COVER SHEET

SEC Registration Number

0	0	0	0	0	0	2	3	0	2	2

Company Name

PANASONIC MANUFACTURING PHILIPPINES CORPORATION AND SUBSIDIARY

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

Ortigas Avenue Extension
San Isidro, Taytay, Rizal

Form Type	Department requiring the report	Secondary License Type, If Applicable
20-IS		

DEFINITIVE INFORMATION STATEMENT

Company's Email Address	Company's Telephone Number/s	Mobile Number
www.panasonic.com/ph	8 635-2260 to 65	N/A

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
458	July 16th	March 31ST

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Imelda Garcia	imelda.garcia@ph.panasonic.com	(632) 8 635 2260	09178112175

Contact Person's Address

Ortigas Avenue Extension, San Isidro, Taytay, Rizal

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

PANASONIC MANUFACTURING PHILIPPINES CORPORATION
NOTICE OF ANNUAL STOCKHOLDERS' MEETING

Notice is hereby given that the 2021 Annual Stockholders' Meeting of **PANASONIC MANUFACTURING PHILIPPINES CORPORATION (PMPC)** will be held on July 16, 2021 (Friday) at 3 P.M. In the light of COVID-19 situation in the country and to ensure the safety and welfare of our stockholders and all persons concerned, the meeting will be conducted virtually via Microsoft Teams. Stockholders can therefore only attend the meeting by remote communication.

The following shall be the Agenda of the meeting:

1. National Anthem
2. Call to Order
3. Proof of Notice of the Annual Stockholders' Meeting and Establishment of Quorum
4. Approval of Minutes of August 26, 2020 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 2020 Annual Stockholders' Meeting
8. Election of Directors
9. Appointment of External Auditors
10. Other Business
11. Adjournment

The Board of Directors have fixed the close of business on July 1, 2021 as the record date for the determination of stockholders entitled to notice of, to attend and vote at the said Annual Stockholders' Meeting.

Stockholders who intend to participate or be represented in the virtual meeting shall first pre-register and submit the following requirements via email to **asmregistration@ph.panasonic.com** not later than July 9, 2021 subject to validation procedures to gain access to the secure on-line meeting link:

1. Individual Stockholders
   i. Scanned copy of Stockholder's valid and government-issued ID showing photo, signature and personal details, preferably with residential address.
   ii. A valid and active e-mail address and contact number.

2. Corporate Stockholders
   i. A secretary's certificate attesting to the authority of the representative to participate by remote communication for, and on behalf of the Corporation.
   ii. Scanned copy of Stockholder's valid and government-issued ID showing photo, signature and personal details, preferably with residential address.
   iii. A valid and active e-mail address and contact number.

Once validated, the successful registrant will receive a confirmation and an electronic invitation via e-mail with a complete guide on how to join the virtual meeting. For any registration concerns, you may get in touch with asmregistration@ph.panasonic.com care of Mr. Francisco Tolentino or go to https://www.panasonic.com/ph/corporate/profile/ir.html for reference and other details. A stockholder, who fails to comply with the registration requirement will not be able to participate in the virtual ASM.

Stockholders, who cannot join the virtual meeting may send their authorized representative on their behalf. They may download, fill out and sign the sample proxy form found in https://www.panasonic.com/ph/corporate/profile/ir.html and send a scanned copy to asmregistration@ph.panasonic.com not later than July 9, 2021.

Stockholders who provide their personal information shall be deemed to agree to the collection and processing of their personal information in accordance with Company's privacy policy for its Regular Annual Stockholders' Meeting posted on its website.

Electronic and relevant copies of the Notice of Meeting, Definitive Information Statement, and other related documents in connection with the meeting may be accessed through any of the following options:

1. Go to the PMPC website via this link: https://www.panasonic.com/ph/corporate/profile/ir.html
2. Go to the PSE EDGE portal via https://edge.pse.com.ph
3. Request for a copy by sending an e-mail to: asmregistration@ph.panasonic.com

The Company shall entertain questions and comments from the stockholders only during discussion of other matters. Questions and comments must be submitted either in advance or during the meeting by e-mail to the Office of the Corporate Secretary at: mzlaw@yahoo.com. Questions, which will not be answered during the meeting shall be forwarded to the Office of the Corporate Secretary for the appropriate response.

Taytay, Rizal, 19 June 2021

(Sgd) MAMERTO Z. MONDRAGON
Corporate Secretary

PROXY

KNOW ALL MEN BY THESE PRESENTS:

THAT I, the undersigned stockholder of **PANASONIC MANUFACTURING PHILIPPINES CORPORATION,** do hereby nominate and appoint ______________________________ as my proxy to represent me, participate in the deliberations of and vote all shares registered in my name in the books of the corporation at its annual meeting of stockholders to be held on July 16, 2021 and any adjournments thereof, as fully to all intents and purposes as I might do if present and acting in person, hereby confirming and ratifying any and all acts which my above-named proxy may lawfully do or cause to be done in the premises.

IN WITNESS WHEREOF, I have signed these presents this _____day of ________2021 at ________________, Philippines.

____
Signature of Stockholder

____
Name in Print

____
Address

____
Phone Number

SIGNED IN THE PRESENCE OF:

____

____

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

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, San Isidro Taytay, Rizal 1920**

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

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

Date :	**July 16, 2021 (Friday)**
Time :	**3:00 P.M.**
Manner:	**via Remote Communication in accordance with the rules of the Securities and Exchange Commission**

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

June 24, 2021

10. In case of Proxy solicitations:

The Company is not soliciting Proxies

11. Securities registered pursuant to Sections 8 and 12 of the Code or Section 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 common stocks are listed on the Philippine Stock Exchange

b. Number of Shares Outstanding as of May 31, 2021

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

c. Amount of Debt Outstanding as of May 31, 2021

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:

Panasonic Manufacturing Philippines Corporation's common stock is listed on the Philippine Stock Exchange

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, Time and Place of Meeting of Security Holders.

Date:	**July 16, 2021 (Friday)**
Time:	**3:00 P.M.**
Manner:	**via Remote Communication (Video Conferencing) in accordance with the rules of the Securities & Exchange Commission**

Complete mailing address of principal office:

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

The Information Statement and the proxy form are first to be sent to security holders on or before June 24, 2021.

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE NOT REQUESTED TO SEND A PROXY.

Item 2. Dissenters' Right of Appraisal

As provided in Section 80 under Title X of the Revised Corporation Code of the Philippines allows a stockholder to his right to dissent and demand payment of the fair value of his shares in the following instances:

a. In case an amendment to the articles of incorporation will changeor restrict the rights of any stock-holders or class of shares, or authorize preferences in any respect superior to those of outstanding shares of any class or otherwise extend or shorten the term of the company;
b. In case of sale, lease, exchange, transfer, mortgage, pledge, or other disposition of all or substantially all of the corporate properties and assets;
c. In cases of merger or consolidation;
d. In case of investment of corporate funds for any purpose other than the primary purpose of the company.

