



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

## **PMPC ANNUAL STOCKHOLDERS' MEETING JUNE 19, 2015**

- I. NOTICE OF STOCKHOLDERS' MEETING**
- II. INFORMATION STATEMENT (SEC FORM 20-IS)**
- III. MANAGEMENT REPORT (ANNEX "A")**
  - OPERATIONAL AND FINANCIAL REPORT
  - MANAGEMENT ANALYSIS OR PLANS OF OPERATION
  - CHAIRMAN & PRESIDENT'S REPORT
  - CERTIFICATION OF INDEPENDENT DIRECTORS
- IV. AUDITED FINANCIAL STATEMENTS FOR FY 2014  
ENDED MARCH 31, 2015 (ANNEX "B")**
- V. UNAUDITED QUARTERLY REPORT  
AS OF DECEMBER 31, 2014 (ANNEX "C")**
- VI. CORPORATE GOVERNANCE (ANNEX "D")**

**COVER SHEET**  
for  
**DEFINITIVE INFORMATION STATEMENTS**

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		A	N	D		S	U	B	S	I	D	I	A
R	Y																												

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

O	r	t	i	g	a	s		A	v	e	n	u	e		E	x	t	e	n	s	i	o	n	,		T	a	y	t
a	y		R	i	z	a	l																						

Form Type

20	-	I	S
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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

<b>www.panasonic.com/ph</b>
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Company's Telephone Number/s

<b>635-2260 to 65</b>
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Mobile Number

<b>N/A</b>
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No. of Stockholders

<b>448</b>
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Annual Meeting  
Month/Day

<b>June 19</b>
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Fiscal Year  
Month/Day

<b>March 31</b>
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**CONTACT PERSON INFORMATION**

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

Name of Contact Person

<b>Mr. Marlon M. Molano</b>
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Email Address

<b>marlon.molano@ph.panasonic.com</b>
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Telephone Number/s

<b>635-2260 to 65</b>
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Mobile Number

<b>(+63) 0917 500 1261</b>
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Contact Person's Address

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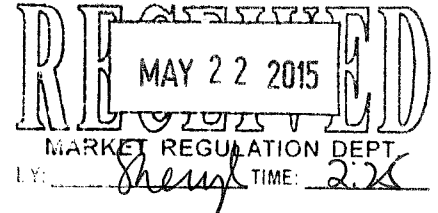
**Note:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**PANASONIC MANUFACTURING PHILIPPINES CORPORATION**  
ORTIGAS AVENUE EXTENSION, TAYTAY, RIZAL

**NOTICE OF STOCKHOLDERS' MEETING**

Notice is hereby given that the 2015 Annual Stockholders' Meeting of **PANASONIC MANUFACTURING PHILIPPINES CORPORATION**, will be held at the Auditorium Building, Panasonic Manufacturing Philippines Corporation, Ortigas Avenue Extension, Taytay, Rizal on June 19, 2015 at 5:00 P.M.

SECURITIES AND EXCHANGE  
COMMISSION



The Agenda of the meeting is as follows:

1. National Anthem
2. Call to Order
3. Establishment of the Quorum
4. Approval of Minutes of 2014 Annual Stockholders' Meeting
5. President's Annual Report
6. Financial Report
7. Ratification of all acts, resolutions and proceedings of the Board of Directors and Management since 2014 Annual Stockholders' Meeting
8. Amendment of Articles of Incorporation to reflect complete principal office address
9. Election of new members of the Board of Directors
10. Appointment of External Auditors
11. Other Business
12. Adjournment


The Board of Directors has fixed the close of business on June 02, 2015 as record date for the determination of stockholders entitled to notice and to vote at said Annual Meeting.

Stockholders who will not be able to attend the meeting may designate their respective proxies and send the proxy forms to the Office of the Corporate Secretary not later than June 16, 2015.

MANAGEMENT, HOWEVER, IS NOT SOLICITING YOUR PROXY. Corporate stockholders should attach to their proxies their board resolution designating authorized representative.

Registration starts at 3:00 P.M. on the scheduled meeting. For your convenience in registering your attendance, please present any form of identification such as your Professional I.D., Passport or Driver's License.

Taytay, Rizal, May 19, 2015.

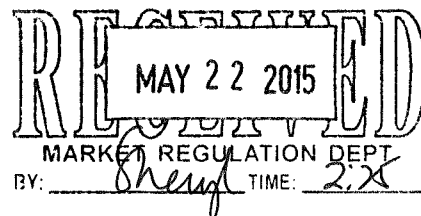
  
**MAMERTO Z. MONDRAGON**  
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

Information Statement Pursuant to Section 20  
of the Securities Regulation Code

SECURITIES AND EXCHANGE  
COMMISSION



1. Check the appropriate box:

☒ Preliminary Information Sheet  
☐ Definitive Information Sheet

2. Name of Registrant as specified in this Charter:

**PANASONIC MANUFACTURING PHILIPPINES CORPORATION**

3. Province, country and other jurisdiction or incorporation or organization:

**PASAY CITY, METRO MANILA, PHILIPPINES**

4. SEC Identification Number: **23022**

5. BIR Tax Identification Code: **000-099-692-000**

6. Address of Principal Office: **Ortigas Avenue Extension  
Taytay, Rizal 1901**

7. Registrant's telephone number, including area code: **(632) 635-22-60 to 65**

8. Date, time and place of meeting of security holders:

**Date : June 19, 2015 (Friday)**  
**Time : 5:00 P.M.**  
**Place : Auditorium Building  
PMPC Taytay, Rizal**

9. Approximate date of which the Information Statement is first to be sent or given to security holders:

**May 28, 2015**

10. In case of Proxy solicitations:

**Name of Persons Filing the Statement/Solicitor: NOT APPLICABLE**  
**Address and Telephone No:**

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

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

Only Class "A" shares are listed

- b. Number of Shares Outstanding as of March 31, 2015

<u>Common Shares @ P1.00/share</u>	
Class "A"	P 84,723,432
Class "B"	<u>337,994,588</u>
Total	<u>P422,718,020</u>

- c. Amount of Debt Outstanding as of March 31, 2015 - NONE

12. Are any of the registrant's securities listed on a Stock Exchange?

✓ yes      \_\_\_\_\_no

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

As of April 30, 2015, a total of 104,988,723 Class "A" shares are listed in Philippine Stock Exchange.

## **INFORMATION STATEMENT**

### **A. GENERAL INFORMATION**

#### **1. Date, time and place of meeting of security holders.**

Date: June 19, 2015 (Friday)  
Time: 5:00 P.M.  
Place: PMPC Auditorium Building  
Ortigas Avenue Extension Taytay, Rizal

#### **Complete mailing address of principal office:**

Panasonic Manufacturing Philippines Corporation  
Ortigas Avenue Extension  
Taytay, Rizal 1901

**The Information Statement and the proxy form are first to be sent to security holders on or before May 28, 2015.**

#### **2. Dissenters' Right of Appraisal**

There are no matters or proposed corporate actions included in the Agenda of the Meeting which may give rise to a possible exercise by security holders of their appraisal rights as provided under Title X of the Corporation Code.

However, in the instances where the appraisal right may be exercised, any stockholder voting against the proposed corporate action should make a written demand for payment of the fair value of his shares within thirty (30) days after the date of meeting on which the vote was taken. Failure to make the demand within such a period shall be deemed a waiver of the appraisal right.

#### **3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

- a) The directors and executive officers do not have any substantial interest, direct or indirect, in any matter to be acted upon, other than election to office.
- b) The registrant has not received any written information from anyone that intends to oppose any action to be taken by the registrant at the meeting.

## B. CONTROL AND COMPENSATION INFORMATION

### 4. Voting Securities and Principal Holders Thereof

#### a. As of April 30, 2015, the Company's outstanding numbers of shares are as follows:

Common shares:	No. of Shares Outstanding	No. of Votes to which entitled
Class "A"	84,723,432	84,723,432
Class "B"	<u>337,994,588</u>	<u>337,994,588</u>
Total	<u>422,718,020</u>	<u>422,718,020</u>

#### b. Record date for which are entitled to vote

All stockholders of record as of June 2, 2015 shall be entitled to vote at the Annual Stockholders' Meeting. Notice to stockholders shall be sent out thru courier on or before May 28, 2015.

#### c. Election of Directors

All stockholders as of record date are entitled to cumulative voting right with respect to the election of directors.

Each stockholder is entitled to one vote for each share of stock standing in his name on the books of the corporation; provided, however, that in the election of Directors, each stockholder is entitled to cumulate his votes in the manner provided by law. Each stockholder is entitled to vote by proxy at the stockholders' meeting provided the proxy has been appointed in writing by the stockholder himself or by his duly authorized attorney. The instrument appointing the proxy shall be exhibited to and lodged with the Secretary at the time of the meeting.

#### d. Security Ownership of Certain Record and Beneficial Owners of more than 5%

Owners of record of more than 5% of the voting securities as of April 30, 2015:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Ownership and Relationship with Record Owner	Citizenship	No. of Shares	Percentage
Common "B"	<ul style="list-style-type: none"><li>○ Panasonic Corporation</li><li>○ 1006 Oaza Kadoma, Kadoma, Osaka 571-8501, Japan</li><li>○ Parent Company</li></ul>	Various Stockholders	Non-Filipino	337,994,588	79.96%

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

#### e. Security Ownership of Management and Directors

The following are the number of shares of which Company's stock owned of record by the Chairman, Directors and Officers, and nominees for election as director, as of April 30, 2015.

Title of Class	Name of Beneficial Owner	Amount of Beneficial Ownership (Php)	Nature of Beneficial Ownership	Citizenship	Percent
Common "B"	Nobuo Yasuhira	1	Direct	Japanese	NIL
Common "B"	Hiroyoshi Fukutomi	1	Direct	Japanese	NIL
Common "B"	Hiroshi Yamada	1	Direct	Japanese	NIL
Common "B"	Masaru Toyota	1	Direct	Japanese	NIL
Common "B"	Yoichi Takemoto	1	Direct	Japanese	NIL
Common "B"	Toshikazu Kudo	1	Direct	Japanese	NIL.
Common "A"	Miguel Castro	185	Direct	Filipino	NIL
Common "A"	Emiliano Volante	9,879	Direct	Filipino	NIL
Common "A"	Elizabeth Gildore	1,000	Direct	Filipino	.0024
Common "A"	Atty. Mamerto Mondragon	85,360	Direct	Filipino	.0202

The aggregate number of shares owned of record by all or key officers and directors as a group as of April 30, 2015 is 96,430 shares or approximately 0.023% of the Company's outstanding capital stock.

#### f. Voting Trust Holders of 5% or More

There are no voting trust holders / arrangements holding 5% or more of the Company's outstanding shares.

#### g. Change in Control of the Registrant since beginning of last Fiscal Year

There are no change in control or arrangement that may result in change in control of the Company since the beginning of its last fiscal year.

### 5. Directors and Executive Officers

#### a. Final list of Nominees for Election

Name	Office/Position	Citizenship	Age
Nobuo Yasuhira	Chairman / President	Japanese	55
Hiroyoshi Fukutomi	Executive Director / Treasurer	Japanese	57
Hiroshi Yamada	Executive Director	Japanese	52
Masaru Toyota	Director / VP - PPH	Japanese	55
Yoichi Takemoto	Director	Japanese	50
Toshikazu Kudo	Director	Japanese	52
Miguel P. Castro	Director	Filipino	58
Emiliano S. Volante	Independent Director	Filipino	71
Elizabeth Gildore	Independent Director	Filipino	57
Mamerto Z. Mondragon	Corporate Secretary	Filipino	71

## **Directors and Executive Officers / (Nominees)**

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

**Hiroyoshi Fukutomi**, Japanese, graduated from Kobe University of Commerce with a Bachelor's degree. He has been the Executive Director of the Company since May 1, 2010. He also holds the following positions: Treasurer, Chairman of the Compensation/Remuneration Committee and member of the Audit Committee. He is a former Councilor to Business Operation Team, Corporate Accounting of Panasonic Corporation (PC) from April 2008 to March 2010. From April 2006 to March 2008, he was assigned to Accounting Group of PC Home Appliances Company as the Group Manager. April 2005 to March 2006, Councilor for PC – Accounting, H.Q. of PC Home Appliances Company and from April 2004 to March 2005 Councilor for PC Home PC – Accounting Group, Kitchen Appliance Division.

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

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

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

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

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

#### **Independent Directors / (Nominees)**

**Emiliano S. Volante**, Filipino, is a graduate of B. S. in Commerce from Far Eastern University. He was elected as Independent Director since October 2010. He is also a member of the Audit Committee and Compensation/Remuneration Committee. He was a former Financial Consultant for Expresslane Brokerage Corporation from 2003 – 2010. He was also a former Internal Audit Manager of PMPC from 2000-2002.

**Elizabeth Gildore**, Filipino, is a graduate of B. S. in Commerce, Major in Accounting. She was elected as Independent Director last May 4, 2015. She is the Finance Manager of Moduvi Inc. since March 2014. Ms. Gildore is a former General Manager – PPH Accounting from September 2007 to August 2012. She was the Finance Manager of PMPC - PPH Accounting from June 2000 to August 2007.

#### **Corporate Secretary**

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

The members of the Board of Directors are elected at the annual stockholders' meeting to hold office until the next annual meeting and until their respective successors have been elected and qualified. The Company's Corporate Governance Committee evaluated and reviewed each nominee-director's qualifications based on the guidelines spelled out in SRC Implementing Rule 38 (as amended) and unanimously resolved that said nominees are qualified for election/re-election.

#### **b. Independent Directors**

The independent directors of the Company are as follows:

- 1) Mr. Emiliano Volante
- 2) Ms. Elizabeth Gildore

The Company's Corporate Governance Committee evaluated and reviewed each nominee-director's qualifications based on the guidelines spelled out in the SRC Rule 38.1 (as amended) and BSP Circular No. 456 and unanimously resolved that said nominees are qualified for election/re-election.

Mr. Emiliano Volante was nominated by Mr. Marlon M. Molano. Messrs. Volante and Molano are not related to each other.

Ms. Elizabeth Gildore was nominated by Mr. Miguel Castro. Ms. Gildore and Castro are not related to each other.

### **Executive Officers**

<u>POSITION</u>	<u>NAME</u>	<u>AGE</u>	<u>CITIZENSHIP</u>
Chairman & President	Nobuo Yasuhira	55	Japanese
Executive Director & Treasurer	Hiroyoshi Fukutomi	57	Japanese
Executive Director	Hiroshi Yamada	52	Japanese
Vice-President PPH Division	Masaru Toyota	55	Japanese
Corporate Secretary	Mamerto Mondragon	71	Filipino

### **Nomination Committee**

Chairman	Miguel Castro	Director
Member	Hiroyoshi Fukutomi	Treasurer & Executive Director
Member	Emiliano Volante	Independent Director

### **Compensation/Remuneration Committee**

Chairman	Hiroyoshi Fukutomi	Treasurer & Executive Director
Member	Miguel Castro	Director
Member	Emiliano Volante	Independent Director

### **Audit Committee**

Chairman	Emiliano Volante	Independent Director
Member	Hiroyoshi Fukutomi	Treasurer & Executive Director
Member	Elizabeth Gildore	Independent Director

### **Term of Office**

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

### **d. Significant Employee**

The Company has no employee who is not an executive officer but who is expected to make a significant contribution to the business.

**e. Family relationship**

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

**f. Certain Relationship and Related Transactions**

There were no transactions with directors, executive officers or any principal stockholders that are not in the Company's ordinary course of business for the past two (2) years.

**g. Involvement in Certain Legal Proceedings**

The above-named executive officers and directors have not been involved in any material legal proceeding during the past five years that will affect their ability as directors and officers of the Company.

