which are grouped on a product basis as follows: 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 Appliances – this segment includes audio, video primarily related to selling products for media and entertainment industry. This is 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.

SSG – this segment includes supermarket refrigeration such as cold room, showcase and bottle coolers primarily related to selling to supermarkets and groceries.

Others – this segment includes solar panel which is a project-based selling.

The Group's segment information for the periods ended September 30, 2017 and 2016 are as follows (in thousands):

Six Months ended September 30, 2017 vs. 2016 (Unaudited)

2017	GCMS	SSG	ES	OTHERS	TOTAL
Sales	₱4,935,676	₱298,331	₱26,176	₱54,192	₱5,314,375
Cost of goods sold	3,827,984	213,374	24,495	13,128	4,078,981
Gross profit (loss)	1,107,692	84,957	1,681	41,064	1,235,394
Operating expenses (income) - net	1,012,885	71,477	(74)	12,888	1,097,176
Income (loss) from operations	₱94,807	₱13,480	₱1,755	₱28,176	₱138,218

2016	GCMS	SSG	ES	OTHERS	TOTAL
Sales	₱5,060,672	₱151,325	₱20,982	₱59,271	₱5,292,250
Cost of goods sold	3,574,514	114,325	19,686	66,944	3,775,469
Gross profit (loss)	1,486,158	37,000	1,296	(7,673)	1,516,781
Operating expenses (income) - net	1,184,548	40,617	(828)	2,299	1,226,636
Income (loss) from operations	₱301,610	(₱3,617)	₱2,124	(₱9,972)	₱290,145

Three Months ended September 30, 2017 vs. 2016 (Unaudited)

2017	GCMS	SSG	ES	OTHERS	TOTAL
Sales	₱2,150,241	₱172,871	₱9,073	₱34,780	₱2,366,965
Cost of goods sold	1,714,716	121,145	8,590	14,881	1,859,332
Gross profit (loss)	435,525	51,726	483	19,899	507,633
Operating expenses (income) - net	456,604	40,351	(47)	2,045	498,953
Income (loss) from operations	(₱21,079)	₱11,375	₱530	₱17,854	₱8,680

2016	GCMS	SSG	ES	OTHERS	TOTAL
Sales	₱2,065,238	₱68,610	₱11,717	₱19,319	₱2,164,884
Cost of goods sold	1,481,379	51,277	10,907	29,369	1,572,932
Gross profit (loss)	583,859	17,333	810	(10,050)	591,952
Operating expenses (income) - net	480,142	18,814	(484)	871	499,343
Income (loss) from operations	₱103,717	(₱1,481)	₱1,294	(₱10,921)	₱92,609

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 September 30, 2017 and March 31, 2017, the foreign currency-denominated financial assets and financial liabilities in original currencies and their Philippine Peso (PHP) equivalents are as follows:

(in thousands)

	SEPTEMBER 2017		
	USD	JPY	Equivalents in PHP
Financial assets			
Cash in banks and cash equivalents	1,093	1,322	57,444
Receivables – net	679	212	35,406
	1,772	1,534	92,850
Financial liabilities			
Accounts payable and accrued expenses	7,595	1,360	395,566

	MARCH 2017		
	USD	JPY	Equivalents in PHP
Financial assets			
Cash in banks and cash equivalents	814	162,019	113,533
Receivables – net	2,649	3,835	134,594
	3,463	165,854	248,127
Financial liabilities			
Accounts payable and accrued expenses	11,477	4,917	577,906

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
Sept. 2017	+8%	₱24,224
	-8%	(24,224)
March 2017	+8%	₱29,776
	-8%	(34,954)

	Increase/ decrease in JPY rate	Effect on income before tax
Sept. 2017	+7%	(₱6)
	-7%	6
March 2017	+7%	(₱4,723)
	-7%	5,434

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 September 30, 2017 and March 31, 2017) 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 CORP. & SUBSIDIARY
AGING OF ACCOUNTS RECEIVABLE
As of September 30, 2017

	Amount (Php 1,000)
Trade Receivables:	
Future Due	
Current Due	844,447
1-30 days	46,273
31-60 days	851
61-90 days	11,689
Over 90 days	538
	903,798
Less: Allowance for doubtful accounts	(27,774)
Total	876,024
Other Receivables:	
Receivable from affiliates	60,573
Third parties	122,374
Employees	1,195
	184,142
Total	1,060,166