Section 81 of the Revised Corporation Code provides that 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. If the proposed corporate action is implemented, the corporation pays the stockholders, upon surrender of certificate/s of stock, at fair value of the stocks.

If within sixty (60) days from date of action and fair value is not determined, it will be determined and appraised by three (3) disinterested persons, one chosen by stockholders, another by the corporation and the third one chosen by both. The findings of the majority of the appraisers shall be final and paid by the company within thirty (30) days after such award is made. No payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings. And upon payment of the corporation, the stockholder shall forwith transfer the shares to the corporation.

And under Section 82 of the Revised Corporation Code, if the stockholders ispaid within thirty (30) days after the award, the voting and dividend rights of the dissenting stockholder shall be immediately restored.

There are no matters to be acted upon by the stockholders at the Annual Meeting of the Stockholders which may give rise to a possible exercise by security holders of their appraisal rights.

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

(a) None of the following persons have substantial interest, direct or indirect, in any matter to be acted upon other than election to office:
  (1) Directors or officers of the Corporation at any time since the beginning of the last fiscal year;
  (2) Nominees for election as directors of the Corporation;
  (3) Associate of any of the foregoing persons.

(b) The Corporation has not received any written information from a director that he/she intends to oppose any matter to be acted upon at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) Voting securities entitled to be voted at the meeting:
The total number of shares outstanding of the Corporation as of May 31, 2021 is 422,718,020 with a par value of Php1.00 per share. Total foreign equity ownership is 337,994,588 (79.96%) preferred shares. Pursuant to Article II, Section 5 of the Amended By-laws of the Company, each stockholder is entitled to one vote for each share of stock standing in his/her name in the books of the corporation

(b) Record date:
Stockholders of record as of July 01, 2021 are entitled to notice of ASM and to vote at the Corporation's Annual Stockholders' Meeting on July 16, 2021.

(c) Election of directors:
With respect to election of directors, each stockholders is entitled to cumulative voting in the manner provided by law. Each stockholders entitled to vote during the meetingmay vote by proxy, provided the proxy has been appointed in writing by the stockholders himself or by his dully authorized attorney. The instrument appointing the proxy shall be exhibited to and lodged with the Secretary at the time of meeting.

The Nomination Committee will pre-screen the qualifications and prepare a final list of candidates and it shall follow at a minimum the guidelines of the SEC pertaining to director/s qualifications and disqualifications. Only nominees whose name appears on the Final List of Candidates shall be eligible for election as directors at the meeting.

Notice to stockholders shall be sent out thru courier on or before July 1, 2021. In addition, Notice of the Annual Stockholders' Meeting will be posted at the company's website and filed to Philippine Stocks Exchange Inc. on or before June 24, 2021.

(d) Security Ownership of Certain Record and Beneficial Owners and Management

(1) Securiyt Ownership of Certain Record and Beneficial Owners of more than 5% of any class of voting securities as of May 31, 2021:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares	Percentage
Common "B"	o Panasonic Corporation o 1006 Oaza Kadoma, Kadoma, Osaka 571-8501, Japan o Parent Company	Various Stockholders	Non-Filipino	337,994,588	79.96%

Panasonic Corporation (PC) has the power to decide how the PC shares in the Company are to be voted and has authorized Mr. Masatoshi Sasaki – Chairman of the Board to vote on the shares.

(2) 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 May 31, 2021:

Title of Class	Name of Beneficial Owner	Amount of Beneficial Ownership (Php)	Nature of Beneficial Ownership	Citizenship	Percent
Common "B"	Masatoshi Sasaki	1	Direct	Japanese	NIL
Common "B"	Yoshiyuki Takahashi	1	Direct	Japanese	NIL
Common "B"	Hiroshi Yamada	1	Direct	Japanese	NIL
Common "B"	Satoshi Kono	1	Direct	Japanese	NIL
Common "B"	Shigeru Dono	1	Direct	Japanese	NIL
Common "B"	Hirokazu Yoshida	1	Direct	Japanese	NIL.
Common "A"	Yukio Hirose	1	Direct	Filipino	NIL
Common "A"	Elizabeth Gildore	1,000	Direct	Filipino	.00024
Common "A"	Justina Callangan	1	Direct	Filipino	NIL
Common "A"	Marlon Molano	3,200	Direct	Filipino	.00076
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 May 31, 2021 is 89,568 shares or approximately 0.02% of the Company's outstanding capital stock.

(3) Shares owned by foreigners
The total number of shares owned by foreigners as of May 31, 2021 is 337,994,588

(4) Voting Trust Holders of 5% or More as of May 31, 2021
There are no voting trust holders / arrangements holding 5% or more of the Company's outstanding shares.

(5) Change in Control of the Registrant since beginning of last Fiscal Year
There was/is no change in control or arrangement that resulted/may result in change in control of the Company since the beginning of its last fiscal year.

Item 5. Directors and Executive Officers

Listed below are the directors, including indepent directors, and the incumbent executive officers of the Company and all nominated for election with their respective age, citizenships, and current and past positions held and business experience for the last five (5) years.

(a) Nominees for Directors including Independent Directors

The following are the nominees for seven (7) directors and three (3) independent directors of the Company:

Name	Age	Position	Citizenship	Year Appointed as Director
Masatoshi Sasaki	58	Chairman / President / Chief Executive Officer	Japanese	2019
Yoshiyuki Takahashi	59	Vice-chairman / Treasurer / Executive Director / Senior Managing Executive Officer	Japanese	2015
Hiroshi Yamada	59	Executive Director / Senior Managing Executive Officer	Japanese	2014
Satoshi Kono	52	Director / Managing Executive Officer	Japanese	2020
Yukio Hirose	53	Director	Japanese	2018
Shigeru Dono	58	Director	Japanese	2019
Hirokazu Yoshida	57	Director	Japanese	2020
Elizabeth Gildore	63	Independent Director	Filipino	2015
Justina Callangan	68	Independent Director	Filipino	2020
Marlon Molano	60	Independent Director	Filipino	2021

Profiles of the Nominees for Election as Directors of the Company:

<u>All Nominees do no hold a directorship in any government agency or is an employee of any government-owned and controlled corporation.</u>

Mr. Masatoshi Sasaki, Japanese, 58, was elected to the Board and appointed as the Chairman and President on April 1, 2019. He is also the Chief Executive Officer, Chief Manufacturing Officer, Chief Quality Officer, Chief Procurement and Chief Compliance Officer of the Company. Prior to his assignment, He was assigned to Refrigerator Business Division, Appliance Company, Panasonic Corporation – Japan ("PC") as the Director from October 2017 – March 2019. He was the Director of PC – Quality Innovation Division from April 2016 – September 2017 and General Manager of PC – Refrigeration Business Unit from October 2010 – September 2012. He joined Panasonic Corporation – Japan in April 1986. In November 2005, He was transferred to Panasonic Thailand Subsidiary, Panasonic Home Appliance R&D Center (Thailand) Company as the Manager and he returned to PC – Japan in October 2010 as the General Manager of PC – Product Development Group, Refrigerator Business Unit. He graduated from Kyoto Prefecture, Japan with a Bachelor's degree.