**6. Compensation of Directors and Executive Officers**

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

**FY 2014**

*(In Millions)*

<b>NAME</b>	<b>POSITION</b>	<b>SALARY</b>	<b>BONUS</b>	<b>OTHERS</b>	<b>TOTAL</b>
<b>President and The Four Highest Compensated Officers</b>					
Nobuo Yasuhira	President				
Hiroshi Yamada	Vice-President				
Hiroyoshi Fukutomi	Treasurer & Exec. Director				
Masaru Toyota	Vice-President Sales & Marketing				
Miguel Castro	Director				
<b>Total</b>		<b>37.4</b>	<b>7.4</b>	<b>1.5</b>	<b>46.3</b>
<b>All Officers &amp; Directors As a Group</b>		<b>37.4</b>	<b>7.4</b>	<b>1.5</b>	<b>46.3</b>

**FY 2013**  
(In Millions)

NAME	POSITION	SALARY	BONUS	OTHERS	TOTAL
<b>President and The Four Highest Compensated Officers</b>					
Naoya Nishiwaki	President				
Waichi Tamiya	Vice-President				
Hiroyoshi Fukutomi	Treasurer & Exec. Director				
Shigeyoshi Terawaki	Vice-President Sales & Marketing				
Miguel Castro	Director				
<b>Total</b>		<b>39.1</b>	<b>13.8</b>	<b>0.4</b>	<b>53.3</b>
<b>All Officers &amp; Directors As a Group</b>		<b>39.1</b>	<b>13.8</b>	<b>0.4</b>	<b>53.3</b>

**For the ensuing FY 2015**

(In Millions)

NAME	POSITION	SALARY	BONUS	OTHERS	TOTAL
<b>President and The Four Highest Compensated Officers</b>					
Nobuo Yasuhira	President				
Hiroshi Yamada	Vice-President				
Hiroyoshi Fukutomi	Treasurer & Exec. Director				
Masaru Toyota	Vice-President Sales & Marketing				
Miguel Castro	Director				
<b>Total</b>		<b>38.3</b>	<b>7.5</b>	<b>1.1</b>	<b>46.9</b>
<b>All Officers &amp; Directors As a Group</b>		<b>38.3</b>	<b>7.5</b>	<b>1.1</b>	<b>46.9</b>

*For ensuing year 2015, no significant change is anticipated in the compensation of Directors and Officers.*

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

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

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

## **7. Independent Public Accountants**

The Company, upon the recommendation of the Audit Committee of the Board of Directors composed of Emiliano Volante as Chairman and Hiroyoshi Fukutomi and Elizabeth Gildore as members, has approved the engagement Sycip, Gorres, Velayo & Co. (SGV) as external auditors of the Company for fiscal year 2014 ended March 31, 2015 and will submit such engagement to its stockholders for ratification. SGV was also the external auditor of the Company for fiscal years 2013, 2012 and 2011.

The audit partner-in-charge, Mr. Aris C. Malantic was appointed in 2013. The SGV partner-in-charge who audited the Company in 2012 was Ms. Janet A. Paraiso. In accordance with SRC Rule 68, par. 3 (b) (IV), there is no need to change the audit partner of the Company and its domestic subsidiary.

The representatives of the SGV & Co. are expected to be present at the stockholders' meeting and to be available to respond to appropriate questions. They will have the opportunity to make a statement if they so desire to do so.

It is expected that Management will make the recommendation for the appointment of the external auditor for fiscal year 2015 in compliance with the SEC Rules on the Rotation of the External Auditors.

## **Audit-Related Fees**

### **I. Audit Fees and Other-related Fees**

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

(Amounts in Php millions)					
		<u>2015</u>		<u>2014</u>	<u>2013</u>
Annual Audit	P	<u>1.7</u>	P	1.6	1.6
Audit - Related		-		-	-
Total	P	<u>1.7</u>	P	<u>1.6</u>	P <u>1.6</u>

### **II. Tax Fees**

There were no tax fees paid to external auditors other than for annual audit services.

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

## **8. Compensation Plans**

There are no actions to be taken up in the meeting with respect to any compensation plan

## **C. ISSUANCE AND EXCHANGE OF SECURITIES**

### **9. Authorization or issuance of Securities other than for Exchange**

There are no matters or actions to be acted upon in the meeting with respect to the authorization or issuance of securities other than for exchange.

### **10. Modification or Exchange of Securities**

There are no matters or actions to be acted upon in the meeting with respect to the modification or exchange of securities.

### **11. Financial and Other Information**

The management's discussion and analysis and plan of operation, Audited Financial Statements of the Company as of March 31, 2015, FY 2014 interim report (SEC Form 17-Q) as of December 31, 2014 and other data related financial information are attached hereto as Annexes "A", "B" and "C" respectively.

### **Changes in and disagreements with accountants on accounting and financial disclosure**

There were no changes in and disagreements with accountants on accounting and financial disclosure.

The representatives of the SGV & Co. are expected to be present at the stockholders' meeting and to be available to respond to appropriate questions. They will have the opportunity to make a statement if they so desire to do so.

### **12. Mergers, Consolidations, Acquisitions and Similar Matters**

There are no matters or actions to be taken up in the meeting with respect to merger, consolidation, acquisition and similar matters.

### **13. Acquisition or Disposition of Property**

There are no matters or actions to be taken up in the meeting with respect to acquisition or disposition of any property. See Notes 3 and 9 in the attached Annual Audited Financial Statements

### **14. Restatement of Accounts**

There are no matters or actions to be taken up in the meeting relating to restatement of accounts.

## **D. OTHER MATTERS**

### **15. Action with Respect to Reports**

Financial Statements and Management Report – Management shall report on the significant business transactions undertaken by Management and the financial targets and achievements for the fiscal year 2014. Attached as Annexes “A” and “B” are the Management Report and the Audited Annual Financial Statements for the period ending March 31, 2015 of the Company are reflected in the accompanying Annual Report to Stockholders.

### **16. Matters Not required to be Submitted**

There are no actions to be taken with respect to any matter which is not required to be submitted to a vote of the security holders.

### **17. Amendment of Charter, Bylaws or other Documents**

**Amendment of Articles of Incorporation to reflect complete principal address**

### **18. Other Proposed Actions**

**a) Approval of the Minutes of the Previous Annual Stockholders’ Meeting** – Minutes of the Annual Stockholders’ Meeting dated June 20, 2014 will be submitted for the approval of the shareholders. Among the matters included in the Minutes of the June 20, 2014 meeting are the following:

1. Approval of the Minutes of the Previous Annual Stockholders’ Meeting
2. President’s Annual and Financial Reports
3. Approval of the fiscal year 2014 Management Annual Report
4. Election of the Board of Directors, including the two (2) Independent Directors
5. Appointment of External Auditor

Copies of the same will be made available at the annual stockholders’ meeting on June 19, 2015 for any stockholder desiring to review the same.

The Board of Directors recommends that the stockholders APPROVE the minutes of the last annual stockholders’ meeting held on June 20, 2014.

**b) Ratification of All Acts, Resolutions and Proceedings of the Board and Management since 2014 Annual Meeting** – For transparency and good corporate practice, the acts of Management are presented for approval of the stockholders, to wit:

Date Filed	Item Reported
04/23/2014	Ratification of Minutes of BOD dated March 20, 2014
04/24/2014	Authorization of Mr. Marlon Molano to secure bonds in order to comply with the requirements of Rustan Supercenters Inc: Downpayment Surety Bond Php4,410,000.00 Performance Bond 30% of the contract price Contractors All Risk Insurance 100% of the contract price Contractor's Employees Accident Insurance P1,000,000.00 per Occurrence valid in one year
05/05/2014	Designation of Mr. Marlon Molano to sign PMPC's 2014 BOC Importer's Annual Application of Certificate of Accreditation
05/06/2014	Ratification of Minutes of previous Board of Directors (BOD) meeting – April 23, 2014  Retirement of Mr. Shigeyoshi Terawaki as President – PPH Authorization of Mr. Nobuo Yasuhira – PMPC President to act as President – PPH  Election of Mr. Masaru Toyota s Vice-President – PPH Designation of Atty. Mondragon to sign the Visa Application of Mr. Yasuhira
06/17/2014	Authorization of Mr. Yasuhira to preside the Annual Stockholders' Meeting on June 20, 2014 and Atty. Mondragon to preside in the Election of Directors
06/19/2014	Authorization of Mr. Jason Patrick Santos and Mr. Jeri Sanchez, National Sales Manager and Business Consultant respectively of All-Purpose Appliances and Multi-Products, Inc. (APAMI) to represent PMPC in processing Import Commodity Clearance with the DTI
6/20/2014	Ratification of the Minutes of June 21, 2013 President's Annual and Financial Reporting Ratification of the Annual Reports and Acts of the Board

06/23/2014	<p>Election of Directors for year 2014 – 2015</p> <p>Regular Directors:</p> <ol style="list-style-type: none"> <li>1. Masao Okawa – Chairman</li> <li>2. Nobuo Yasuhira</li> <li>3. Hiroyoshi Fukutomi</li> <li>4. Hiroshi Yamada</li> <li>5. Shigeyoshi Terawaki</li> <li>6. Tatsuyuki Nonaka</li> <li>7. Miguel Castro</li> </ol> <p>Independent Directors:</p> <ol style="list-style-type: none"> <li>1. Evangelista Cuenco</li> <li>2. Emiliano Volante</li> </ol> <p>Appointment of Sycip, Gorres, Velayo &amp; Co. as the Co.'s external auditor for fiscal year 2014 – 2015</p> <p>Ratification of the Minutes dated May 6, 2014</p> <p>Resignation of Mr. Masao Okawa as Director and Chairman Effective July 1, 2014</p> <p>Resignation of Mr. Shigeyoshi Terawaki and Mr. Tatsuyuki Nonaka as Director effective June 23, 2014</p> <p>Election of Mr. Masaru Toyota and Mr. Toshikazu Kudo as replacement of Mr. Terawaki and Mr. Nonaka effective June 23, 2014</p> <p>Election of Mr. Yoichi Takemoto as replacement of Mr. Okawa effective July 1, 2014</p> <p>Election of Corporate Officers &amp; Chairman/ Members of Various Board Committees for FY 2014 – 2015</p> <table border="0"> <tr> <td>Mr. Nobuo Yasuhira</td><td>Chairman effective July 1, 2014</td></tr> <tr> <td>Mr. Nobuo Yasuhira</td><td>President</td></tr> <tr> <td>Mr. Hiroyoshi Fukutomi</td><td>Vice-Chairman of the Board</td></tr> <tr> <td></td><td>Executive Director &amp; Treasurer</td></tr> <tr> <td>Mr. Hiroshi Yamada</td><td>Executive Director</td></tr> <tr> <td>Mr. Masaru Toyota</td><td>Vice – President PPH</td></tr> <tr> <td>Atty. Mamerto Mondragon</td><td>Corporate Secretary</td></tr> </table> <p>Audit Committee:</p> <table border="0"> <tr> <td>Chairman</td><td>Mr. Evangelista Cuenco</td></tr> <tr> <td>Member</td><td>Mr. Emiliano Volante</td></tr> <tr> <td>Member</td><td>Mr. Hiroyoshi Fukutomi</td></tr> </table>	Mr. Nobuo Yasuhira	Chairman effective July 1, 2014	Mr. Nobuo Yasuhira	President	Mr. Hiroyoshi Fukutomi	Vice-Chairman of the Board		Executive Director & Treasurer	Mr. Hiroshi Yamada	Executive Director	Mr. Masaru Toyota	Vice – President PPH	Atty. Mamerto Mondragon	Corporate Secretary	Chairman	Mr. Evangelista Cuenco	Member	Mr. Emiliano Volante	Member	Mr. Hiroyoshi Fukutomi
Mr. Nobuo Yasuhira	Chairman effective July 1, 2014																				
Mr. Nobuo Yasuhira	President																				
Mr. Hiroyoshi Fukutomi	Vice-Chairman of the Board																				
	Executive Director & Treasurer																				
Mr. Hiroshi Yamada	Executive Director																				
Mr. Masaru Toyota	Vice – President PPH																				
Atty. Mamerto Mondragon	Corporate Secretary																				
Chairman	Mr. Evangelista Cuenco																				
Member	Mr. Emiliano Volante																				
Member	Mr. Hiroyoshi Fukutomi																				

	<p>Nomination Committee:</p> <p>Chairman Mr. Miguel Castro</p> <p>Member Mr. Evangelista Cuenco</p> <p>Member Mr. Hiroyoshi Fukutomi</p> <p>Compensation/Remuneration Committee:</p> <p>Chairman Mr. Hiroyoshi Fukutomi</p> <p>Member Mr. Miguel Castro</p> <p>Member Mr. Emiliano Volante</p> <p>Risk Management Committee:</p> <p>Chairman Mr. Hiroyoshi Fukutomi</p> <p>Member Mr. Miguel Castro</p> <p>Member Mr. Emiliano Volante</p> <p>Corporate Governance Committee:</p> <p>Chairman Mr. Evangelist Cuenco</p> <p>Member Mr. Miguel Castro</p> <p>Member Mr. Hiroysohi Fukutomi</p>
07/22/2014	Ratification of the Minutes dated June 23, 2014
07/25/2014	Authorization of Mr. Nobuo Yasuhira, Chairman & President to sign Deed of Sale of Motor Vehicle KIA CERES KC2700
09/18/2014	Ratification of the Minutes dated July 22, 2014
09/24/2014	Authorization to enter into Citibank's electronic banking facilities and designation of authorized signatories
10/15/2014	Ratification of Minutes of BOD - September 18, 2014
11/19/2014	Ratification of the Minutes dated October 15, 2014
12/03/2014	Authorization of Mr. Nobuo Yasuhira to sign Contract of Deed of Sale Motor vehicle Mitsubishi Adventure
12/19/2014	Ratification of Minutes of the Board - November 19, 2014 and financial reporting for the month of November 2014
01/23/2015	Ratification of the Minutes dated December 19, 2014 and financial reporting for the month of December 2014
02/17/2015	Authorization of Ms. Jessica Beron to apply for PPH Makati's building and business permit

02/18/2015	Ratification of the Minutes dated January 23, 2015 and financial reporting for the month of January 2015
03/19/2015	<p>Ratification of Minutes of the Board – February 18, 2015 and financial reporting for the month of February 2015</p> <p>Declaration of 10% cash dividend to all stockholders of record as of April 7, 2015 and payable on May 4, 2014</p> <p>Authorization to appropriate a net of additional One Hundred Million Pesos (P100,000,000.00) from its Retained Earnings for future projects and enhancement of the Company's operations.</p>

**c) Election of Directors** – The Regular and Independent members of the Board of Directors are elected at the Annual Stockholders' Meeting to hold office until the next stockholders' meeting and until their respective successors have been elected and qualified.

#### **19. Voting Procedures**

In the election of directors, the nine (9) nominees with the greatest number of votes will be elected directors.

Except in cases where a higher vote is required under the Corporation Code, the approval of any corporate action shall require the majority vote of all stockholders present and proxy in the meeting, if constituting a quorum.


Except in cases where voting by ballot is applicable, voting and counting shall be by viva voce. If by ballot, the counting shall be supervised by the Corporate Secretary and independent auditors of the Company.

## **UNDERTAKING**

**THE COMPANY UNDERTAKES TO PROVIDE WITHOUT CHARGE TO EACH PERSON SOLICITED, UPON WRITTEN REQUEST, A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17 - A. REQUEST SHOULD BE SENT TO: PMPC OFFICE OF THE CORPORATE SECRETARY AT 8<sup>TH</sup> FLOOR, RAHA SULAYMAN BLDG., 108 BENAVIDEZ ST., LEGASPI VILLAGE, MAKATI CITY.**

## **SIGNATURE**

**After reasonable inquiry and to the best of my knowledge and behalf, I certify that the information set forth in this report is true, complete and correct. This report is signed in Taytay, Rizal on May 21, 2015.**

  
**MARLON M. MOLANO**  
Finance Assistant Director

  
**HIROYOSHI FUKUTOMI**  
Executive Director & Treasurer

# ANNEX “A”

## MANAGEMENT REPORT

1. Operational and Financial Information
2. Management Discussions and Analysis  
or Plan of Operation
3. Chairman and President’s Report
4. Certification of Independent Directors
5. Corporate Governance

## OPERATIONAL AND FINANCIAL INFORMATION

### Market for Issuer's Common Equity and Related Stockholder Matters

#### □ MARKET INFORMATION

Common shares outstanding as of April 30, 2015 were:

Class "A"	84,723,432
Class "B"	337,994,588
	<u>422,718,020</u>

### The Parent Company's common equity is traded in the Philippine Stock Exchange.

The following table shows the market prices in Philippine pesos of the Parent Company's Class A shares listed in the Philippine Stock Exchange for fiscal years 2014 and 2013 and the first quarter of year 2015:

Period	<u>2014</u>		<u>2013</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
Jan - Mar	6.29	5.00	6.75	4.50
Apr - Jun	5.10	3.38	6.65	5.00
Jul - Sept	4.80	3.37	6.75	5.00
Oct - Dec	4.88	4.00	6.49	5.03
<u>2015</u>				
Jan - Mar	4.47	4.00		
April 30	4.47	3.82		
Last trading date	Closing price			
May 12, 2015	4.45			

#### □ DIVIDENDS

The payment of dividend, either in the form of cash or stock, will depend upon the Company's earnings, cash flow and financial condition, among other factors. The Company may declare dividends only out of its unrestricted retained earnings. These represent the net accumulated earnings of the Company, with its capital unimpaired, that are not appropriated for any other purpose.