Mr. Yoshiyuki Takahashi, Japanese, 59, was elected as Director and appointed as the Vice – Chairman, Treasurer and Executive Director on June 22, 2015. He is also a Senior Managing Executive Officer, Chief Information Officer, Chief Risk Managing Officer, Chief Financial and HR Officer of the Company. Concurretnly, He is a member of the Audit, Board Risk Management, Related Party Transactions and Corporate Governance Committees. Prior to joining the Company, he was a former General Manager of Panasonic Corporation's regional office ("PC"), Panasonic Asia Pacific Pte Ltd ("PA") Accounting Department from August 2013 to May 2015. He was the Manager of Panasonic Corporation – Equity Management Team, Global Finance Administration Center (April – July 2013) and Councilor of PC HQ Finance Management Team, Corporate Finance & IR Group (June 2010 – March 2013). He is a graduate of the Osaka City University in Osaka, Japan with a Degree in Business Administration.

Mr. Hiroshi Yamada, Japanese, 59, was elected as PMPC – Executive Director since February 01, 2014. He is one of the Company's Senior Managing Officer and Chief Officer for Technology and Strategy. He was a former Councilor for Refrigerator Business Division, Appliances Company, PC – Japan from October 2012 to August 2013. He was the General Manager of Refrigerator Business Unit, Home Appliances Company, PC – Japan from October 2010 to September 2013. He was also the General Manager of Engineering Group, Refrigerator Business Unit, PC – Japan from April 2008 to September 2010 and from July 2005 to March 2008 he was assigned Engineering Group, Refrigerator Division, Pc – Japan as the General Manager. He is a graduate of the Toyama University in Japan with a Degree in Science of Engineering.

Mr. Satoshi Kono, Japanese, 52, was elected as Director since September 01, 2020 and Executive Director of PPH Sales & Marketing Division. Currenly, Mr. Kono is also the Chief Brand Comm Officer of the Company. In 2016 to 2019, he was the Chief of PPH Sales and Marketing Division. He was a former Chief of Planning Team, Major Appliances Group Consumer Marketing Division Appliances Company, Panasonic Japan from October 2014 to March 2016. He graduated from Tohoku University, Faculty of Economics with a Bachelor Degree of Economics.

Mr. Shigeru Dono, Japanese, 58, was elected to the Board on October 8, 2019. Presently, he is the Executive Officer of Panasonic Corporation, Vice-President of Appliances Company and Director of Kitchen Appliances Business Division since April 2019. In April 2017 to March 2019 as Managing Officer, Appliances Company – Food Retail & Commercial Equipment Business. He was a former Managing Officer of Appliances Company, incharge of company planning executive from April 2015 to March 2017. He graduated from the Engineering Science at Kyoto University.

Mr. Hirokazu Yoshida, Japanese, 57, was elected to the Board on September 1, 2020. He is a Director – Consumer Marketing Division and Sales Company Support Center and Managing Officer of Appliances Company, Panasonic Corporation since April 2020. In July 2016, Mr. Yoshida was a Director of Panasonic Corporation, AVC Marketing Center – Consumer Marketing Division and Appliances Marketing Center. He was a former Vice-President of Panasonic of Brasil Ltd. from July 2009 to March 2013. He graduated from Osaka University of Foreign Studies.

Mr. Yukio Hirose, Japanese, 53, was elected to the Board on November 7, 2018. He is currently the Executive Deputy Managing Director of Panasonic Appliance Asia Pacific and concurrently the Managing Director & in – charge of Sales and Marketing of Panasonic Appliances Marketing Asia Pacific since July 2018. He was the Director of Panasonic Asia Pacific Pte. Ltd. ("PA") from May 2017 – June 2018. He was assigned to Panasonic Marketing Europe as the Managing Director from April 2015 – April 2017. He was the Vice – President of Panasonic Consumer Electronic United States from October 2011 – March 2015. He was assigned to PA – Global Marketing of Digital Camera as General Manager from April 2005 – September 2011. He graduated from Meiji University with a Bachelor Degree in Politics. He joined Panasonic Corporation in March 1991.

Independent Directors

Ms. Justina Callangan, Filipino, 68, was elected as Independent Director on September 01, 2020. She is the Chairman of the Corporate Governance Committee and Related Party Transactions Committee. Currently, she is an Independent Directo of ORIX Metro Leasing and Finance Corporation since June 2019. In August 2020, elected as Director (representing the public sector) of Securities and Exchange Commission. To date, Ms. Callangan is a Consultant of ASA Philippines Foundation, Inc., Divina Law Office since October 2018 and November 2018 respectively. She graduated from University of the East, AB Political Science and San Sebastian College Bachelor of Laws. She was also a Candidate, MA (Political Science) from the University of Santo Tomas.

Ms. Elizabeth Gildore, Filipino, 63, was elected as Independent Director on May 4, 2015. She is the Chairman of the Board Risk Management Committee. She is also a member of the Audit Committee, Corporate Governance , Related Party Transactions, Nomination and Remuneration Committees. Currently, she is the Finance Manager of Moduvi Inc. since March 2014. Ms. Gildore is a former General Manager – PPH Accounting from September 2007 to August 2012. She was the Finance Manager of PMPC - PPH Accounting from June 2000 to August 2007. She is a graduate of B. S. in Commerce, Major in Accounting.

Mr. Marlon Molano, Filipino, 60, was elected as Independent Director on March 01, 2021. He is concurrently the Chairman of Audit Committee and a member of the Board Risk Management, Corporate Governance, Related Party Transactons, Nomination and Remuneration Committees. He is a former Finance and Administrative Assistant Director of the Company from April 2007 to August 2018. Prior to PMPC, he was the General Manager of Panasonic Mobile Communication Corporation of the Philippies (PMCP) from July 1992 to March 2007. He worked with Sycip Gorres & Velayo Company as Senior Auditor from 1981 to 1987. He is a graduate of B. S. in Commerce, Major in Accounting from the University of Pangasinan and Certified Public Accountant.

The following have been nominated for election as directors for 2021 – 2022 at the Annual Stockholders Meeting on July 16, 2021:

1. Masatoshi Sasaki
2. Yoshoyuki Takahashi
3. Hiroshi Yamada
4. Satoshi Kono
5. Shigeru Dono
6. Hirokazu Yoshida
7. Yuki Hirose

The final list of nominees for independent directors of the Company are as follows:

1. Elizabeth Gildore
2. Justina Callangan
3. Marlon Molano

All nominations are compliant with SEC MC No. 4 Series of 2017 on the Term Limits of Independent Director. The Certificate of Qualification of Independent Directors pursuant to SEC Memorandum No. 5 Series of 2017 are attached hereto as Annexes A-1, A-2 & A-3.

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.

The Company's Corporate Governance and Nomination 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.

All of the above nominees for Indepent Director were nominated by Ms. Ruth Tolentino to comply with the requirement on independent directors. Said nominees are not related with Ms. Tolentino.

(b) Executive Officers

The following are the current executive officers of the Company:

Name	Position	Age	Citizenship	Year Appointed as Officer
Masatoshi Sasaki	President & Chief Executive Officer & Chief Manufacturing, Procurement, Quality & Compliance Officer	58	Japanese	2019
Yoshiyuki Takahashi	Treasurer & Senior Managing Executive Officer & Chief Information, Risk Mgt., Financial & HR Officer	59	Japanese	2015
Hiroshi Yamada	Senior Managing Executive Officer & Chief Technology & Strategy Officer	59	Japanese	2014
Satoshi Kono	Managing Executive Officer & Chief Brand Communication Officer	52	Japanese	2020
Ma. Virginia Arevalo	Compliance Officer	56	Filipino	2018
Mamerto Mondragon	Corporate Secretary	76	Filipino	1968

Below are the Profiles of the executive officers who are not nominees for election as directors:

Compliance Officer

Ms. Virginia Arevalo, Filipino, 56, has been the compliance officer of the Company since 2018. She is currently the Manager of Corporate Planning Center from May 2017. She was previously the Manager of Quality Assurance Center from September 2012 – April 2017 and Manager of Purchasing and Import/Export Department from April 2010 to August 2012. And she was the Manager of Purchasing Management Center from April 2006 to March 2010. She graduated from the University of Santo Tomas with a Bachelor Degree in Electrical Engineering and joined the Company in 1987.

Corporate Secretary

Atty. Mamerto Z. Mondragon, Filipino, 76, has been the corporate secretary of the Company since 1968 and its Subsidiary since 1984. He has also been the Corporate Secretary of Panasonic Industrial Devices Philippines Corporation since 2000. He is a graduate of the University of the East with a Bachelor Degree of Law.

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 appointed /elected and qualified.

BOARD COMMITTEES

Board Risk Oversight Committee

Chairman	Elizabeth Gildore	Independent Director
Member	Yoshiyuki Takahashi	Treasurer & Executive Director
Member	Marlon Molano	Independent Director

Audit Committee

Chairman	Marlon Molano	Independent Director
Member	Yoshiyuki Takahashi	Treasurer & Executive Director
Member	Elizabeth Gildore	Independent Director

Related Party Transactions Committee

Chairman	Justina Callangan	Independent Director
Member	Yoshiyuki Takahashi	Treasurer & Executive Director
Member	Elizabeth Gildore	Independent Director
Member	Marlon Molano	Independent Director

Corporate Governance Committee

Chairman	Justina Callangan	Independent Director
Member	Yoshiyuki Takahashi	Treasurer & Executive Director
Member	Marlon Molano	Independent Director
Member	Elizabeth Gildore	Independent Director

Nomination, Remuneration &Compensation Committee

Chairman	Yoshiyuki Takahashi	Treasurer & Executive Director
Member	Marlon Molano	Independent Director
Member	Elizabeth Gildore	Independent Director

c. Significant Employee

All employees of the Company are valued for their contribution to the business. There are no significant employees who are not executive officers of the company who are expected to make a significant contribution to the business.

d. Family relationship

The Company has no no director or executive officer related to any other director or executive officer up to the fourth degree either by consanguinity or affinity.

e. Involvement in Certain Legal Proceedings

The Company is not aware that any of the above-named incumbent executive officers and directors and persons nominated for election for directors and executive officers for 2021 – 2022 has been the subject of a bankruptcy petition or convicted by final judgement in a criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses, or has been subjected to any order, judgement and decree or have been violated a securities or commodities law during the past five (5) years up to the date of this report that will affect their ability as directors and officers of the Company.

f. Certain Relationships 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.

None of the Company's directors and executive officers have entered into self-dealing and related party transactions with the company for the past two years.

Directors and officers of the company are required to disclose any business or family related transactions with the Company to avoid potential conflicts of interest.

g. Training and Continuing Education Programs for the directors and officers

The Company has organized a program for the continuing education and training of its directors and officers. For fiscal year 2020, directors and key officers of the Company had attended online seminar on Corporate Governance Compliance Trainings – Board Effectiveness Best Practices provided by Center for Global Best Practices (CGBP) last March 21, 2021.

Item 6. Compensation of Directors and Executive Officers

The aggregate annual compensation during the last two fiscal years and to be paid in ensuing fiscal year 2021 of the Company's Chief Executive Officer and the four others most highly compensated executive officers and all other officers and directors as a group are as follows:

Annual Compansation (in million pesos)					
Name and Principal Position		**Year**	**Salary**	**Bonus**	**Other Annual Compensation**
Masatoshi Sasaki	President & Chief Executive Officer	2021 (estimated)	37.180	10.608	0.935
Yoshiyuki Takahashi	Treasurer & Senior Managing Executive Officer				
Hiroshi Yamada	Senior Managing Executive Officer				
Satoshi Kono	Managing Executive Officer				
Ma. Virginia Arevalo	Compliance Officer				
Masatoshi Sasaki	President & Chief Executive Officer	2020	38.448	10.602	0.912
Yoshiyuki Takahashi	Treasurer & Senior Managing Executive Officer				
Hiroshi Yamada	Senior Managing Executive Officer				
Satoshi Kono *	Managing Executive Officer				
Masaru Toyota *	Senior Managing Executive Officer				
Ma. Virginia Arevalo	Compliance Officer				
Masatoshi Sasaki	President & Chief Executive Officer	2019	40.797	13.302	0.882
Yoshiyuki Takahashi	Treasurer & Senior Managing Executive Officer				
Hiroshi Yamada	Senior Managing Executive Officer				
Masaru Toyota *	Senior Managing Executive Officer				
Satoshi Kono	Managing Executive Officer				
All other officers and directors as a group unnamed		2021 (est.)	8.731	4.263	1.235
		2020	7.551	4.038	1.319
		2019	2.521	0.829	1.436

** Mr. Toyota resigned as director & officer effective September 1, 2020 and Mr. Kono was elected as the new member of the Board.*

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.