Dividends paid are subject to the approval by the Board of Directors. The Company's Board of Director declared cash dividends as follows:

Declaration Date	Cash Dividend	Record Date	Payment Date
<b><u>2015</u></b>			
March 19, 2015	10%	April 7, 2015	May 4, 2015
<b><u>2014</u></b>			
March 20, 2014	10%	April 10, 2014	May 8, 2014
<b><u>2013</u></b>			
March 21, 2013	10%	April 12, 2013	May 8, 2013
<b><u>2012</u></b>			
April 30, 2012	10%	May 4, 2012	May 30, 2012

□ **HOLDERS**

As of April 30, 2015, there were 444 holders of the Company's common shares. The following table sets forth the top 20 shareholders as of April 30, 2015.

Rank / Name of Holder	Number of Shares	Percentage of Ownership
1. Panasonic Corporation (Japanese)	337,994,588	79.96 %
2. PCD Nominee Corporation (Filipino)	38,846,561	9.19 %
3. PMPC Employees Retirement Plan	19,219,902	4.55 %
4. Pan Malayan Management & Investment	4,606,076	1.09%
5. Jesus V. Del Rosario Foundation, Inc.	3,876,083	0.92%
6. Vergon Realty Investment Corporation	3,389,453	0.80 %
7. J.B. Realty and Development Corporation	1,778,915	0.42 %
8. So Sa Gee	855,716	0.20 %
9. David S. Lim	656,393	0.16 %
10. Efren M. Sangalang	619,607	0.15 %
11. Wellington James So Lim	595,905	0.14%
12. Edward Steven So Lim	587,141	0.14%
13. Vicente L. Co	577,245	0.14 %
14. Jenny So Lim	518,179	0.12%
15. Jason S. Lim	500,000	0.12%
Jonathan Joseph Lim	500,000	0.12%
Vicente S. Lim	500,000	0.12%
16. Victoria H. Martinez	363,000	0.09%
17. Rodolfo P. Tagle	354,192	0.08%
18. Falek Enterprises, Inc.	271,006	0.06%
19. Susan L. Tan	258,184	0.06%
20. Irene Siu Leng Lim	258,122	0.06%

□ **RECENT SALE OF UNREGISTERED SECURITIES**

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

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

#### Top 5 Key Performance Indicators of the Company

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

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

## INTRODUCTION

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 40.0% interest in Precision Electronics Realty Corporation (PERC or the Subsidiary), over which 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 following are discussions on the Consolidated Financial Conditions and Results of the Company and its Subsidiary (The Group) based on the Audited Financial Statements as of and for the years ended March 31, 2015, 2014 and 2013.

This discussion summarizes the significant factors affecting the consolidated operating results, financial condition, liquidity and cash flows of the Group for the fiscal year 2014 ended March 31, 2015. The following discussion should be read in conjunction with the attached audited consolidated financial statements of the Company as of and for the year ended March 31, 2015 (Annex "B") and management plans and reviews (Annex "A").

### Fiscal Year 2014 vs. 2013

#### Financial Positions

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

Accounts	March 31, 2015	March 31, 2014	Difference (%)
Cash and cash equivalent	2,822,927	2,861,084	-1.3%
Receivables	811,799	840,550	-3.4%
Inventories	714,234	552,036	29.4%
Other current assets	60,237	53,384	12.8%
Property & equipment	811,335	792,053	2.4%
Investment property	53,703	57,741	-7.0%
Deferred tax assets	149,948	119,131	25.9%
Accounts payable & accrued expenses	1,174,875	1,242,120	-5.4%
Provision for estimated liabilities	159,176	101,282	57.2%
Finance lease liability	8,112	6,848	18.5%
Technical assistance liability	48,113	44,674	7.7%
Retirement liability	259,118	177,877	45.7%

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

Current ratio slightly increased at 3.2:1 as of March 31, 2015 compared to 3.1:1 as of March 31, 2014 due to decrease in accounts payable and accrues expenses.

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

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

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

Accounts payable and accrued expenses decreased by P67.2 million (5.4%) mainly due to decrease in accrued expenses to third parties.

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

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

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

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

## **Results of Operation**

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

*(in thousands)*

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

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

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

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

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

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

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

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

#### **Fiscal Year 2013 vs. 2012**

#### **Financial Positions**

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

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

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

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

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

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

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

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

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

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

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

Capital expenditures amounted to P424.4 million during the year as the Group continues to upgrade its factory facilities, machinery and equipment to improve productivity.

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

## **Results of Operation**

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

*(in thousands)*

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

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

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

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

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

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

### **Fiscal Year 2012 vs. 2011**

### **Financial Positions**

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

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

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

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

Total current assets increased by P407.9 million (10.0%) due mainly to increase in cash and cash equivalents by P271.5 million (9.8%) due to increase in sales and collection efficiency. Accounts receivable increased by P45.9 million (6.2%) due to increase in sales amount. Inventories increased by P145.1 million (30.9%) due mainly to build-up inventory of Refrigerator in preparation for its transfer to a new building next fiscal year 2013. On the other hand, other current assets decreased by P54.6 million (57.5%) mainly due to increase in allowance for probable losses on prepaid expenses and other receivables amounting to P40.0 million for the period.

Total non-current assets decreased by P23.7 million (3.2%) due mainly to decrease in net property, plant and equipment by P25.4 due to current year's provision for impairment losses of P28.9 million for the idle building and structures. Investment property decreased by P4.6 million (6.9%) due to depreciation for the year. Other asset increased by P19.8 million (66.1%) due mainly to advances to contractors for the construction of a multi-purpose covered court, warehouse building improvement and various equipment amounting to P27.6 million. Deferred tax assets decreased by P13.6 million (10.2%) due to write-off since the Company assesses that it may not be probable that sufficient taxable income will be available in the foreseeable future against which these tax benefits can be realized.

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

Capital expenditures amounted to P116.8 million during the year as the Group continues to upgrade its factory facilities, machinery and equipment to improve productivity and profitability of the Company.

Appropriated retained earnings for plant expansion decreased by P50.0 million.

## **Results of Operation**

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

*(in thousands)*

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

Consolidated sales of the Group for the FY 2012 amounted to ₱6.409 billion, increased by 7.9% from ₱5.943 billion posted in fiscal year 2011. Despite the various typhoons and floods that savaged the country, the increase domestic demand is notable due to the continued flow of remittances from overseas workers and stable inflation which accelerated consumption and increased the purchasing power of the consumers and concerted efforts to produce the demand products thru production innovation, efficiency improvement and maximized machine utilization. The company also managed to have promo activities at par with competitors thru the utilization of certain revenues from cost savings. Also the Company had revived the advertisement activities on TVs, radios and newspapers this year.

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

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

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

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

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

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

▪ **Known Trends**

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

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

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

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

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

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

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

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

▪ **Capital expenditures**

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

▪ **Significant Elements of Income or Loss**

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

▪ **Seasonal Aspects**

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

## **CASHFLOWS**

A brief summary of cash flow movement is shown below

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

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

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

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

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

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

Despite the stagnant Philippines GDP, financial crisis and slow economic recovery affecting the Group's operations in general, the Group can internally provide its own cash requirements for its operation for the next twelve months and in succeeding years. Various cash flow improvements such as aggressive operational cost reduction, cost negotiation, productivity and system enhancements are being implemented to maintain the Group's loan-free operation.

### **RETAINED EARNINGS**

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

The appropriated retained earnings pertain to the appropriation for plant expansion and modernization and upgrade of factory facilities and equipment of the Parent Company and for purchase of industrial land for future business expansion of PERC.

### **CORPORATE GOVERNANCE**

Please refer to attached Annex "D"

CHAIRMAN  
AND  
PRESIDENT'S  
REPORT

## Message to our Valued Stockholders

Fiscal year 2014 can be considered as one of the most testing yet very fulfilling periods in the history of PMPC. Our company started the year on a very optimistic expectations along with the perceived Philippine economy's steady path of growth and proven resiliency. However, our business operation was also upset by various challenges the country faced, including the typhoons that slowed down the production and retail sell out of our products, and the Manila port congestion, which was very much felt at the start of our fiscal year operation in April and causing delays in export and import transactions, transportation bottlenecks, and higher logistic costs. Moreover, the rotational brown outs in the Visayas and Mindanao regions somehow affected our sales performance as the situation triggered slower consumer spending.

Along with the aforementioned circumstances, our company posted a total sales of 6.713 billion pesos, which was only 102% of last year's 6.596 billion pesos. Comparing such performance on a per product basis against last year, our locally produced products recorded actually a 10% growth. Most of our product lines did well in 2014 with window-type air conditioners achieving 105%, refrigerators at 117%, freezers at 118%, and electric fans at 101%. Our achievement in washing machines, on the other hand was only 99% of last year due to the sudden shift in market demand to higher capacity washer, as well as the temporary stoppage of production and sales of our 6.5kg capacity due to profitability issue. The sales of imported goods however registered a 105% performance against last year due to the increase in the demand for higher capacity refrigerators and washers. On the other hand, our export sales of window- type air conditioners was only 93% versus last year. Despite the 116% sales achievement for the shipments to Hong Kong, we only achieved 6% of our sales target for Africa due to the political unrest and "Ebola virus" craze in the area. On our other B2B operations, we incurred also shortfall in Cold chain business, achieving only 89%

of last year due to lower sales of showcase chillers. Likewise, our Systems Solutions products realized only 96% of last year due to the delay in the implementation of projects.

In the area of profitability, we managed to register an amount of 162 million pesos after tax, which is at the same level as last year despite the 2% sales increase due to tax difference and increase in freight costs brought about by the Manila port congestion.

Starting fiscal year 2012, we reported to our valued stockholders of our aggressive investments on factory improvements and innovations. Consequently, in fiscal year 2014, we invested in new machineries, and mould and dies for product enhancement and plant relocations amounting to 200 million pesos. In fact, in April 2014, we started our in-plant operation for plastic injection, initially for washing machine tub. Moreover, the production operations for our Washing Machine and Electric Fan factories were transferred to a new location near our Refrigerator Factory. Consequently, the production efficiency of our Refrigerator Factory along with the able support of its personnel tremendously improved from previous years' production of 620 units per day to 750 units in fiscal year 2014. Such improvement helped us much in meeting the finished goods requirement of our business partners, which actually resulted in the increase in the sales of our refrigerators and freezers.

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

We continued also to invest on facilities for the health and wellness of our PMPC employees, encouraging camaraderie and improving productivity. Our gym in Taytay, for instance was renovated and upgraded, and a new training and wellness center in Sta. Rosa was also inaugurated.

Fiscal year 2014 too will be remembered in the history of PMPC as the time when all the top-3 executives of Panasonic Corporation (PC) visited PMPC with PC President Kazuhiro Tsuga on June 30, 2014, PC Executive Vice President Yoshihiko Yamada on November 14, 2014, and PC Chairman Shusaku Nagae on February 12, 2015, giving fresh challenge and inspiration to all PMPC employees in achieving our Company's 2018 target of doubling sales.

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

Looking forward, we have formulated our business plan for fiscal year 2015 along with our vision to double our sales by 2018. Thus, we have committed to achieve a 20% growth in our fiscal year 2015 performance versus fiscal year 2014 by strengthening our fundamentals, particularly our adherence to our corporate social responsibilities in line with our mission. It is extremely important to manage all our business activities based on the sense of mission to sustain our operation and ensure the continuing success of our company.

We are confident that with all the members of our PMPC Family contributing their very best effort with commitment to the overall target of our company, we can do better and continue making a difference in the industry. We shall then gather the strengths of each and every member of our company, making “himozuke” concept as the foundation of our solid team by having all the functions and areas of our operation and activities closely connected and related along with the spirit of harmony, co-creativity, and cooperation. Time and again I say that the future of PMPC is in the hands of each and every member of our company with their unique strengths, skills, and abilities. Through our “himozuke” concept, we will combine those uniqueness that each individual member of our Company do possess in pursuing “cross-value innovation” to create new things resulting from our synergy that leads us in aggressively pursuing a new PMPC... a robust and flexible company.

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

CERTIFICATION OF  
INDEPENDENT  
DIRECTORS

# COVER SHEET

2 3 0 2 2

S.E.C. Registration Number

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

(Company's Full Name)

O R T I G A S A V E N U E E X T E N S I O N  
T A Y T A Y R I Z A L

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

Atty. Mamerto Z. Mondragon

Contact Person

818-77-39

Company Telephone Number

0 3 3 1

Month Day

Fiscal Year

SEC FORM 17-C

3rd. Friday

Month Day

of June

CERTIFICATION OF INDEPENDENT DIRECTORS Annual Meeting

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

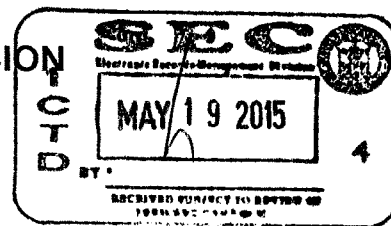
Cashier

STAMPS

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17  
OF THE SECURITIES REGULATION CODE  
AND SRC RULE 17.2(c) THEREUNDER



1. **May 18, 2015**  
Date of Report (Date of earliest event reported)
  2. SEC Identification Number – **23022**
  3. BIR Tax Identification No. **000-099-692**
  4. **Panasonic Manufacturing Philippines Corporation**  
Exact name of issuer as specified in its charter
  5. **Philippines**  
Province, Country or other jurisdiction of Incorporation
  6.   (SEC Use Only)  
Industry Classification Code:
  7. **Ortigas Avenue Extension, Taytay, Rizal**  
Address of principal office
  - 1901  
Postal Code
  8. **(632) 635-22-60 to 65 / (632) 284-22-92**  
Issuer's telephone number, including area code
  9. **Not Applicable**  
Former name or former address, if 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<br>Outstanding and Amount of Debt |
|--------------------------------|--|
| Outstanding                    |  |
| Common shares, P1.00 par value |  |
| Class                          |  |
| A                              | 84,723,432   |
11. Indicate the item numbers reported herein : .....

### ITEM 4. CERTIFICATION OF INDEPENDENT DIRECTOR

#### SIGNATURES


Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**PANASONIC MANUFACTURING  
PHILIPPINES CORPORATION**

Issuer

By:

Date: **May 18, 2015**

  
**ATTY. MAMERTO Z. MONDRAGON**  
Corporate Secretary

## CERTIFICATION OF INDEPENDENT DIRECTORS

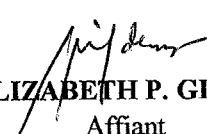
I, **ELIZABETH P. GILDORE**, Filipino, of legal age and a resident of No. 21 Dona Francesca Street, Filinvest Home East, Marcos Highway, Antipolo City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am the independent director of PANASONIC MANUFACTURING PHILIPPINES CORPORATION.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
N/A	N/A	N/A


3. I possess all the qualification and none of the disqualifications to serve as an independent Director of PANASONIC MANUFACTURING PHILIPPINES CORPORATION, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.
4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.
5. I shall inform the corporate secretary of PANASONIC MANUFACTURING PHILIPPINES CORPORATION of my changes in the abovementioned information within five (5) days from its occurrence.

Done, this 4th day of May 2015 at Taytay, Rizal.

  
**ELIZABETH P. GILDORE**  
Affiant

**SUBSCRIBED AND SWORN** to before me on this 30th day of MAY 2015,  
affiant personally appeared before me and exhibited to me his Valid ID No. \_\_\_\_\_ issued  
on \_\_\_\_\_ at \_\_\_\_\_, Metro Manila, bearing his photograph and signature.

Doc. No. 173  
Page No. 35  
Book No. 11  
Series of 2015.