Item 7. Independent Public Accountants

The Company, upon the recommendation of the Audit Committee of the Board of Directors composed of Marlon Molano as Chairman and Yoshiyuki Takahashi and Elizabeth Gildore as members, has approved the engagement Sycip, Gorres, Velayo & Co. (SGV) as external auditors of the Company for fiscal year 2020 ended March 31, 2021 and will submit such engagement to its stockholders for ratification. SGV was also the external auditor of the Company for fiscal years 2019, 2018 and 2017.

The audit partner-in-charge, Mr. Juan Carlo Maminta was appointed in 2017. In accordance with SRC Rule 68, par. 3 (b) (IV), there is no need yet 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 2021 in compliance with the SEC Rules on the Rotation of the External Auditors.

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.

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 millons)					
		2021		2020		2019
Annual Audit	P	2.9	P	2.9		2.5
Audit – Related (PFRS 9 &15)		-		-		1.0
Total	P	2.9	P	2.9	P	3.5

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 stockholders for confirmation and ratification. However, financial statements duly approved by the Audit Committee are still subject to confirmation of the Board of Directors prior to submission to the appropriate government regulatory agencies.

Item 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

Item 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.

Item 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.

Item 11. Financial and Other Information

The Audited Financial Statements of the Company as of March 31, 2021 and other data related financial information are attached hereto as Annex "C"& "D".

Item 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.

Item 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.

Item 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

Item 15. Action with Respect to Reports

The following are included in the Agenda of the Annual Stokholders' Meeting for the approval of stock-holders on July 16, 2021:

1. Proof of Notice of the Annual Stockholders' Meeting and Establishment of Quorum
2. Approval of Minutes of August 26, 2020 Annual Stockholders' Meeting
3. President's Annual Reports
4. Financial Report
5. Ratifications of all acts, resolutions and proceedings of the Board of Directors and Management since 2020 Annual Stockholders' Meeting
6. Election of new members of the Board of Directors
7. Appointment of External Auditor
8. Consideration on Other Matters that maybe raised during the meeting

President's Annual Reports ("Management Report") – Management shall report on the significant business transactions undertaken by Management and the financial targets and achievements for the fiscal year 2020. The Management Report and Audited Financial Statements for the period ending March 31, 2021 and the Unadited Interim Report as of December 31, 2020 are attached hereto as Annexes B, C and D respectively.

Copies of the same will be made available at the annual stockholders' meeting on July 16, 2021 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 last August 26, 2020.

The matters approved and recorded in the Minutes of the last Annual Stockholders' Meeting held on August 26, 2020 are as follows:

1. Presentation and approval of the Minutes of June 21, 2019 Annual Stockholders' Meeting
2. Ratifications and approval of all acts, resolutions and proceedings of the Board of Directors and Management since 2019 Annual Stockholders' Meeting
3. Election of Board of Directors for 2020 – 2021
4. Appointment of External Auditor
5. Election of Compliance Officer
6. Ratification of All Acts, Resolutions and Proceedings of the Board and Management since 2020 Annual Meeting.

Below are the list of the material matters approved by the Board of Directors since last Annual Stockholders' Meeting held on August 26, 2020 subject for ratification and approval by the stockholders on July 16, 2021:

Date	Description
Aug. 26, 2020	Election of new directors for 2020 – 2021 Appointment corporate officers for 2020 – 2021 Appointment of compliance officer Appointment of the Chairmen/Chairwomen and members of the various Board Committees
Sept. 1, 2020	Acceptance of the resignation and election of directors Resignation: Mr. Masaru Toyota & Mr. Hiroyuki Tagishi Election: Mr. Satoshi Kono & Mr. Hirokazu Yoshida Acceptance of the resignation Mr. Yoshiyuki Takahashi as Chairman of the Corporate Governance & Related Party Transactions and the election of Ms. Justina Callangan as his replacement. Amendments to the By-Laws
Sept. 7, 2020	Designation of authorized signatories for banking and financial transactions
Sept. 9, 2020	Authorization to transact with BIR to secure permitAuthority to Print
Oct. 29, 2020	Designation of signatory to sign DHL transactions
Nov. 9, 2020	Designation of authorized signatory with Bacolod LGU permits
Nov. 11, 2020	Designation of authorized signatory with PEZA transactions
Nov. 27, 2020	Authorization of representative to transact with DHL
Dec. 23, 2020	Authorization to transact with SEC to process and facilitate submission of SEC reportorial requirements
Jan. 6, 2021	Designation of authorized signatory to sign Deed of Sale
Jan. 12, 2021	Designation of authorized signatory for Manila International Container Port transactions
Jan. 18, 2021	Designation of authorized representative to Department of Trade
Jan. 27, 2021	Resignation and election of Independent Director Resignation: Mr. Emiliano Volante Election of new ID: Mr. Marlon Molano
Mar. 9, 2021	Designation of authorized signatory with OMB licensing application

Mar. 11, 2021	Designation of authorized representative with HDMF and to sign HDMF transactions
Apr. 12, 2021	Final list of candidates for election on July 16, 2021 ASM 1. Mr. Masatoshi Sasaki 2. Mr. Yoshiyuki Takahashi 3. Mr. Hiroshi Yamada 4. Mr. Satoshi Kono 5. Mr. Sheigeru Dono 6. Mr. Hirokazu Yoshida 7. Mr. Yukio Hirose 8. Ms. Elizabeth Gildore 9. Ms. Justina Callangan 10. Mr. Marlon Molano
Apr. 16, 2020	Designation of authorized representative with the BIR for the submission of the Company's Books of Accounts
Apr. 22, 2021	Authorization to reverse 2020 appropriated retained earnings and to set new appropriated retained earnings for 2021
May 3, 2021	Designation of authorized representative to process and facilitate the submission of SEC reports via Online Submission Tool (OST)
May 20, 2021	Declaration of cash dividend equivalent to Php0.5245 per share in favor of all its stockholders of record as of June 4, 2021 payable on June 25, 2021
May 28, 2021	Approval of the Audited Financial Statements as of March 31, 2021

Copies of the Minutes of the Meetings may be examined by all stockholders on record as of Record Date at the office of the Corporate Secretary.

The Board of Directors recommends that the stockholders Approve, Confirm and Ratify all acts proceedings and resolutions of the Board of Directors since the last annual stockholders' meeting to the present.

Item 16. Matters Not required to be Submitted

There are no matters or actions to be taken up in the meeting relating to any amendment of its Charter, Bylaws or other documents.

Item 17. Amendment of Charter, Bylaws or other Documents

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

Item 18. Other Proposed Actions

None

Item 19. Voting Procedures

Stockholders who wish to attend the meeting or vote through remote communication should notify the Corporate Secretary at 0917-5772162 and/or mzmlaw@yahoo.com and register using asmregistration@ph.panasonic.com.