  
**RAFAEL B. HILAO, JR.**  
Notary Public  
Until December 31, 2016  
Appointment No. 15-11  
Roll No. 27265  
PTR No. RZL 3113279 Tanay, Rizal 1/07/15  
IBP Life Roll No. 00464  
Unit D, Alberto Bldg., Manila East Road,  
Taytay, Rizal



108292014001031

**SECURITIES AND EXCHANGE COMMISSION**

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines  
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

**Barcode Page**

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**Receipt Date and Time** : August 29, 2014 12:19:23 PM

**Received From** : Head Office

Company Representative

Doc Source

Company Information

SEC Registration No. 0000023022

Company Name PANASONIC MANUFACTURING PHILIPPINES CORPORATION

Industry Classification

Company Type Stock Corporation

**Document Information**

Document ID 108292014001031

Document Type 17-C (FORM 11-C:CURRENT DISCL/RPT)

Document Code 17-C

Period Covered July 18, 2014

No. of Days Late 0

Department CFD

Remarks

# COVER SHEET

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SEC Registration Number

[illegible]

(Company's Full Name)

[illegible]

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

**Marlon M. Molano**  
(Contact Person)

(Contact Person)

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

(Company Telephone Number)

CERTIFICATION INDEPENDENT DIRECTOR – EMILIANO VOLANTE

0	3	3	1
<i>Month</i>		<i>Day</i>	
(Quarter ending)			

Month Day  
(Quarter ending)

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(Form Type)

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20	0
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Month Day  
(Annual Meeting)

\_\_\_\_\_

(Secondary License Type, If Applicable)

\_\_\_\_\_

Dept. Requiring this Doc.

\_\_\_\_\_

Amended Articles Number/Section

474

Total No. of Stockholders

Total Amount of Borrowings

Domestic

or borrowings

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

[illegible]

Document ID

LCU

Cashier

## STAMPS

Remarks: Please use BLACK ink for scanning purposes.

## CERTIFICATION OF INDEPENDENT DIRECTORS

I, **EMILIANO S. VOLANTE**, Filipino, of legal age and a resident of 227 Hornbill Street Strip 70 Village, Concepcion I, Marikina City, after having been sworn to in accordance with law do hereby declare that:

1. I am the independent director of PANASONIC MANUFACTURING PHILIPPINES CORPORATION.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
N/A	N/A	N/A

3. I possess all the qualifications and none of the disqualifications to serve as an independent Director of PANASONIC MANUFACTURING PHILIPPINES CORPORATION, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.
4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.
5. I shall inform the corporate secretary of PANASONIC MANUFACTURING PHILIPPINES CORPORATION of my changes in the abovementioned information within five (5) days from its occurrence.

Done, this 18<sup>th</sup> day of July 2014 at Taytay, Rizal.

**EMILIANO S. VOLANTE**

Affiant

28 Affiant AUG 2014

**LAYTAY, RIZAL**

**SUBSCRIBED AND SWORN** to before me on this 6/5/2014 day of July 2014 at TATAY, RIZAL,  
affiant personally appeared before me and exhibited to me his Driver's License No.  
N12-81-011208 issued on 6/5/2014 at Mandaluyong City, Metro Manila, bearing his  
photograph and signature.

Doc. No. 374  
Page No. 070  
Book No. XV  
Series of 2014

**RAFAEL B. MILAO, JR.**  
NOTARY PUBLIC  
UNTIL DECEMBER 31, 2014  
ROLL OF ATTORNEYS NO. 27265  
IBP LIFE TIME MEMBER 00464  
PTN NO. 100000000-2002-JAN.06,2019  
MCLE COMPL. NO. IV-0003207

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17  
OF THE SECURITIES REGULATION CODE  
AND SRC RULE 17.2(c) THEREUNDER

1. **July 18, 2014**  
Date of Report (Date of earliest event reported)
2. SEC Identification Number – **23022**      3. BIR Tax Identification No. **000-099-692**
4. **Panasonic Manufacturing Philippines Corporation**  
Exact name of issuer as specified in its charter
5. **Philippines**  
Province, Country or other jurisdiction of  
Incorporation
6.  (SEC Use Only)  
Industry Classification Code:
7. **Ortigas Avenue Extension, Taytay, Rizal**  
Address of principal office 1901  
Postal Code
8. **(632) 635-22-60 to 65 / (632) 284-22-92**  
Issuer's telephone number, including area code
9. **Not Applicable**  
Former name or former address, if 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, P1.00 par value</u>		
<hr/>		
<u>Class</u>		
A		84,723,432

11. Indicate the item numbers reported herein : .....

### ITEM 4. CERTIFICATION OF INDEPENDENT DIRECTOR

### SIGNATURES

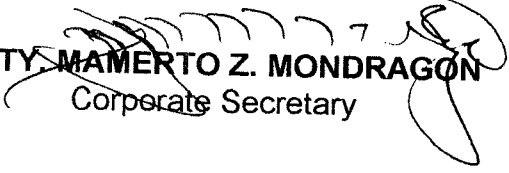
Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**PANASONIC MANUFACTURING  
PHILIPPINES CORPORATION**

Issuer

By:

Date: **July 18, 2014**

  
**ATTY. MAMERTO Z. MONDRAGON**  
Corporate Secretary

## ANNEX “C”

### QUARTERLY REPORT (SEC 17-Q)

AS OF DECEMBER 31, 2014  
(UNAUDITED)



102132015000565

**SECURITIES AND EXCHANGE COMMISSION**

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines  
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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**Receiving Branch** : SEC Head Office

**Receipt Date and Time** : February 13, 2015 10:39:22 AM

**Received From** : Head Office

Company Representative

Doc Source

**Company Information**

SEC Registration No. 0000023022

Company Name PANASONIC MANUFACTURING PHILIPPINES CORPORATION

Industry Classification

Company Type Stock Corporation

**Document Information**

Document ID 102132015000565

Document Type 17-Q (FORM 11-Q: QUARTERLY REPORT/FS)

Document Code 17-Q

Period Covered December 31, 20014

No. of Days Late 0

Department CFD

Remarks

					2	3	0	2	2
SEC Registration Number									
P	A	N	A	S	O	N	I	C	
M	A	N	U	F	A	C	T	U	R
I	N	G		P	H	I	L	I	P
P	I	N		E	S		C	O	R
P	O	R	A	T	I	O	N		A
N	D		S	U	B	S	I	D	I
A	R		Y						

(Company's Full Name)

O	r	t	i	g	A	s		A	v	e	N	u	e		E	x	t	e	N	s	i	o	n	,		T	a	y	t	a	y	,
R	i	z	a	l																												

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

MARLON M. MOLANO
(Contact Person)

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

0	3	3	1
Month	Day		
(Fiscal year)			

1	7	-	Q
(Form Type)			

0	6	1	9
Month	Day		
(Annual Meeting)			

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

487
Total No. of Stockholders

Total Amount of Borrowings	
Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number									

LCU

Document ID									

Cashier

STAMPS									
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Remarks: Please use BLACK ink for scanning purposes.

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  
Taytay, Rizal  
Address of principal office

1901  
Postal Code

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

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

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

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 December 31, 2014 (with comparative figures as of March 31, 2014 and period ended December 31, 2013 & 2012) and selected Notes to Consolidated Financial Statements are on pages 14 to 33.

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

#### Key Performance Indicators

Name of Index	Calculation	FY 2014 Apr – Dec	FY 2013 Apr – Dec	FY 2012 Apr – Dec
<b>1. Rate of Sales Increase</b>	$\frac{\text{CY Sales} - \text{LY Sales}}{\text{LY Sales}} \times 100\%$	<b>6.2%</b>	1.5%	10.3%
<b>2. Rate of Profit Increase</b>	$\frac{\text{CY Profit Before Tax} - \text{LY Profit Before Tax}}{\text{LY Profit Before Tax}} \times 100\%$	<b>26.5%</b>	50.4%	219.5%
<b>3. Rate of Profit on Sales</b>	$\frac{\text{Profit Before Tax}}{\text{Total Sales}} \times 100\%$	<b>3.0%</b>	2.5%	1.7%
<b>4. Current Ratio</b>	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	<b>3.4:1 (12/31/2014)</b>	3.5:1 (3/31/2014)	3.4:1 (3/31/2013)
<b>5. Dividend Ratio to Capital</b>	$\frac{\text{Dividend}}{\text{Average Capital}} \times 100\%$	<b>10.0%</b>	10.0%	10.0%

- (a) Rate of Sales Increase - This measures the sales growth versus the same period last year. For the nine month period ended December 31, 2014, the Company registered a 6.2% increase in sales to P5.394 billion from P5.080 billion of the same period last year. This is brought about by the improve retail sales and our better product quality and better promo scheme.
- (b) Rate of Profit Increase - This measures the increase in profit before tax versus the same period last year. Rate of profit improved to 26.5% from last year mainly due to increase in sales amount and reduction on selling expenses.
- (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 3.0% and 2.5% for the nine month period ended December 31, 2014 and 2013 respectively. This was mainly due to the lower cost of major materials such as metal, copper and plastics.
- (d) Current Ratio - This measures the liquidity of the Group and its ability to pay off current liabilities. The Company registered current ratio of 3.4:1 and 3.5:1 for December 31, 2014 and March 31, 2014 respectively.
- (e) Dividend Ratio to Capital - This measures the dividend payout ratio versus capital for the period. The Group declared 10% cash dividend during the nine month period.

## RESULTS OF OPERATION

### NINE MONTH ENDED DECEMBER 31, 2014 vs. 2013

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

(in thousands)

Accounts	DEC. 31, 2014	DEC. 31, 2013	Difference (%)
Sales	5,394,131	5,079,852	6.2%
Cost of sales	3,929,847	3,662,704	7.3%
Gross profit	1,464,284	1,417,148	3.3%
Selling expenses	897,648	884,416	1.5%
General administrative expenses	446,297	428,095	4.3%
Other income – net	42,929	24,399	75.9%
Income before tax	163,268	129,036	26.5%
Income tax expense	36,853	32,061	14.9%
Income after tax	126,415	96,975	30.4%

Consolidated sales for FY 2014 ended December increased by 6.2% due mainly to the increase in retail sales of Home Appliance products like Refrigerator, Freezer, Aircon and Washing Machine especially during our April – September operation.

Cost of sales increased by 7.3% amounting to ₱267.1 million mainly due to 6.2% sales achievement. Along with this, material cost and direct labor increased by ₱249.2 million due to increase in production. The gross profit increased by 3.3% versus 2013 due to net effect in increase of sales.

General administrative expenses increased by ₱18.2 million (4.3%) due mainly to increase in Technical assistance fee and Brand license fee by ₱8.1 million due to increase in sales amount achievement for the period. In addition, salaries also increased by ₱7.3 million.

Selling expenses increased by 1.5% amounting to ₱13.2 million mainly due to increase in freight cost by ₱20.9 million brought by increase in sales and fuel cost increased coupled by the issue of Manila port congestion. On the other hand, advertising and sales promotion expenses decreased by ₱7.7 million.

Other income - net increased by ₱18.5 million against 2013 mainly due to miscellaneous expenses incurred in 2014 on the disposal of equipment/structure.

Income before tax increased by ₱34.2 million (26.5%) due to increase in sales achievement by 6.2% and decrease in non-operating expense.

## FINANCIAL POSITIONS

### ▪ As of December 31, 2014 vs. March 31, 2014

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

(in thousands)

Accounts	Dec. 31, 2014	March 31, 2014	Difference (%)
Cash and cash equivalent	2,963,546	2,861,084	3.6%
Accounts receivables	602,366	840,550	-28.3%
Inventories	692,432	552,036	25.4%
Other current assets	34,091	52,174	-34.7%
Property & equipment	828,681	792,053	4.6%
Investment property	54,283	57,741	-6.0%
Other assets	28,539	50,517	-43.5%
Accounts payable & accrued expenses	1,073,499	1,240,910	-13.5%
Provision for estimated liabilities	163,040	101,282	61.0%
Technical assistance payable	22,295	44,674	-50.1%
Finance lease liability	3,120	3,087	-5.5%

The Group continues to maintain its strong financial position with total assets amounting to ₱5.325 billion and ₱5.328 billion as of December 31, 2014 and March 31, 2014 respectively, while total equity increased to ₱3.882 billion from ₱3.756 billion in 2013.

Cash and cash equivalents increased by ₱102.5 million (3.6%) from ₱2.861 billion in fiscal year 2013 ending March 31, 2014 mainly due to increase in sales and net income for the period.

Accounts receivable decreased by 28.3% amounting to ₱238.2 million due to collection efficiency improvement.

Inventories increased by ₱140.4 million (25.4%) from ₱552.0 million in fiscal year 2013 ended March 31, 2014 due mainly to port congestion and cancellation of deliveries to Visayas and Mindanao due to typhoon.

Other current assets decreased by 34.7% amounted to ₱18.1 million mainly due to application of creditable withholding taxes against income tax payable to BIR amounting to ₱29.2 million.

Property and equipment increased by ₱35.5 million due mainly to renovation and building improvements of Refrigerator Department Building and warehouses to improve productivity of the Company.

Investment property decreased by ₱2.3 million (6.0%) mainly due to depreciation cost of the building (leased-out) incurred for the period.

Other assets decreased by ₱22.0 million (43.5%) mainly due to utilization of renovation prepayments.

Accounts payable and accrued expenses decreased by ₱167.4 (13.5%) mainly due to decrease in purchase of finished goods and raw materials.

Provisions for estimated liabilities increased by 61.0% amounting to ₱61.8 million due mainly to provision of expenses that are payable in the future.

Technical assistance fees payable decreased by 50.1% amounting to ₱22.4 million mainly because the amount of payable as of March 31, 2014 is computed based on sales from October 2013– March 31, 2014 while payable as of December 2014 is based on three month sales only from October – December 2014.

## RESULTS OF OPERATION

### NINE MONTH ENDED DECEMBER 31, 2013 vs. 2012

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

(in thousands)

Accounts	DEC. 31, 2013	DEC. 31, 2012	Difference (%)
Sales	5,079,852	5,005,770	1.5%
Cost of sales	3,662,704	3,569,180	2.6%
Gross profit	1,417,148	1,436,590	-1.4%
Selling expenses	884,416	920,972	-4.0%
General administrative expenses	428,095	409,626	4.5%
Other income – net	24,399	(20,212)	220.7%
Income before tax	129,036	85,780	50.4%
Income tax expense	32,061	21,708	47.7%
Income after tax	96,975	64,072	51.4%

Consolidated sales for FY 2013 ended December increased by 1.5% due mainly to the increase in retail sales of Home Appliance products like Refrigerator, Freezer, Aircon and Washing Machine especially during our April – June operation.

Cost of goods sold ratio increased to 72.1% from 71.3% in 2012 mainly due to higher cost of imported materials due to depreciation of peso versus dollar and increased of fixed cost due to Company's project innovation which include mainly the renovation of factory plant.

Gross profit decreased by 1.4% due mainly to increase in cost of sales ratio by 0.8% versus last year.

General administrative expenses increased by ₱18.5 million (4.5%) due mainly to increase in Technical assistance fee and Brand license fee by ₱9.6 million due to increase in sales amount achievement for the period. In addition, rent expense also increased by ₱7.4 million due to additional Japanese top management employed by the Company.

Selling expenses decreased by 4.0% amounting to ₱36.6 million mainly due to control made on promotion and advertising expense in the latter quarter. This decrease in selling expenses is net of increase in freight cost by ₱11.5 million (7.2%) due to high fuel prices.

Non-operating miscellaneous income - net increased by ₱44.6 million against 2012 mainly due to decrease in miscellaneous expenses amounting to ₱61.4 million incurred for the payment of additional incentive on retirement benefit of 84 employees who availed of the Early Retirement Program (ERP) of the Company last year in September 2012.

Income before tax increased by ₱43.3 million (50.4%) due to increase in sales achievement by 1.5% and decrease in non-operating expense (ERP last year).

## FINANCIAL POSITIONS

### ▪ As of December 31, 2013 vs. March 31, 2013

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

(in thousands)

Accounts	Dec. 31, 2013	March 31, 2013	Difference (%)
Cash and cash equivalent	2,903,948	3,042,774	-4.6%
Accounts receivables	607,396	790,683	-23.2%
Inventories	482,470	615,147	-21.6%
Other current assets	73,915	40,309	83.4%
Property & equipment	743,148	492,918	50.8%
Investment property	58,894	62,351	-5.5%
Other assets	27,415	49,822	-45.0%
Accounts payable & accrued expenses	869,975	1,275,851	-31.8%
Provision for estimated liabilities	288,339	150,333	91.8%
Technical assistance payable	19,707	43,920	-55.1%
Finance lease liability	7,140	4,549	57.0%

The Group continues to maintain its strong financial position with total assets amounting to ₱2.904 billion and ₱3.043 billion as of December 31, 2013 and March 31, 2013 respectively, while total equity increased to ₱3.802 billion from ₱3.705 billion in 2012.