In the election of directors, the ten (10) nominees with the greatest number of votes will be elected directors.

Except in cases where a higher vote is required under the Revised Corporation Code, the approval of any corporate action shall require the majority vote of all stockholders present and by 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.

Item 20. Participation of Stockholders by Remote Communication

In the light of covid-19 situation and to ensure the safety and welfare of its stockholders, directors, officers and employees, the meeting will be conducted virtually via Microsoft Teams Meeting. Stockholders, directors, officers and employees can only attend the meeting by remote communication.

Stockholders who intend to participate or be represented in the virtual meeting shall register via email asmregistration@ph.panasonic.com not later than July 9, 2021.

Stockholders who cannot join the virtual meeting may send their authorized representative on their behalf and must notify the Company. Stockholders may fill-up and sign the proxy form and send a scanned copy to asmregistration@ph.panasonic.com on or before July 9, 2021.

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 8TH FLOOR, RAHA SULAYMAN BLDG., 108 BENAVIDEZ ST., LEGASPI VILLAGE, MAKATI CITY.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and behalf, we certify that the information set forth in this report is true, complete and correct. This report is signed in Taytay, Rizal on June 22, 2021.

Y. Takahashi

MA. VIRGINIA AREVALO
Compliance Officer

YOSHIYUKI TAKAHASHI
Executive Director & Vice - Chairman

OPERATIONAL AND FINANCIAL INFORMATION

Market for Issuer's Common Equity and Related Stockholder Matters

❑ MARKET INFORMATION

Common shares outstanding as of May 31, 2021 were:

Class "A"	84,723,432
Class "B"	337,994,588
	422,718,020

The Company's common shares are 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 2020 and 2019 and for the first quarter of year 2021:

Period	**2020**		2019	
	High	**Low**	High	Low
Jan – Mar	**5.70**	**2.56**	6.60	5.69
Apr – Jun	**4.94**	**3.50**	7.80	5.02
Jul – Sept	**6.98**	**4.01**	5.90	5.20
Oct – Dec	**7.90**	**4.56**	5.79	4.54

	2021	
	High	**Low**
Jan – Mar	**8.88**	**5.12**
May 31, 2021	**6.80**	**6.49**
June 23, 2021	**5.82**	**5.72**

❑ 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.

The following table sets forth the top 20 shareholders. 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
2021			
May 20, 2021	**52.45%**	**June 4, 2021**	**June 25, 2021**
2020			
May 07, 2020	14.98%	May 21, 2020	May 29, 2020
2019			
April 22, 2019	20.99%	May 7, 2019	May 24, 2019

HOLDERS

As of May 31, 2021, there were 458 holders of the Company's common shares.

Rank / Name of Holder	Number of Shares	Percentage of Ownership
1. Panasonic Corporation (Japanese)	337,994,581	79.96 %
2. PCD Nominee Corporation (Filipino)	38,028,842	9.00%
3. PMPC Employees Retirement Plan	21,586,360	5.11 %
4. Pan Malayan Management & Investment Corporation	6,076,341	1.44%
5. Jesus V. Del Rosario Foundation, Inc.	3,870,926	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	603,156	0.14 %
11. Vicente L. Co	577,245	0.14%
12. Susan L. Tan	500,000	0.12%
13. Vincent S. Lim	500,000	0.12%
14. Jason S. Lim	500,000	0.12%
15. Jonathan Joseph C.C. Lim	500,000	0.12%
16. Falek Enterprises, Inc.	298,106	0.07%
17. Jaime Agabin	252,995	0.06%
18. So Ki Lim	252,995	0.06%
19. Vladimir Co	248,164	0.06%
20. Edgar N Lim	246,712	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 2020	FY 2019	FY 2017
a) Rate of Sales Increase	CY Sales – LY Sales -------------------------- X 100% LY Sales	**-8.59%**	3.35%	5.20%
b) Rate of Profit Increase	CY Profit After Tax – LY Profit After Tax -------------------------- x 100% LY Profit After Tax	**183.11%**	-14.86%	-50.70%
c) Rate of Profit on Sales	Profit After Tax ------------------- x 100% Total Sales	**3.29%**	1.06%	2.50%
d) Current Ratio	Current Assets --------------------- Current Liabilities	**2.39**	2.5	2.7
e) Dividend Ratio to Capital	Dividend ------------------- x 100% Average Capital	**52.45%**	14.98%	37.17%

(a) Rate of Sales Increase - This measures the sales growth versus the same period last year. Sales decreased by 8.59% versus last year. Such was due to pandemic, consumer tend to prioritize essential goods only.

(b) Rate of Profit Increase - This measures the increase in profit after tax versus the same period last year. Rate of profit for the year increased by -183.11% due mainly to lower utilization of general and administrative expenses.

(c) Rate of Profit on Sales - This measures the percentage of profit after tax versus net sales for the period. Rate of profit increased to 3.29% versus 1.06% of last year.

(d) Current Ratio - This measures the liquidity of the Company and its ability to pay off current liabilities.

(e) Dividend Ratio to Capital - This measures the dividend payout ratio versus capital for the period. The Group declared 52.45% and 14.98% cash dividend for the fiscal year 2020 and 2019 respectively.

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 Financial Statements as of and for the years ended March 31, 2021, 2020 and 2019.

This discussion summarizes the significant factors affecting the consolidated operating results, financial condition, liquidity and cash flows of the Group for the fiscal year 2020 ended March 31, 2021.

Fiscal Year 2020 vs. 2019
Financial Positions

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

Accounts	**March 31, 2021**	March 31, 2020	**Difference (%)**
Cash and cash equivalent	3,743,229	2,945,350	**27.09%**
Receivables	1,476,639	1,440,043	**2.54%**
Inventories	1,741,172	1,654,053	**5.27%**
Other current assets	142,544	91,858	**55.18%**
Property & equipment – net	984,692	1,083,329	**-9.11%**
Deferred tax assets	127,189	168,745	**-24.63%**
Other assets	22,430	25,590	**-12.35%**
Accounts payable & accrued expenses	2,970,694	2,453,939	**21.06%**
Provision for estimated liabilities	464,938	469,778	**-1.03%**
Stockholders' equity	4,802,261	4,485,251	**7.07%**

The Company's consolidated total assets as of March 31, 2021 increased by ₱828.93 million (11.19%) to ₱8.238 billion from March 31, 2020. This was mainly due to increase in cash and cash equivalent and other current assets.

Current ratio for the period ending March 31, 2021 recorded at 2.4:1 versus 2.5:1 of last year.
Current assets increased by ₱972.3 million and current liabilities increased by ₱516.8 million.

Cash and cash equivalent increased by ₱797.9 million (27.09%) due to decrease in cash used in operating expenses.

Total accounts receivable (net) increase of ₱36.6 million due to increase in sales during the last quarter of the period versus last year, collection of which will be the following month.

Inventory amount increased by ₱87.1 million due to non-achievement of sales forecast and in preparation for the increase in sales during summer season.

Property, plant and equipment – net decreased by ₱98.6 million (-9.11%). As of March 31, 2021, the Company's total capital expenditures amounted to ₱149 million mainly pertains to costruction in progress for the improvements of factory machinery and equipment due to the increase of production and volume capacity in its Washing Machine division, as well as building renovation of Washing Machine and Electric Fan Production. Total depreciation and disposal amounted to ₱242.7 million and ₱51.8 million, respectively. Investment properties was transferred to property, plant and equipment for its use in its operation.

Other current assets increased by ₱50.7 million (55.18%) due mainly to creditable withholding taxes for the period.

The Company's consolidated total liabilities as of March 31, 2021 amounted to ₱3.436 billion, increased by ₱511.92 million versus March 31, 2020. This was mainly due to current liabilities increase of ₱516.76 million (21.06%).

The total stockholders' equity increased by ₱317 million (7.07%) caused by operating income of ₱371 million and remeasurement gain on retirement liability and income tax expense.

Results of Operation

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

Accounts	FY 2020	FY 2019	Difference (%)
Sales	**10,883,095**	11,906,948	**-8.59%**
Cost of sales	**8,316,814**	9,508,271	**-12.5%**
Gross profit	**2,566,281**	2,398,677	**7.1%**
Selling expenses	**1,204,276**	1,265,827	**-4.9%**
General administrative	**950,375**	1,045,315	**-9.1%**
Other income – net	**67,019**	152,520	**-56.1%**
Income before tax	**478,650**	240,055	**99.4%**
Income tax expense	**120,634**	113,599	**6.2%**
Income after tax	**358,016**	126,456	**183.1%**

The Company's consolidated group sales for fiscal year 2020 ending March 31, 2021 decreased by ₱1.024 billion (-8.6%) versus last year because of the following unfavorable sales in the following product lines:

Airconditioner by ₱751.3 million (-24%) and washing machine ₱241.2 million (-13%) .

Gross profit amount improved by ₱167.6 million (7.0%) despite the decrease in sales due to improvement in cost of sales ratio by 3.5%.

Selling expenses drop by ₱61.6 million (-4.9%) composed of drecrease in advertising and commission expense ₱69.8 million (-44.7%), provision for warranty claims ₱35.6 million (-52.5%), freight and handling cost ₱29.4 million (-7.4%) inspite of increase in sales promotion by ₱73.3 million (11.4%).

General and administrative expenses decreased by ₱94.9 million (-9.1%) mostly attributable to travel expense -₱22.1 million and outsourcing expenses by -₱20.1 million.

Other income – net decreased by ₱85.5 million (-56.1%) due to the reversal of other estimated liablilites amounting to ₱31.42 and bank interest income from time deposits by ₱41.07 million due to decrease in interest rate during the period.

Total income before tax increased by ₱238.6 million (99.4%) due to decrease in general and administrative expense, selling expense and Cost of goods sold as stated above.

Income tax expense slightly increased by ₱7.0 million (6.2%) and net income after tax increased by ₱231.6 million (183.1%) due to decrease in operating and general and administrative expenses.

Fiscal Year 2019 vs. 2018

Financial Positions

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

Accounts	March 31, 2020	March 31, 2019	Difference (%)
Cash and cash equivalent	**2,945,350**	2,831,509	**4.02%**
Receivables	**1,440,043**	1,667,305	**-13.63%**
Inventories	**1,654,053**	1,637,439	**1.01%**
Other current assets	**91,858**	127,904	**-28.18%**
Property & equipment – net	**1,083,329**	969,014	**11.80%**
Deferred tax assets	**168,745**	112,091	**50.54%**
Other assets	**25,590**	31,324	**-18.30%**
Accounts payable & accrued expenses	**2,453,939**	2,443,486	**0.43%**
Provision for estimated liabilities	**469,778**	420,258	**11.78%**
Stockholders'equity	**4,485,251**	4,512,842	**-0.61%**

The Company's consolidated total assets as of March 31, 2020 increased by ₱32.4 million (0.44%) to ₱7.409 billion from March 31, 2019. This was mainly due to increase in deferred tax asset and property plant and equipment.

Current ratio for the period ending March 31, 2020 recorded at 2.5:1 versus 2.6:1 of last year.
Current assets deccreased by ₱132.8 million and current liabilities increased by ₱10.4 million.

Cash and cash equivalent increased by ₱113.8 million (4.0%) due to decrease in cash used in operating expenses.

Total accounts receivable (net) decrease of ₱227 million due to decrease in sales during the last quarter of the period versus last year, collection of which will be the following month.

Inventory amount increased by ₱16.6 million due to non-achievement of sales forecast and in preparation for the increase in sales during summer season.

Property, plant and equipment – net increased by ₱114.3 million (11.80%). As of March 31, 2020, the Company's total capital expenditures amounted to ₱346.9 million mainly pertains to costruction in progress for the improvements of factory machinery and equipment due to the increase of production and volume capacity in its Washing Machine division, as well as building renovation of Washing

Machine and Electric Fan Production. Total depreciation and disposal amounted to ₱258.0 million and ₱14.8 million, respectively. Investment properties was transferred to property, plant and equipment for its use in its operation.

Other current assets decreased by ₱36 million (-28.18%) due mainly to creditable withholding taxes for the period.

The Company's consolidated total liabilities as of March 31, 2020 amounted to ₱2.924 billion, increased by ₱59.97 million versus March 31, 2019. This was mainly due to non current liabilities increase of ₱49.52 million (11.78%) majority for reserves for Price Risk and Pension Liability.

The total stockholders' equity decreased by ₱27.6 million (-0.61%) caused by operating income of ₱126 million and remeasurement loss on retirement liability and income tax expense.

Results of Operation

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

Accounts	**FY 2019**	FY 2018	**Difference (%)**
Sales	**11,906,948**	11,520,814	**3.35%**
Cost of sales	**9,508,271**	9,267,010	**2.60%**
Gross profit	**2,398,677**	2,253,804	**6.43%**
Selling expenses	**1,265,827**	983,828	**28.66%**
General administrative	**1,045,315**	1,103,257	**-5.25%**
Other income – net	**152,520**	107,873	**41.39%**
Income before tax	**240,055**	274,592	**-12.58%**
Income tax expense	**113,599**	126,070	**-9.89%**
Income after tax	**126,456**	148,522	**-14.86%**

The Company's consolidated group sales for fiscal year 2019 ending March 31, 2020 increased by ₱386.1million (3.4%) versus last year because of the following favorable sales in the following product lines: Refrigerator by ₱382.6 million (13%) and washing machine ₱272.8 million (36.4%) .