Cash and cash equivalents decreased by 4.6% from ₱3.043 billion in fiscal year 2012 ending March 31, 2013 to ₱2.904 billion in December 2013 mainly due to renovation cost incurred for Head Office Main Building and Refrigerator Department's production building to improve productivity of the Company.

Accounts receivable decreased by 23.2% amounting to ₱183.3 million due to collection efficiency improvement.

Inventories decreased by 21.6% from ₱132.7 million versus fiscal year 2012 ending March 31, 2013 to ₱482.5 million in December 2013 mainly due to 1.5% increase in sales and strict control on finished good and merchandise as well as raw material purchases.

Other current assets increased by 83.4% amounted to ₱33.6 million mainly due to prepaid taxes and prepaid expenses amounting to ₱10.2 million and ₱20.7 million.

Property and equipment increased by ₱250.0 million due mainly to renovation and building improvements of PMPC Head Office Building, Refrigerator Department Building and warehouses to improve productivity of the Company.

Investment property decreased by 5.5% mainly due to depreciation cost of the building (leased-out) incurred for the period.

Other assets decreased by 45.0% mainly due to utilization of renovation prepayments.

Accounts payable and accrued expenses decreased by 31.8% mainly due to decrease in purchase of finished goods and raw materials.

Provisions for estimated liabilities increased by 91.8% amounting to ₱138.0 million mainly due to provision of expenses that are payable in the future.

Technical assistance fees payable decreased by 55.1% amounting to ₱24.2 million mainly because the amount of payable as of March 31, 2013 is computed based on sales from October 2012– March 31, 2013 while payable as of December 2013 is based on three month sales only from October – December 2013.

Finance lease liability increased by ₱2.6 million due mainly to lease of additional vehicle for management transportation.

## RESULTS OF OPERATION

### NINE MONTH ENDED DECEMBER 31, 2012 vs. 2011

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

(in thousands)

Accounts	DEC. 31, 2012	DEC. 31, 2011	Difference (%)
Sales	5,005,770	4,539,853	10.3%
Cost of sales	3,569,180	3,322,760	7.4%
Gross profit	1,436,590	1,217,093	18.0%
Selling expenses	920,972	852,052	8.1%
Other income – net	(20,212)	57,397	-135.2%
Income before tax	85,780	26,850	219.5%
Income tax expense	21,708	27,646	-21.5%
Income after tax	64,072	(796)	8,149.2%

Consolidated sales for FY 2012 ended December increased by 10.3% due mainly to the increase in sales of Home Appliance products like Refrigerator, Freezer, Aircon and Washing Machine with promotional activities and advertising of the products.

Cost of goods sold ratio decreased by 1.9% from 73.2% in 2011 to 71.3% in 2012 mainly due to lower cost of imported materials and appreciation of peso versus dollar.

Gross profit increased by 18.0% due mainly to sales increased by 10.3% and decrease in cost of sales ratio by 1.9%.

Selling expenses increased by 8.1% amounting to ₱68.9 million mainly due to increase in direct selling expenses by 2.9% amounting to ₱19.6 million and advertising expenses 48.6% amounting to ₱16.3 million to increase sales achievement for the period. Freight cost also increased by 26.3% amounting to ₱33.4 million due to increase in sales and freight rate caused by fuel prices hike.

Non-operating miscellaneous income - net decreased by ₱77.6 million against 2011 mainly due to increase in miscellaneous expenses amounting to ₱61.4 million incurred for the payment of additional incentive on retirement benefit of 84 employees who availed of the early retirement program of the Company in September 2012.

Income before tax increased by ₱58.9 million due to increase in sales achievement by 10.3% and decrease in cost sales ratio by 1.9%.

## FINANCIAL POSITIONS

### ▪ As of December 31, 2012 vs. March 31, 2012

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

(in thousands)

Accounts	Dec. 31, 2012	March 31, 2012	Difference (%)
Cash and cash equivalent	3,045,061	2,771,242	9.9%
Inventories	328,377	470,041	-30.1%
Other current assets	63,907	94,902	-32.7%
Property & equipment	486,783	518,286	-6.1%
Investment property	63,481	66,961	-5.2%
Other assets	27,012	30,001	-10.0%
Accounts payable & accrued expenses	863,806	941,150	-8.2%
Provision for estimated liabilities	279,442	156,209	78.9%
Technical assistance payable	18,814	39,982	-52.9%
Finance lease liability	8,155	4,106	98.6%

The Group continues to maintain its strong financial position with total assets amounting to ₱ 4.903 billion and ₱4.854 billion as of December 31, 2012 and March 31, 2012 respectively, while total equity amounted to ₱3.732 billion and ₱3.710 billion as of the same period.

Cash and cash equivalents increased by 9.9% from ₱2.771 billion in fiscal year 2011 ending March 31, 2012 to ₱3.045 billion in December 2012 mainly due to increase in sales amount for the period. And at the same time, accounts receivable decreased by 1.9% amounting to ₱14.9 million due to collection efficiency improvement.

Inventories decreased by 30.1% from ₱470.0 million in fiscal year 2011 ending March 31, 2012 to ₱328.4 million in December 2012 mainly due to 10.3% increase in sales and strict control on finished good and merchandise as well as raw material purchases.

Other current assets decreased by 32.7% mainly due to usage of prepaid expenses by 56.9% amounting to ₱35.2 million.

Property and equipment, investment property and other assets decreased by 6.1%, 5.2% and 10.0%, respectively mainly due to depreciation cost for the period.

Accounts payable and accrued expenses decreased by 8.2% mainly due to utilization of deposits and advances received for the period.

Provisions for estimated liabilities increased by 78.9% amounting to ₱123.2 million mainly due to provision of expenses that are payable in the future.

Technical assistance fees payable decreased by 52.9% amounting to ₱21.2 million mainly because the amount of payable as of March 31, 2012 is computed based on sales from October 2011– March 31, 2012 while payable as of December 2012 is based on three month sales only from October – December 2012.

Finance lease liability increased by ₱4.0 million due mainly to lease of additional vehicle for management transportation.

**CASHFLOWS**

A brief summary of cash flow movement is shown below

<i>(In thousands pesos)</i>	<b>DEC 2014</b>	<b>DEC 2013</b>
1. Net cash provided by operating activities	<b>280,265</b>	185,829
2. Net cash used in investing activities	<b>(135,120)</b>	(279,666)
3. Net cash used in financing activities	<b>(42,683)</b>	(44,989)

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>	<b>DEC 2014</b>	<b>DEC 2013</b>
Interest received	<b>15,273</b>	19,825
Additions to property and equipment - net	<b>(172,657)</b>	(321,898)
Additions to other assets	<b>21,978</b>	22,407

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

<i>(In thousands pesos)</i>	<b>DEC 2014</b>	<b>DEC 2013</b>
Cash dividends paid	<b>(42,272)</b>	(42,272)

**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 February 12, 2015.

### PANASONIC MANUFACTURING PHILIPPINES CORPORATION

By:

  
**HIROYOSHI FUKUTOMI**  
Treasurer & Executive Director

  
**MARLON M. MOLANO**  
Assistant Director

**PANASONIC MANUFACTURING PHILIPPINES  
CORPORATION AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2014 (Unaudited) and March 31, 2014 (Audited)  
And for the Nine Months ended December 31, 2013 and 2012 (Unaudited)**

**PANASONIC MANUFACTURING PHILIPPINES CORP. & SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2014 AND MARCH 31, 2014**  
*(In Thousand Pesos)*

	December 31, 2014	March 31, 2014
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 3)	₱2,963,546	₱2,861,084
Receivables - net (Notes 4)	602,366	840,550
Inventories - net (Note 5)	692,432	552,036
Other current assets (Note 9)	34,091	52,174
Total Current Assets	4,292,435	4,305,845
<b>Non-current Assets</b>		
Available-for-sale investments (Note 6)	2,341	2,341
Property, plant and equipment - net (Note 7)	828,681	792,053
Investment properties – net (Note 8)	54,283	57,741
Deferred tax assets – net	119,131	119,131
Other assets – net (Note 9)	28,539	50,517
Total Non-current Assets	1,032,975	1,021,783
	<b>₱5,325,410</b>	<b>₱5,327,628</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses (Notes 10)	₱1,073,499	₱1,240,910
Provisions for estimated liabilities (Note 11)	163,040	101,282
Technical assistance fees payable	22,295	44,674
Income tax payable	-	308
Finance lease liability	3,120	3,087
Total Current Liabilities	1,261,954	1,390,261
<b>Noncurrent Liabilities</b>		
Retirement liability	177,877	177,877
Finance lease liability	3,350	3,761
Total Noncurrent Liabilities	181,227	181,638
Total Liabilities	1,443,181	1,571,899
<b>Stockholders' Equity</b>		
Equity attributable to equity holders of the parent		
Capital stock - ₱1 par value (Note 12 & 20)	422,718	422,718
Additional paid-in capital	4,780	4,780
Net unrealized gains on available-for-sale investment	1,381	1,381
Remeasurement loss on retirement liability	(60,626)	(60,626)
Retained earnings (Note 13)		
Appropriated	2,917,400	2,917,400
Unappropriated	523,621	395,716
	3,809,274	3,681,368
Minority interest	72,955	74,361
Total Stockholders' Equity	3,882,229	3,755,729
	<b>₱5,325,410</b>	<b>₱5,327,628</b>

See accompanying Notes to Financial Statements.

**PANASONIC MANUFACTURING PHILIPPINES CORP. & SUBDIARY  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE NINE MONTHS ENDED DECEMBER 31, 2014 & 2013**

*(In Thousand Pesos except Earnings per Common Share Amount)*

	UNAUDITED			
	Apr-Dec 2014	Apr-Dec 2013	Oct-Dec 2014	Oct-Dec 2013
<b>NET SALES</b>	<b>₱5,394,131</b>	₱5,079,852	<b>₱1,587,903</b>	₱1,453,746
<b>COST OF GOODS SOLD</b> (Note 14)	<b>3,929,847</b>	3,662,704	<b>1,165,003</b>	1,045,756
<b>GROSS PROFIT</b>	<b>1,464,284</b>	1,417,148	<b>422,900</b>	407,990
<b>SELLING EXPENSES</b> (Note 15)	<b>(897,648)</b>	(884,416)	<b>(273,299)</b>	(264,937)
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b> (Note 16)	<b>(446,297)</b>	(428,095)	<b>(141,680)</b>	(138,428)
<b>INCOME FROM OPERATIONS</b>	<b>120,339</b>	104,637	<b>7,921</b>	4,625
<b>OTHER INCOME – Net</b> (Note 18)	<b>42,929</b>	24,399	<b>29,402</b>	12,168
<b>INCOME BEFORE INCOME TAX</b>	<b>163,268</b>	129,036	<b>37,323</b>	16,793
<b>PROVISION FOR INCOME TAX</b>	<b>36,853</b>	32,061	<b>11,115</b>	6,830
<b>NET INCOME FOR THE PERIOD</b>	<b>₱126,415</b>	₱96,975	<b>₱26,208</b>	₱9,963
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱126,415</b>	₱96,975	<b>₱26,208</b>	₱9,963
<b>Attributable to:</b>				
Equity holders of the parent	<b>₱127,872</b>	₱97,635	<b>₱26,682</b>	₱10,180
Minority interest	<b>(1,457)</b>	(660)	<b>(474)</b>	(217)
<b>Earnings Per Share</b> (Note 20)	<b>₱0.30</b>	₱0.23	<b>₱0.06</b>	₱0.02

*See accompanying Notes to Financial Statements.*

**PANASONIC MANUFACTURING PHILIPPINES CORP. & SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
 FOR THE NINE MONTHS ENDED DECEMBER 31, 2014 & 2013  
*(In Thousand Pesos)*

	December 2014	December 2013	March 2014
<b>CAPITAL STOCK</b> (Note 12 & 20)	<b>P422,718</b>	<b>P422,718</b>	<b>P422,718</b>
<b>ADDITIONAL PAID-IN CAPITAL</b>	<b>4,780</b>	<b>4,780</b>	<b>4,780</b>
<b>NET UNREALIZED GAINS ON AVAILABLE- FOR-SALE INVESTMENTS</b>	<b>1,381</b>	<b>1,381</b>	<b>1,381</b>
<b>REMEASUREMENT LOSS ON PENSION LIABILITY</b>	<b>(60,626)</b>	<b>—</b>	<b>(60,626)</b>
<b>RETAINED EARNINGS</b> (Note 13)			
Appropriated:			
Balance at beginning of period	<b>2,917,400</b>	<b>2,817,400</b>	<b>2,817,400</b>
Appropriations – reversal			<b>100,000</b>
Balance at end of period	<b>2,917,400</b>	<b>2,817,400</b>	<b>2,917,400</b>
Unappropriated:			
Balance at beginning of period	<b>395,716</b>	<b>383,444</b>	<b>313,934</b>
Net income / (loss)	<b>127,905</b>	<b>96,975</b>	<b>224,053</b>
Other comprehensive income			
Total comprehensive income	<b>523,621</b>	<b>480,419</b>	<b>537,987</b>
Cash dividends			<b>(42,272)</b>
Appropriations – reversal			<b>(100,000)</b>
Balance at end of period	<b>523,621</b>	<b>480,419</b>	<b>395,716</b>
	<b>3,809,274</b>	<b>3,726,698</b>	<b>3,681,368</b>
Minority interest	<b>72,955</b>	<b>74,796</b>	<b>74,361</b>
<b>Total Stockholders' Equity</b>	<b>P3,882,229</b>	<b>P3,801,494</b>	<b>P3,755,729</b>

*See accompanying Notes to Financial Statements.*

**PANASONIC MANUFACTURING PHILIPPINES CORP. & SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
 FOR THE NINE MONTHS ENDED DECEMBER 31, 2014 & 2013  
*(In Thousand Pesos)*

	December 2014	December 2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before tax	<b>₱163,268</b>	₱129,036
Adjustments for:		
Depreciation and amortization	<b>139,487</b>	101,001
Gain on sales of property and equipment	<b>(286)</b>	-
Interest income	<b>(15,273)</b>	(19,825)
Net movement for estimated liabilities	<b>61,758</b>	138,006
Provision for impairment losses of property and equipment		35,329
Operating income before working capital changes	<b>348,954</b>	383,547
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	<b>238,184</b>	183,287
Inventories	<b>(140,396)</b>	132,678
Other current assets	<b>18,083</b>	(33,607)
Decrease in:		
Accounts payable and accrued expenses	<b>(125,328)</b>	(423,802)
Technical assistance fees payable	<b>(22,379)</b>	(24,213)
Cash generated from operating activities	<b>317,118</b>	217,890
Income taxes paid	<b>(36,853)</b>	(32,061)
Net cash provided by (used in) operating activities	<b>280,265</b>	185,829
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property and equipment –net	<b>(172,657)</b>	(321,898)
Gain on sales of property and equipment	<b>286</b>	-
Interests received	<b>15,273</b>	19,825
Decrease (increase) in other assets	<b>21,978</b>	22,407
Net cash provided by (used in) investing activities	<b>(135,120)</b>	(279,666)
<b>CASH FLOW FROM FINANCING ACTIVITY</b>		
Cash dividends paid	<b>(42,272)</b>	(42,272)
Finance lease liabilities paid	<b>(411)</b>	(2,717)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>102,462</b>	(138,826)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>2,861,084</b>	3,042,774
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>₱2,963,546</b>	₱2,903,948

*See accompanying Notes to Financial Statements.*

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**PANASONIC MANUFACTURING PHILIPPINES CORP. & SUBSIDIARY**  
**SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**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, Taytay, Rizal.

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**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 December 30, 2014 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**

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are the same with those of the previous financial year. The Group intends to adopt these standards when they become effective. Except as otherwise indicated, the Group does not expect the adaptation of these standards to have significant impact on the Group's financial statements.

### ***Mandatory Date Yet to be Determined***

#### *PFRS 9, Financial Instruments*

PFRS 9. As issued, reflects the first phase on the replacement of PAS 19 and applies to the classification and measurements of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial assets may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on a specified dates, to cash flows are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets are held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of the liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities has been carried forward into PFRS 9, including embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

#### *Philippine Interpretation IFRIC 15, Agreement for the Construction of Real Estate*

This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services with the construction materials and where the risks and rewards of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

**3. Cash and Cash Equivalents**

This account consists of: (in thousand pesos)

	December 2014	March 2014
Cash on hand	<b>₱20,389</b>	₱3,507
Cash in banks	<b>523,157</b>	245,577
Short-term investments	<b>2,420,000</b>	2,612,000
	<b>₱2,963,546</b>	₱2,861,084

**4. Receivables**

This account consists of: (in thousands)

	December 2014	March 2014
Trade		
Domestic	<b>₱471,792</b>	₱569,125
Export	<b>24,110</b>	155,245
Non-trade		
Related parties (Note 23)	<b>70,405</b>	101,762
Third parties	<b>56,959</b>	27,601
Employees	<b>2,734</b>	3,598
Insurance claims	<b>29</b>	453
Others	<b>20,376</b>	21,994
	<b>646,405</b>	879,778
Less allowance for doubtful accounts	<b>44,039</b>	39,228
	<b>₱602,366</b>	₱840,550

**5. Inventories**

This account consists of: (in thousands)

	December 2014	March 2014
At NRV:		
Finished goods and merchandise	<b>₱239,886</b>	₱265,725
Goods in-process	<b>15,756</b>	4,388
Raw materials	<b>134,778</b>	132,945
Spare parts and supplies	<b>5,206</b>	4,426
At cost:		
Goods in-transit	<b>296,806</b>	144,552
	<b>₱692,432</b>	₱552,036

**6. Available-for-sale investments**

This account consists of: (in thousands)

	December 2014	March 2014
Meralco	<b>₱1,217</b>	₱1,217
PLDT	<b>1,124</b>	1,124
	<b>₱2,341</b>	₱2,341

## 7. Property, Plant and Equipment

This account consists of (Php1,000):

<b>As of December 31, 2014</b>	Land and Improvements	Factory Machinery, Equipment and Tools	Building and Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Total
<b>Cost</b>						
Balance at beginning of period	P236,029	P1,363,995	P662,203	P218,551	P83,288	P2,564,066
Acquisitions		37,817	110,588	11,629	12,468	172,502
Disposals/transfer in/(out)		33,834	(42,360)	(7,067)	(2,069)	(17,662)
Balance at end of period	<b>236,029</b>	<b>1,431,548</b>	<b>730,196</b>	<b>219,817</b>	<b>91,777</b>	<b>2,709,367</b>
<b>Accumulated Depreciation</b>						
<b>And Amortization</b>						
Balance at beginning of period	P2,851	P1,156,067	P346,587	P203,382	P63,125	P1,772,012
Depreciation (Note 17)		92,681	24,384	10,294	8,755	136,114
Sale/write-offs/adjustments		(18,453)	(362)	(5,313)	(3,312)	(27,440)
End of the period	<b>2,851</b>	<b>1,230,295</b>	<b>370,609</b>	<b>208,363</b>	<b>68,568</b>	<b>1,880,686</b>
<b>Provision for impairment losses</b>						
	<b>2,851</b>	<b>1,230,295</b>	<b>370,609</b>	<b>208,363</b>	<b>68,568</b>	<b>1,880,686</b>
<b>Net Book Value</b>						
<b>(Unaudited) December 2014</b>	<b>P233,178</b>	<b>P201,253</b>	<b>P359,587</b>	<b>P11,454</b>	<b>P23,209</b>	<b>P828,681</b>
<b>(Audited) March 2014</b>	<b>P233,178</b>	<b>P207,928</b>	<b>P315,616</b>	<b>P15,169</b>	<b>P20,163</b>	<b>P792,054</b>

## 8. Investment Properties

This account consists of: (in thousand pesos)

	Building	Building Improvements	Total
<b>As of December 31, 2014</b>			
<b>Cost</b>			
Balance at beginning and end of period	<b>P115,252</b>	<b>P115,623</b>	<b>P230,875</b>
<b>Accumulated Depreciation</b>			
<b>And Amortization</b>			
Balances at beginning of period	57,511	115,623	173,134
Depreciation and amortization	3,458	-	3,458
End of the period	<b>P60,969</b>	<b>P115,623</b>	<b>P176,592</b>
<b>Net Book Value</b>			
<b>(Unaudited) December 2014</b>	<b>P54,283</b>	<b>P -</b>	<b>P54,283</b>
<b>(Audited) March 2014</b>	<b>P57,741</b>	<b>P -</b>	<b>P57,741</b>

## 9. Other Current Assets and Other Assets

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

	December 2014	March 2014
Other current assets		
Creditable withholding taxes	₱49,136	₱78,331
Prepaid expenses	26,933	20,433
Tax credit certificate	3,460	3,460
Other prepaid taxes	8,062	3,329
Advances to employees	-	121
	₱87,591	₱105,674
Less: Allowance for probable loss	53,500	53,500
	₱34,091	₱52,174
Other assets		
Deposits paid	₱15,379	₱14,321
Software	4,727	5,589
Advances to contractors	-	23,700
Deferred input tax	8,433	6,907
	₱28,539	₱49,822

The composition and movements of Intangible Assets - software follow:

	December 2014	March 2014
<b>Cost</b>		
Balances at beginning of year	₱114,183	₱113,679
Additions	68	504
Retirement	-	-
Balances at end of year	114,251	114,183
<b>Accumulated amortization</b>		
Balances at beginning of year	108,595	104,736
Amortization (Note 19)	929	3,859
Retirement	-	-
Balances at end of year	109,524	108,595
<b>Net book value</b>	₱4,727	₱5,589

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.

## 10. Accounts Payable, Accrued Expenses and Provisions for Estimated Liabilities

Accounts payable consists of:

	December 2014	March 2014
Trade payable		
Third parties	₱211,801	₱211,801
Related parties	207,630	191,465
Non-trade payable		
Related parties	7,653	20,812
Accrued expense		
Third parties	585,238	674,311
Related parties	11,262	23,085
Others		
Advances from customers	40,655	63,067
Dividends payable	-	42,272
Output VAT	9,260	14,097
	₱1,073,499	₱1,240,910

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

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:

	<b>December 2014</b>	<b>March 2014</b>
Accrued advertising expenses and sales promotions	<b>₱345,600</b>	₱397,802
Other payable to suppliers	<b>188,542</b>	212,123
Accrued freight expenses	<b>11,514</b>	15,455
Salaries and other employee benefits	<b>36,116</b>	31,568
Accrued income taxes	<b>1,406</b>	—
Other accrued expenses	<b>2,060</b>	17,363
	<b>₱585,238</b>	<b>₱674,311</b>

#### **11. Provisions for Estimated Liabilities**

The rollforward of this account follows:

	<b>December 2014</b>		
	<b>Provisions for</b>		
	<b>Warranty</b>	<b>Other</b>	
	<b>Claims</b>	<b>Estimated</b>	<b>Total</b>
		<b>Liabilities</b>	
Balances at beginning of year	<b>₱44,975</b>	<b>₱56,307</b>	<b>₱101,282</b>
Provisions	<b>28,168</b>	<b>105,594</b>	<b>133,762</b>
Usage	<b>(29,460)</b>	<b>(42,544)</b>	<b>(72,004)</b>
Balances at end of year	<b>₱43,683</b>	<b>₱119,357</b>	<b>₱163,040</b>

	<b>March 2014</b>		
	<b>Provisions for</b>		
	<b>Warranty</b>	<b>Other Estimated</b>	
	<b>Claims</b>	<b>Liabilities</b>	<b>Total</b>
Balances at beginning of year	<b>₱48,429</b>	<b>₱38,825</b>	<b>₱87,254</b>
Provisions (Note 16)	<b>39,713</b>	<b>57,186</b>	<b>96,898</b>
Usage	<b>(43,167)</b>	<b>(39,703)</b>	<b>(82,870)</b>
Balances at end of year	<b>₱44,975</b>	<b>₱56,307</b>	<b>₱101,282</b>

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.

## 12. 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

- 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 December 31, 2014, 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.
- 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	84,723,432	1

As of December 31, 2014, the total number of shares registered under the SRC is 84,723,432 shares being held by 475 stockholders.

## 13. Retained Earnings

- 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.
- On March 31, 2014, the Parent Company's BOD authorized and directed the reversal of the appropriated retained earnings amounting to ₱2.8 billion and set-up a new appropriated retained earnings amounting to ₱2.9 billion. Of the ₱2.8 billion reversed, ₱505.6 million has been utilized for various projects of the Parent Company relating to the completion of buildings and machineries, replacement and upgrading of old machines, moulds and dies, plans to change the Group's Information Technology (IT) System and other future projects of the Parent Company.
- The Parent Company's BOD declared a 10% cash dividend on March 21, 2014 to stockholders of record as of April 10, 2014 payable on May 8, 2014 (₱0.10 per share).
- No subsequent event after December 30, 2014.

**14. Cost of Goods Sold**

This account consists of: (in thousand pesos)

	DEC 2014	DEC 2013
Material costs	<b>₱2,083,284</b>	₱1,854,306
Direct labor (Note 16)	<b>86,913</b>	76,356
Manufacturing overhead:		
Depreciation and amortization (Note 17)	<b>118,518</b>	81,778
Indirect labor (Note 15)	<b>110,902</b>	101,226
Electricity, gas and water	<b>32,582</b>	31,971
Product and development cost	<b>25,096</b>	9,116
Repairs and maintenance	<b>20,569</b>	21,737
Indirect materials	<b>14,683</b>	13,290
Supplies	<b>9,001</b>	7,858
Traveling	<b>8,875</b>	9,354
Insurance	<b>6,097</b>	5,697
Provision for decline in inventories	<b>5,922</b>	6,757
Taxes and dues	<b>4,164</b>	4,792
Rent	<b>1,010</b>	1,359
Provision for estimated liabilities –net		(10,000)
Others	<b>2,634</b>	3,601
Total manufacturing overhead	<b>360,053</b>	288,536
Goods in process:		
Beginning of period	<b>4,388</b>	10,583
End of period	<b>(15,156)</b>	(1,574)
Cost of goods manufactured	<b>2,519,482</b>	2,228,207
Finished goods and merchandise:		
Beginning of period	<b>399,568</b>	510,561
Add purchases – net	<b>1,294,274</b>	1,183,902
End of period	<b>(283,477)</b>	(259,966)
	<b>₱3,929,847</b>	₱3,662,704

**15. Selling Expenses**

This account consists of: (in thousand pesos)

	DEC 2014	DEC 2013
<b>Selling</b>		
Sales commission, promotion, rebates and discounts	<b>₱653,606</b>	₱644,201
Freight	<b>192,530</b>	171,643
Advertising	<b>49,068</b>	61,880
Provision for warranty costs	<b>2,444</b>	6,692
	<b>₱897,648</b>	₱884,416

**16. General and Administrative Expenses**

This account consists of: (in thousand pesos)

	DEC 2014	DEC 2013
<b>General and Administrative</b>		
Salaries, wages and employees' benefits (Note 16)	<b>₱172,950</b>	₱163,669
Technical assistance fees (Note 10)	<b>89,134</b>	82,785
Brand license fees (Note 10)	<b>27,843</b>	26,133
Traveling	<b>22,559</b>	18,896
Depreciation and amortization (Note 18)	<b>20,969</b>	19,222
Repairs and maintenance	<b>17,706</b>	14,229
Taxes and dues	<b>16,510</b>	15,162
Rent	<b>10,390</b>	10,676
Communication	<b>10,243</b>	10,460
Insurance	<b>9,549</b>	10,217
Outsourcing	<b>7,505</b>	7,844
Allocated Cost – Regional Headquarter (Note 10)	<b>7,464</b>	5,128
Electricity, gas and water	<b>6,318</b>	5,303
Supplies	<b>5,130</b>	6,420
Freight and storage	<b>4,859</b>	5,802
Provision for doubtful accounts	–	3,055
Provision for other estimated liabilities	–	81
Provision for decline in inventories	–	(5,848)
Others	<b>17,168</b>	26,861
	<b>₱446,297</b>	₱428,095

**17. Personnel Expenses**

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

	DEC 2014	DEC 2013
Compensation	<b>₱296,510</b>	₱274,615
Retirement and severance	<b>21,116</b>	19,890
Other benefits	<b>30,618</b>	29,160
Other salaries	<b>22,521</b>	19,586
	<b>₱370,765</b>	₱343,251

**18. Other Income (Expenses)**

This account consists of: (in thousand pesos)

	DEC 2014	DEC 2013
Interest income	<b>₱15,273</b>	₱19,825
Rent income	<b>21,082</b>	20,377
Gain on sale of property and equipments	<b>286</b>	220
Foreign exchange gains (losses)	<b>4,691</b>	6,440
Miscellaneous – net	<b>1,595</b>	(22,463)
	<b>₱42,927</b>	₱24,399

## 19. Depreciation and Amortization Expenses

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

	DEC 2014	DEC 2013
Cost of goods sold (Note 12)	<b>₱118,518</b>	₱81,778
Operating expenses (Note 14)	<b>20,969</b>	19,222
	<b>₱139,487</b>	₱101,000

## 20. Earnings Per Share

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

	DEC 2014	DEC 2013
Comprehensive net income after tax (a)	<b>₱126,415</b>	₱96,975
Weighted average number of common shares (b)	<b>422,718</b>	422,718
Earnings per share (a/b)	<b>₱0.30</b>	₱0.23

## 21. Reporting Segments

For management purposes, the Group's business segments are grouped in accordance with that of Panasonic Corporation – Japan lines of business, which are grouped on a product basis as follows: Global Consumer Marketing Sector (GCMS), System Network Company (SNC), Ecology Sector (ES) and Others.

Products under each business segment are as follows:

GCMS Appliances – this segment includes audio, video, home appliances and equipment primarily related to selling products for media, entertainment and household consumers.

SNC – this segment includes communication and security equipment

ES – this segment includes eco solution product such as solar panel and other eco related products

Others – this segment includes industrial cooling system and other devices

The Company's segment information for the periods ended December 31, 2013 and 2012 are as follows (*in thousands*):

### Nine Months ended December 31, 2014 (Unaudited) vs. 2013

<b>2014</b>	GCMS	SNC	ES	OTHERS	TOTAL
Sales	<b>₱5,085,664</b>	<b>₱258,715</b>	<b>₱12,760</b>	<b>₱36,992</b>	<b>₱5,394,131</b>
Cost of goods sold	<b>3,621,933</b>	<b>187,339</b>	<b>10,768</b>	<b>109,807</b>	<b>3,929,847</b>
Gross profit (loss)	<b>1,463,731</b>	<b>71,376</b>	<b>1,992</b>	<b>(72,815)</b>	<b>1,464,284</b>
Operating expenses (income) – net	<b>1,289,579</b>	<b>68,157</b>	<b>(942)</b>	<b>(12,848)</b>	<b>1,343,946</b>
Income (loss) from operations	<b>₱174,152</b>	<b>₱3,219</b>	<b>₱2,934</b>	<b>(₱59,967)</b>	<b>₱120,338</b>

<u>2013</u>	GCMS	SNC	ES	OTHERS	TOTAL
Sales	₱4,769,689	₱246,710	₱381	₱63,072	₱5,079,852
Cost of goods sold	3,389,122	175,436	303	97,843	3,662,704
Gross profit (loss)	1,380,567	71,274	78	(34,771)	1,417,148
Operating expenses (income) – net	1,238,196	67,514	(1,068)	7,869	1,312,511
Income (loss) from operations	₱142,371	₱3,760	₱1,146	(₱42,640)	₱104,637

### **Three Months ended December 31, 2014 (Unaudited) vs. 2013**

<u>2014</u>	GCMS	SNC	ES	OTHERS	TOTAL
Sales	₱1,502,029	₱76,577	₱5,212	₱4,085	₱1,587,903
Cost of goods sold	1,061,990	58,805	4,405	39,803	1,165,003
Gross profit (loss)	440,039	17,772	807	(35,718)	422,900
Operating expenses (income) – net	408,550	17,668	(276)	(10,962)	414,980
Income (loss) from operations	₱31,489	₱104	₱1,083	(₱24,756)	₱7,920

<u>2013</u>	GCMS	SNC	ES	OTHERS	TOTAL
Sales	₱1,335,148	₱88,847	₱192	₱29,559	₱1,453,746
Cost of goods sold	936,748	63,837	138	45,033	1,045,756
Gross profit (loss)	398,400	25,010	54	(15,474)	407,990
Operating expenses (income) – net	376,020	23,107	(284)	4,522	403,365
Income (loss) from operations	₱22,380	₱1,903	₱338	(₱19,996)	₱4,625

## **22. Subsequent Events**

**None**

## **23. 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 December 30, 2014 and March 31, 2014, the foreign currency-denominated financial assets and financial liabilities in original currencies and their Philippine Peso (PHP) equivalents are as follows:

(in thousands)

	DECEMBER 2014		
	USD	JPY	Equivalents in PHP
<b>Financial assets</b>			
Cash in banks and cash equivalents	1,900	985	85,333
Receivables – net	590		26,385
	<b>2,490</b>	<b>985</b>	<b>111,718</b>
<b>Financial liabilities</b>			
Accounts payable and accrued expenses	4,682	3,198	210,564
	MARCH 2014		
	USD	JPY	Equivalents in PHP
<b>Financial assets</b>			
Cash in banks and cash equivalents	1,335	733	60,165
Receivables – net	3,760	865	168,879
	<b>5,095</b>	<b>1,598</b>	<b>229,044</b>
<b>Financial liabilities</b>			
Accounts payable and accrued expenses	5,962	29,064	279,910

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
<b>December 2014</b>	<b>+8%</b>	<b>(P7,842)</b>
	<b>-8%</b>	<b>7,842</b>
March 2014	+8%	P3,108
	-8%	(3,108)

	Increase/ decrease in JPY rate	Effect on income before tax
<b>December 2014</b>	<b>+7%</b>	<b>(P57)</b>
	<b>-7%</b>	<b>57</b>
March 2014	+7%	(P841)
	-7%	841

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 December 30, 2014 and March 31, 2014) due to a reasonably possible change in equity indices is not material to the consolidated financial position of the Group.

#### Credit Risk

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

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

The table below shows the maximum exposure to credit risk for the components of the balance sheet. The maximum exposure is shown at gross, before the effect of mitigation through the use of master netting arrangements or collateral agreements.

(In thousand pesos)

	2014	
	DECEMBER	MARCH
<b>Financial Assets</b>		
Cash in banks and cash equivalents	<b>₱2,943,157</b>	₱2,857,577
Receivables	<b>646,405</b>	879,778
AFS investments	<b>2,341</b>	2,341
Other assets	<b>15,379</b>	14,442
	<b>₱3,607,282</b>	₱3,754,138

The credit quality of financial assets was determined as follows:

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

Receivables - high grade receivables are receivables from related parties and employees while standard grade receivables are receivables from dealers who pay within the Group’s normal credit terms.

AFS investments - the quoted investments are graded as “standard grade” since these are investments in known companies but have recorded impairment in previous years.

Other assets – pertains to deposits refundable meralco deposits which is considered as “high grade” since collectibility of the refund is reasonably assured.

#### Fair Value Measurement

The methods used by the Group in estimating the fair value of its assets and liabilities 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.

##### *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.

##### *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 DECEMBER 31, 2014**

	<b>Amount</b> (Php 1,000)
<hr/>	
<b>Trade Receivables:</b>	
Future Due	431,176
Current Due	33,637
1-30 days	22,992
31-60 days	4,843
61-90 days	2,070
91-120 days	320
121-150 days	34
151-180 days	187
More than 180 days	643
	<hr/>
	<b>495,902</b>
Less: Allowance for doubtful accounts	44,039
<b>Total</b>	<hr/> <b>451,863</b> <hr/>
<b>Other Receivables:</b>	
Receivable from BIR – excess credits prior years	36,392
Receivable from affiliates	37
Receivable from third parties	52,386
Retirement benefit paid	61,510
Employees	178
	<hr/>
	<b>150,503</b>
<b>Total</b>	<hr/> <b>602,366</b> <hr/>

# ANNEX “D”

## CORPORATE GOVERNANCE

# COVER SHEET

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SEC Registration Number

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

(Company's Full Name)

O	r	t	i	g	a	s		A	v	e	n	u	e		E	x	t	e	n	s	i	o	n	,		T	a	y	t	a	y	,
R	i	z	a	l																												

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

<b>MARLON M. MOLANO</b>
-------------------------

(Contact Person)

<b>(632) 635-22-60 to 65</b>
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(Company Telephone Number)

0	3	3	1
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Month Day  
(Fiscal year)

(PARENT)			
A	C	G	R

(Form Type)

0	6	2	1
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Month Day  
(Annual Meeting)

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(Secondary License Type, If Applicable)

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Dept. Requiring this Doc.

<b>Amended Manual on Corporate Governance</b>
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Amended Articles Number/Section

<b>471</b>
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Total No. of Stockholders

Total Amount of Borrowings	
Domestic	Foreign

To be accomplished by SEC Personnel concerned

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File Number

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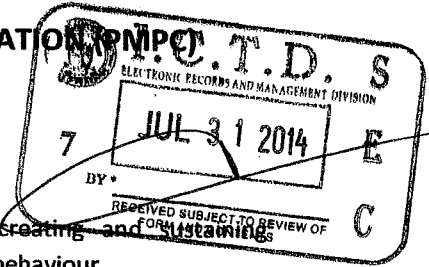
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# PANASONIC MANUFACTURING PHILIPPINES CORPORATION

## MANUAL ON CORPORATE GOVERNANCE



Good corporate governance practice is an important ingredient in creating and sustaining shareholder value and ensuring integrity and ethical, legal and transparent behaviour.

This Corporate Governance Manual, along with the PMPC's By-laws, the Board Committee Charters and the Code of Conduct, provide the framework for the governance of Panasonic Manufacturing Philippines Corporation ("the Company"). This Manual has been approved by PMPC Board to apply to PMPC and its subsidiary.

PMPC is presently a publicly listed company. As such, there is an obligation to comply with the SEC's implementing rules and regulations particularly the Code on Corporate Governance ("the Code"). All relevant provisions of the Code have been adopted in this Corporate Governance Manual.

The practices set out in this document are reviewed regularly by the Compliance Officer and the Audit Committee. They may, from time to time, be amended to ensure that PMPC continues to act in accordance with appropriate corporate governance best practices.

### Article I

#### Definition of Terms

- a) **Corporate Governance** – the framework of rules, system and processes in the corporation that governs the performance by the Board of Directors and Management of their respective duties and responsibilities to stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and community in which it operates.
- b) **Board of Directors** – the governing body elected by the stockholders that exercises the corporate powers of a corporation, conducts all its business and controls its properties;
- c) **Exchange** – and organized market place or facility that brings together buyers and sellers, and executes trades of securities and/or commodities;
- d) **Management** – the body given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the corporation;
- e) **Independent director** – a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director;

- f) **Executive director** – a director who is also the head of a department or unit of the corporation or performs any work related to its operation;
- g) **Non-executive director** – a director who is not the head of a department or unit of the corporation nor performs any work related to its operations;
- h) **Non-audit work** – the other services offered by an external auditor to a corporation that are not directly related and relevant to its statutory audit functions, such as, accounting, payroll, bookkeeping, reconciliation, computer project management, data processing, or information technology outsourcing services, internal audit, and other services that may compromise the independence and objectivity of an external auditor;
- i) **Internal control** – the system established by the Board of Directors and Management for the accomplishment of the corporation's objectives, the efficient operation of its business, the reliability of its financial reporting, and faithful compliance with applicable laws, regulations and internal rules;
- j) **Internal control system** – the framework under which internal controls are developed and implemented (alone or in concert with other policies or procedures) to manage and control a particular risk or business activity, or combination of risks or business activities, to which the corporation is exposed;
- k) **Internal audit** – an independent and objective assurance activity designed to add value to and improve the corporation's operations, and help it accomplish its objectives by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, control and governance processes;
- l) **Internal audit department** – a department or unit of the corporation and its consultants, if any, that provide independent and objective assurance services in order to add value to and improve the corporation's operations;
- m) **Internal Auditor** – the highest position in the corporation responsible for internal audit activities. If internal audit activities are performed by outside service providers, he is the person responsible for overseeing the service contract, the overall quality of these activities, and follow-up of engagement results.

## Article II

### Board Governance

The Board of Directors (the "Board") is primarily responsible for the governance of the Company. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.

**A) Composition of the Board**

The Board shall be composed of at least five (5), but not more than fifteen (15), members who are elected by the stockholders.

The Company shall have at least two (2) independent directors or such number of independent directors that constitute twenty percent (20%) of the members of the Board, whichever is lesser, but in no case less than (2).

The membership of the Board shall be a combination of executive and non-executive directors (which include independent directors) in order that no director or small group of directors can dominate the decision making process.

The non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

**B) Multiple Board Seats**

The Board may consider the adoption of guidelines on the number of directorships that its members can hold in stock and non-stock corporations. The optimum number should take into consideration the capacity of a director to diligently and efficiently perform his duties and responsibilities

The Chief Executive Officer ("CEO") and other executive directors may be covered by a lower indicative limit for membership in other boards. A similar limit may apply to independent or non-executive directors who, at the same time, serve as full-time executives in other corporations. In any case, the capacity of the directors to diligently and efficiently perform their duties and responsibilities to the boards they serve should not be compromised.

**C) The Chair and Chief Executive Officer**

The roles of Chair and CEO should, as much as practicable, be separate to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making by the Board. A clear delineation of functions should be made between the Chair and CEO upon their election.

If the positions of Chairs and CEO are unified, the proper checks and balances should be laid down to ensure that the Board gets the benefit of independent views and perspectives.

The duties and responsibilities of the Chair in relation to the Board may include, among others, the following:

- (i) Ensure that the meetings of the Board are held in accordance with the by-laws or as the Chair may deem necessary;

- (ii) Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestion of the CEO, Management and the directors; and
- (iii) Maintain qualitative and timely lines of communication and information between the Board and Management

#### **D) Qualification of Directors**

In addition to the qualifications for membership in the Board provided for in the Corporation Code, Securities Regulation Code and other relevant laws, the Board may provide for additional qualifications which include, among others, the following:

- (i) College education or equivalent academic degree;
- (ii) Practical understanding of the business of the corporation
- (iii) Membership in good standing in relevant industry, business or professional organizations; and
- (iv) Previous business experience.

#### **E) Disqualification of Directors**

##### **1. Permanent Disqualification**

The following shall be grounds for the permanent disqualification of a director:

- (i) Any permanent convicted by final judgment or order by a competent judicial or Administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;
- (ii) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or wilfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

- (iii) Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
- (iv) Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have wilfully violated, or wilfully aided, abetted, counselled, induced or produced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order;
- (v) Any person earlier elected as independent director who becomes an officer, Employee or consultant of the same corporation;
- (vi) Any person judicially declared as insolvent;
- (vii) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (i) to (v) above;
- (viii) Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.

## **2. Temporary Disqualification**

The Board may provide for the temporary disqualification of a director for any of the following reasons:

- (i) Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementation Rules and regulations. The disqualification shall be in effect as long as the refusal persists.

- (ii) Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family serious accident. The disqualification shall apply for purposes of the succeeding election.
- (iii) Dismissal or termination for cause as director of any corporation covered by this Code. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.
- (iv) If the beneficial equity ownership of an independent director in the corporation of its subsidiaries and affiliates exceeds two (2) percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.
- (v) If any of the judgment or orders cited in the grounds for permanent disqualification has not yet become final.

A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

## **F) Responsibilities, Duties and Functions of the Board**

### **1. General Responsibilities**

It is the Board's responsibility to foster the long-term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interest of *its stockholders and other stakeholders*.

The Board should formulate the Company's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.

### **2. Duties and Functions**

To ensure a high standard of best practice for the Company, its stockholders and other stakeholders, the Board should conduct itself with honesty and integrity in the performance of, among others, the following duties and functions:

- a) Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate

strategies and policies. Appoint competent, professional, honest and highly-motivated management officers. Adopt an effective succession planning program for Management.

- b) Provide sound strategic policies and guidelines to the corporation on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.
- c) Ensure the corporation's faithful compliance with all applicable laws, regulations and best business practices.
- d) Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Company. If feasible, the Company's CEO or chief financial officer shall exercise oversight responsibility over this program.
- e) Identify the corporation's stakeholders in the community in which the Company operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them.
- f) Adopt a system of check and balance within the Board. A regular review of the effectiveness of such system should be conducted to ensure the integrity of the decision-making and reporting processes at all times. There should be a continuing review of the corporation's internal control system in order to maintain its adequacy and effectiveness.
- g) Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the corporation to anticipate and prepare for possible threats to its operational and financial viability.
- h) Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.
- i) Constitute an Audit Committee and such other committee it deems necessary to assist the Board in the performance of its duties and responsibilities.
- j) Establish and maintain an alternative dispute resolution system in the corporation that can amicably settle conflicts or differences between the

corporation and its stockholders, and the corporation and third parties, including the regulatory authorities.

- k) Meet at such times or frequency as may be needed. The minutes of such meetings should be duly recorded. Independent views during Board meetings should be encouraged and given due consideration.
- l) Keep the activities and decision of the Board within its authority under the articles of incorporation and by-laws, and in accordance with existing laws, rules and regulations
- m) Appoint a Compliance Officer who shall have the rank of at least vice president. In the absence of such appointment, the Corporate Secretary, preferably a lawyer, shall act as Compliance Officer.

#### **G) Specific Duties and Responsibilities of a Director**

A director's office is one of trust and confidence. A director should act in the best interest of the Company in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the Company towards sustained progress.

A director should observe the following norms of conduct:

- (i) Conduct fair business transactions with the Company, and ensure that his personal interest does not conflict with the interests of the Company.
- (ii) Devote the time and attention necessary to properly and effectively perform his duties and responsibilities.
- (iii) Act judiciously.
- (iv) Exercise independent judgment.
- (v) Have a working knowledge of the statutory and regulatory requirements that affect the Company, including its articles of incorporation and by-laws, the rules and regulations of the Commission and, where applicable, the requirements of relevant regulatory agencies.
- (vi) Observe confidentiality.

#### **H) Internal Control Responsibilities of the Board**

The control environment of the corporation consists of (a) the Board which ensures that the Company is properly and effectively managed and supervised; (b) a Management that actively manages and operates the Company in a sound and prudent manner; (c) the organizational and procedural controls supported by effective management information and risk management reporting systems; and (d) an independent audit mechanism to monitor the adequacy and effectiveness of the Company's governance, operations, and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules and contracts.

- (i) The minimum internal control mechanisms for the performance of the Board's oversight responsibility include:
  - a) Definition of the duties and responsibilities of the CEO who is ultimately accountable for the Company's organizational and operational control;
  - b) Selection of the person who possesses the ability, integrity and expertise essential for the position of CEO;
  - c) Evaluation of proposed senior management appointments;
  - d) Selection and appointment of qualified and competent management officers; and
  - e) Review of the Company's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan.
- (ii) The scope and particulars of the systems of effective organizational and operational controls may differ among corporations depending on, among others, the following factors: nature and complexity of the business and the business culture; volume, size and complexity of transactions; degree of risks involved; degree of centralization and delegation of authority; extent and effectiveness of information technology; and extent of regulatory compliance.
- (iii) A corporation shall establish an internal audit system that can reasonably assure the Board, Management and stockholders that its key organizational and operational controls are faithfully complied with. The Board shall appoint an Internal Auditor to perform the audit function, and require him to report to a level in the organization that allows the internal audit activity to fulfil its mandate. The Internal Auditor shall be guided by the International Standards on Professional Practice of Internal Auditing.

#### **I) Board Meetings and Quorum Requirement**

The members of the Board should attend its regular and special meetings in person or through teleconferencing conducted in accordance with the rules and regulations of the Commission.

Independent directors should always attend Board meetings. Unless otherwise provided in the by-laws, their absence shall not affect the quorum requirement. However, the Board may, to promote transparency, require the presence of at least one independent director in all its meetings.

To monitor the directors' compliance with the attendance requirements, corporations shall submit to the Commission, on or before January 30 of the following year, a sworn certification about the directors' record of attendance in Board meetings. The certification may be submitted through SEC Form 17-C or in a separate filing.

**J) Remuneration of Directors and Officers**

The levels of remuneration of the corporation should be sufficient to be able to attract and retain the service of qualified and competent directors and officers. A portion of the remuneration of executive directors may be structured or be based on corporate and individual performance.

The Company shall establish formal and transparent procedures for the development of a policy on executive remuneration or determination of remuneration levels for individual directors and officers depending on the particular needs of the Company. No directors should participate in deciding on his remuneration.

The Company's annual reports and information and proxy statements shall include a clear, concise and understandable disclosure of all fixed and variable compensation that may be paid, directly or indirectly, to its directors and top four (4) management officers during the preceding fiscal year.

To protect the funds of a Company, the Commission may, in exceptional cases, e.g., when the Company is under receivership or rehabilitation, regulate the payment of the compensation, allowances, fees and fringe benefits to its directors and officers.

**K) Board Committees**

The Board shall constitute the proper committees to assist it in good corporate governance.

**Audit Committee**

(i) The Audit Committee shall consist of at least (3) directors, who shall preferably have accounting and finance backgrounds, one of whom shall be an independent director and another with audit experience. The chair of the Audit Committee should be an independent director. The committee shall have the following functions:

- a) Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;

- b) Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Company. This function shall include regular receipt from Management of information on risk exposures and risk management activities;
- c) Perform oversight function over the Company's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- d) Review the annual internal audit plan to ensure its conformity with the objectives of the Company. The plan shall include the audit scope, resources and budget necessary to implement it;
- e) Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- f) Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;
- g) Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security;
- h) Review the reports submitted by the internal and external auditors;
- i) Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:
  - Any change/s in accounting policies and practices
  - Major judgmental areas
  - Significant adjustments resulting from the audit
  - Going concern assumptions
  - Compliance with accounting standards
  - Compliance with tax, legal and regulatory requirements.
- j) Coordinate, monitor and facilitate compliance with laws, rules and regulations;
- k) Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual

income of the external auditor and to the Company's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's annual report;

- I) Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfil his duties and responsibilities. He shall functionally report directly to the Audit Committee.

The Audit Committee shall ensure that, in the performance of the work of the internal auditor, he shall be free from interference by outside parties.

For Philippine branches or subsidiaries of foreign corporations covered by this Code, their Internal Auditor should be independent of the Philippine operations and should report to the regional or corporate headquarters.

- (ii) The Board may also organize the following committees:

#### **Nomination Committee**

A nomination Committee, which may be composed of at least three (3) members and one of whom should be an independent director, to review and evaluate the qualification of all persons nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors;

#### **Compensation or Remuneration Committee**

A compensation or Remuneration Committee, which may be composed of at least three (3) members and one of whom should be an independent director, to establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Company's culture, strategy and the business environment in which it operates.

### **L) The Compliance Officer**

The Board shall appoint a Compliance Officer who shall report directly to the Chair of the Board. He shall perform the following duties:

- (i) Monitor compliance by the Company with this Code and the rules and regulations of regulatory agencies and, if any violations are found, report the matter to the Board and recommend the imposition of appropriate disciplinary

action on the responsibility parties and the adoption of measures to prevent a repetition of the violation;

- (ii) Appear before the Commission when summoned in relation to compliance with this Code; and
- (iii) Issue a certification every January 30<sup>th</sup> of the year on the extent of the Company's compliance with this Code for the completed year and, if there are any deviations, explain the reason for such deviation.

### **Article III**

#### **Management**

##### **1. General Responsibilities of Management**

- a. Management stands as the locus of decision making for the day-to-day affairs of the Company. It determines the Company's activities by putting the Company's targets in concrete terms and by formulating the basic strategies for achieving these targets. It also puts in place the infrastructure for the Company's success by establishing the following mechanism in its organization; i) purposeful legal and organizational structures that work effectively and efficiently in attaining the goals of the Company; ii) useful planning, control, and risk management systems that assess risks on an integrated cross-functional approach; iii) information systems that are defined and aligned with IT strategy and business goals of the Company; iv) a plan of succession that formalizes the process of identifying, training and selection of successes in key positions in the Company.
- b. Management is primarily accountable to the Board for operations of the Company. As part of its accountability, it is also obligated to provide the Board with complete, adequate information on the operations and affairs of the Company in a timely manner.

##### **2. Executive Officers of the Company**

The Executive Officers of the Company are the President / CEO, the Vice-President, Executive Directors, and the Corporate Secretary. The Executive Officers shall be appointed by the Board of Directors. In Addition:

###### **a.) President / CEO**

Minimum internal control mechanism for management's operational responsibility shall center on the President/ CEO being ultimately accountable for the Company's organizational and procedural controls. In addition to the duties imposed on the President/CEO by the Board of Directors, the President shall

- i.) Have general supervision of the business, affairs, and property of the Company, and over its employees and officers;
- ii.) See that all orders and resolutions of the Board of Directors are carried into effect;

- iii.) Submit to the Board as soon as possible after the close of each fiscal year and to the stockholders at the annual meeting, a complete report of the operations of the Company for the preceding year, and the state of its affairs;
- iv.) Report to the Board from time to time all matters within its knowledge which the interest of the Company may require to be brought to their notice.
- v.) The President / CEO shall have such other responsibilities as the Board of Directors may impose upon him.

**b.) The Treasurer**

The treasurer of the Company shall have charge of the funds, securities, receipt and disbursement of the Company. He shall have the following functions:

- i.) Deposit or cause to be deposited all moneys and other valuable effects in the name and to the credit of the Company in such banks or trust companies or with such bankers or other depositories as the Board may from time to time designate;
- ii.) Regularly and at least every quarter render to the President or to the Board an account of the fund condition of the Company and of all his transactions as such;
- iii.) Ensure funds available on a timely basis and at the most economical means;
- iv.) Optimize yields in temporary excess funds;
- v.) Provide relevant and timely capital market information;
- vi.) Ensure appropriate coverage and management of risk to resources.

The treasurer shall have such other responsibilities as the Board of Directors may impose upon him.

**c.) The Corporate Secretary**

The Corporate Secretary, who should be a Filipino citizen and a resident of the Philippines, is an officer of the corporation. He should –

- (i) Be responsible for the safekeeping and preservation of the integrity of the Minutes of the meetings of the Board and its committees, as well as the other official records of the Company;
- (ii) Be loyal to the mission, vision and objectives of the corporation;
- (iii) Work fairly and objectively with the Board, Management and stockholders and other stakeholders;
- (iv) Have appropriate administrative and interpersonal skills;
- (v) If he is not at the same time the corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;
- (vi) Have a working knowledge of the operations of the Company;
- (vii) Inform the members of the Board, in accordance with the by-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;

- (viii) Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so;
- (ix) Ensure that all Board procedures, rules and regulations are strictly followed by the members; and
- (x) If he is also Compliance Officer, perform all the duties and responsibilities of the said officer as provided for this Code.

#### **Article IV**

##### **Conflict of Interest**

The personal interest of directors and officers shall never prevail over the interest of the Company. They are required to be loyal to the organization so much so that they may not directly or indirectly derive any personal profit or advantage by reason of their position in the Company. They must promote the common interest of all shareholders and the Company without regard to their own personal and selfish interest.

- a. ) A conflict of interest exist when a director or an officer of the Company -
  - (i) Supplies or is attempting or applying to supply goods or services to the Company;
  - (ii) Supplies or is attempting to supply goods or services or information to an entity in competition with the Company;
  - (iii) By virtue of his office, acquires or is attempting to acquire to himself a business opportunity which should belong to the Company;
  - (iv) Is offered or receives consideration for delivering the Company's business to a third party;
  - (v) Is engaged or attempting to engage in a business or activity which competes with or works contrary to the best interest of the Company.
- b. ) If an actual or potential conflict of interest should arise on the part of directors, it should be fully disclosed and the concerned director should not participate in the decision making. A director who has a continuing conflict of interest of a material in nature should either resign or, if the Board deems appropriate, be removed from the Board.
- c. ) A contract of the Company with one or more of its directors or officers is voidable, at the option of the Company, unless all of the following conditions are present:
  - (i) The presence of such director in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting;
  - (ii) The vote of such director was not necessary for the approval of the contract;
  - (iii) The contract is fair and reasonable under the circumstances;
  - (iv) In case of an officer, the contract has been previously approved by the Board of Directors.

Where any of the first two conditions set forth in the preceding paragraph is absent, in the case of a contract with a director, such contract may be ratified by the vote of stockholders representing two-thirds (2/3) of the outstanding capital stock in a meeting called for that purpose; provided that full disclosure of the adverse interest

of the director is made at such meeting; and provided further that the contract is fair and reasonable under the circumstances.

- d. ) Where a director, by virtue of his office, acquires for himself a business opportunity which should belong to the Company, thereby obtaining profits to the prejudice of the Company, the director must account to the latter for all such profit by refunding the same, unless his act has been ratified by a vote of the stockholders owning or representing at least two-third (2/3) of the outstanding capital stock. This provision shall be applicable notwithstanding the fact that the director risked his own fund in the venture.
- e. ) The foregoing is without prejudice to the Company's existing Code of Conduct and Ethics for its officers, employees and staff.

## **Article V**

### **Related Party Transaction**

The Company shall avoid related party transactions. In instances where related party transactions cannot be avoided, the Company shall disclose all relevant information on the same, including information on the affiliated parties and the affiliation of directors and principal officers. The disclosure shall be in accordance with the Philippine Financial Reporting Standards (PFRS) and SEC's implementing rules and regulations.

## **Article VI**

### **COMMUNICATION AND INFORMATION**

#### **Management Responsibility for Information**

To enable the members of the Board to properly fulfil their duties and responsibilities, Management should provide them with complete, adequate and timely information about the matters to be taken in their meetings.

Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board to enable him properly perform his duties and responsibilities. Hence, the members should be given independent access to Management and the Corporate Secretary.

The information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

The members, either individually or as a Board, and in furtherance of their duties and responsibilities, should have access to independent professional advice at the Company's expense.

## **The Investor Relations Function**

There shall be an Investor Relations Division within the Company, which shall be tasked with—

- i. ) Creation and implementation of an investor relation program reaches out to all shareholders and fully informs them of corporate activities;
- ii. ) Formulation of a clear policy on communicating or relating relevant information to Company stakeholders and to the broader investor community accurately, effectively and sufficiently;
- iii. ) Preparation of disclosure documents to the SEC and the Philippine Stock Exchange; and
- iv. ) Dissemination of this Manual, and the Conduct of an orientation program for the Board and Management.

The Investor Relation Division shall report to the Chief Financial Officer who shall oversee all reporting and disclosures to the SEC and PSE.

## **Communication of This Manual**

This Manual shall be submitted to and made available at the SEC. It shall also be available for inspection by any stockholder of the Company at its principal office during reasonable hours on a business day.

All directors, executives and officers of the Company are required to ensure complete dissemination of this Manual to all employees and enjoin compliance in the process. If necessary, funds shall be allocated for orientation programs or workshops to implement this Manual.

## **Article VII**

### **Accountability and Audit**

- A. The Board is primarily accountable to the stockholders. It should provide them with a balanced and comprehensible assessment of the Company's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well reports that are required by law.

Thus, it is essential that Management provide all members of the Board with accurately and timely information that would enable the Board to comply with its responsibilities to the stockholders.

Management should formulate, under the supervision of the Audit Committee, the rules and procedures on financial reporting and internal control in accordance with the following guidelines:

- (i) The extent of its responsibilities in the preparation of the financial statements of the corporation, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained;

- (ii) An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the corporation for the benefit of all stockholders and other stakeholders;
- (iii) On the basis of the approved audit plans, internal audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Company's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and regulations;
- (iv) The Company should consistently comply with the financial reporting requirements of the Commission;
- (v) The external auditor should be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the Company, should be changed with the same frequency. The Internal Auditor should submit to the Audit Committee and Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit Committee. The annual report should include significant risk exposures; control issues and such other matters as may be needed or requested by the Board and Management. The Internal Auditor should certify that he conducts his activities in accordance with the International Standards on the Professional Practice of Internal Auditing. If he does not, he shall disclose to the Board and Management the reasons why he has not fully complied with the said standards.

- B. The Board, after consultations with the Audit Committee, shall recommend to the stockholders an external auditor duly accredited by the Commission who shall undertake an independent audit of the Company, and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders. The external auditor shall not, at the same time, provide internal audit services to the corporation. Non-audit work may be given to the external auditor, provided it does not conflict with his duties as an independent auditor, or does not pose a threat to his independence.

If the external auditor resigns, is dismissed or ceases to perform his services, the reason/s for and the date of affectivity of such action shall be reported in the Company's annual and current reports. The report shall include a discussion of any disagreement between him and the corporation on accounting principles or practices, financial disclosures or audit procedures which the former auditor and the corporation failed to resolve satisfactorily. A preliminary copy of the said report shall be given by the corporation to the external auditor before its submission.

If the external auditor believes that any statement made in an annual report, information statement or any report filed with the Commission or any regulatory body during the period of his engagement is incorrect or incomplete, he shall give his comments or views on the matter in the said reports.

## **Article VIII**

### **Stockholders' Rights and Protection of Minority Stockholders' Interests**

A) The Board shall respect the rights of its stockholders and other stakeholders, as provided for in the Corporation Code; namely:

- (i) Right to vote on all matters that require their consent or approval;
- (ii) Pre-emptive right to all stock issuances of the corporation;
- (iii) Right to inspect corporate books and records;
- (iv) Right to information;
- (v) Right to dividends; and
- (vi) Appraisal right.

B) The Board should be transparent and fair in the conduct of the annual and special stockholders meetings of the Company. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favour.

It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate for them to seek timely redress for breach of their rights.

The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurately and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

Although all stockholder should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Company.

## **Article IX**

### **Governance Self-Rating System and Training**

#### **Self Rating System**

The Board shall create an internal self-rating system that can measure the performance of the Board and Management in accordance with the criteria provided for in this Code. This shall be annually conducted and facilitated by Compliance Officer and Audit Committee, which shall discuss the results thereof at a Board meeting. Independent consultants may also be invited the Compliance Officer and the Audit Committee in this process.

The creation and implementation of such self-rating system, including its salient features, may be disclosed in the Company's annual report.

#### **Training**

The Company shall provide a comprehensive orientation program for new directors, including an understanding of the contribution that the Director is expected to make, an explanation of the Board and its committees, and an explanation of the Company's business, including Corporate Governance and other issues that will assist them in discharging their duties.

The Company shall also provide general access to training courses to its directors as a matter of continuous professional education as well as to maintain and enhance their skills as directors, and keep them updated in their knowledge and understanding of the Company's business. The Board Committees may also hire independent legal counsel, accounting or other consultants to advise them when necessary.

## **Article X**

### **Disclosure and Transparency**

It is therefore essential that all material information about the corporation which could adversely affect its viability or the interest if of its stockholders and other stakeholders should be publicly and timely disclosed. Such information should include, among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management.

The Board shall therefore commit at all times to full disclosure of material information dealings. It shall cause the filing of all required information through the appropriate Exchange mechanisms for listed companies and submissions to the Commission for the interest of its stockholders and other stakeholders.

## **Article XI**

### **Regular Review of the Code and the Scorecard**

Annually, the Company shall accomplish a scorecard to determine the extent of its compliance on the scope, nature and extent of the actions it has taken to meet the objectives of the Code pursuant to SEC's requirement. The Company's shall submit the scorecard together with the supporting documents to the SEC.

The Compliance officer and the Audit Committee shall periodically review the provisions and enforcement of Company's Manual on Corporate Governance, unless otherwise stated by the Board.

All business processes and practices being performed within any department or business unit of the Company shall be revoked unless upgraded to the compliant state.

This manual is subject to review and amendment to continuously improve the Company's corporate governance practices by assessing their effectiveness and comparing them with evolving best practices, standards identified by leading governance authorities and the Company's changing circumstances and needs.

## **Article XII**

### **Penalties for Non-Compliance with the Manual**

To strictly observe and implement the provision of this manual, the following penalties shall imposed, after notice and hearing, on the company's directors, officers, staff in case of any of the provision of this manual:

- i. ) In case of first violation, the subject person shall be reprimanded.
- ii. ) Suspension from office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation.
- iii. ) For third violation, the maximum penalty of removal from office shall be imposed.

The commission of a third violation of this manual by any member of the board of the Company or its subsidiaries and affiliates shall be sufficient cause for removal from directorship.


The compliance officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.


**Article XIII**

**Effective Date**

The Manual on Corporate Governance was first adopted by the Board of Directors of the Company on September 2, 2002 and was revised on December 30, 2009 and July 31, 2014. It shall be effective immediately upon signing hereof.

**Manual Read and Approved by:**

  
**NOBUO YASUHIRA**  
PMPC President

  
**EVANGELISTA C. CUENCO**  
Chairman, Audit Committee/Independent  
Director

  
**ATTY. MAMERTO MONDRAGON**  
Corporate Secretary /Compliance Office

Date of Signing: July 30, 2014