Cost of sales and gross profit amount rose with the increase in sales.
Selling expenses grew by ₱282.0 million (28.66%) composed of increase in sales and product promotion expense ₱360.98 million (129%), advertising and commission expense ₱46.4 million (42%) inspite of decrease in freight cost by ₱127.7 million (-24%).
General and administrative expenses decreased by ₱57.9 million (-5.25%) mostly attributable to reversal of provision for other estimated liabilities -₱153.2 million

Other income – net increased by ₱44.65 million (41.39%) due to the reversal of other estimated liablilites amounting to ₱42.71 and bank interest income from time deposits by ₱4.66 million due to increase in interest rate during the period.

Total income before tax decreased by ₱34.5 million (-12.58%) due to increase in selling expenses as stated above.

Income tax expense and net income after tax also decreased by ₱12.47 million (9.89%) and ₱22.1million (14.86%) respectively due to increase in selling expenses for sales promotion and advertising expenses to achieve the company's sales target for the period.

Fiscal Year 2018 vs. 2017

Financial Positions

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

Accounts	March 31, 2019	March 31, 2018	Difference (%)
Cash and cash equivalent	**2,831,509**	3,356,080	**-15.6%**
Receivables	**1,667,305**	1,190,057	**40.1%**
Inventories	**1,637,439**	1,332,521	**22.9%**
Other current assets	**127,904**	116,207	**10.1%**
Investment properties	**-**	31,391	**-100.0%**
Property & equipment – net	**969,014**	856,076	**13.2%**
Deferred tax assets	**112,091**	124,634	**-10.1%**
Other assets	**31,324**	52,046	**-39.8%**
Accounts payable & accrued expenses	**2,443,486**	2,203,880	**10.9%**
Provision for estimated liabilities	**420,258**	264,033	**59.2%**
Stockholders' equity	**4,512,842**	4,591,100	**-1.7%**

The Company's consolidated total assets as of March 31, 2019 increased by ₱317.6 million (4.5%) to ₱7.377 from March 31, 2018. This was due mainly to increase in accounts receivable and inventories, in spite of decrease in cash and cash equivalent.

Current ratio for the period ending March 31, 2019 recorded at 2.6:1 versus 2.7:1 of last year. Current assets and liabilities increased by ₱269.3 million and ₱239.6 million, respectively.

Cash and cash equivalent decreased by ₱524.6 million (15.6%) due to acquisitions of property, plant and equipment, cash dividend payment and cash used in operating expenses.
Total accounts receivable (net) increase of ₱477.2 million due to higher sales during the last quarter of the period versus last year, collection of which will be the following month.

Inventory amount increased by ₱304.9 million due to non-achievement of sales forecast and in preparation for the increase in sales during summer season.

Property, plant and equipment – net increased by ₱112.9 million (13.2%). As of March 31, 2019, the Company's total capital expenditures amounted to ₱286.1 million mainly pertains to costruction in progress for the improvements of factory machinery and equipment due to the increase of production and volume capacity in its Washing Machine division, as well as building renovation of Washing Machine and Electric Fan Production. Total depreciation and disposal amounted to ₱201.9 million and ₱33.6 million, respectively. Investment properties was transferred to property, plant and equipment for its use in its operation.

Other current assets increased by ₱11.7 million (10.1%) due mainly to creditable withholding taxes for the period.

The Company's consolidated total liabilities as of March 31, 2019 amounted to ₱2.864 billion, increased by ₱395.8 million versus March 31, 2018. This was due mainly to accounts payable and accrued expenses increase of ₱296.6 million (13.9%) for purchases of inventory and the outstanding payable for the purchase of equipment. Moreover, other liabilities increase of ₱74.7million was due to sales warranty.

The total stockholders' equity decreased by ₱78.3 million (1.7%) caused by remeasurement loss on retirement liability and income tax expense.

Results of Operation

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

Accounts	FY 2018	FY 2017	Difference (%)
Sales	**11,520,814**	10,490,076	**9.8%**
Cost of sales	**9,267,010**	8,478,203	**9.3%**
Gross profit	**2,253,804**	2,011,873	**12.0%**
Selling expenses	**983,828**	897,541	**9.6%**
General administrative	**1,096,513**	949,815	**15.4%**
Other income – net	**101,129**	152,398	**-33.6%**
Income before tax	**274,592**	316,915	**-13.4%**
Income tax expense	**126,070**	52,883	**138.4%**
Income after tax	**148,522**	264,032	**-43.7%**

The Company's consolidated group sales for fiscal year 2018 ending March 31, 2019 increased by ₱1,031.7 million (9.8%) versus last year because of the following favorable sales in the following product lines: room airconditioning products by ₱661.3 million (21.2%); washing machine ₱179.7 million (12.0%) and refrigerator ₱166.9 million (3.6%).

Cost of sales and gross profit amount rose with the increase in sales. However, the direct material cost ratio improved to 37.8% from 41.3% of last year despite the unfavorable effect of peso depreciation and fuel price hikes.

Selling expenses grew by ₱86.3 million (9.6%) composed of increase in freight cost by ₱62.4 million (13.4%), provision for warranty ₱13.7 million (26.3%) and sales promotion expense ₱29.9 million (11.9%).

General and administrative expenses increased by ₱146.7 million (15.4%) mostly attributable to provision for other estimated liabilities ₱110.5 million, payment of taxes and dues amounting to ₱12.2 million; outsourcing expense for sales delivery helpers to customers' warehouses ₱12.6 million; computers maintenance cost ₱22.4 million and salaries and wages ₱12.6 million.

Other income – net decreased by ₱51.3 million (33.6%) due to reversal of provisions for credit losses recorded last year ₱23.0 million and the losses of rental income ₱25.2 million due to lease agreement termination. On the other hand, bank interest income from time deposits increased by ₱13.5 million due to increase in interest rate during the period. However, other miscellaneous expense – net increased by ₱14.9 million.

Total income before tax decreased by ₱42.3 million (13.4%) due to reduction in other income and increase in general and administrative expenses as stated above. Although profit before tax was lower than last year, income tax expense increased by ₱73.2million (138.4%) due to provision for retirement liability ₱101.6 million and warranty expense added back to taxable income.

Net income after tax decreased by ₱115.5 million (43.7%) versus last year due mainly to the aforementioned increase of income tax expense of ₱73.2 million and increase in general and administrative expenses.

- **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.

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

OVERVIEW OF FINANCIAL REPORTING 2020

Panasonic Manufacturing Philippines Corp. (PMPC) is committed to adhere itself with the global best practice of corporate governance and full and fair disclosure to provide and deliver sustained growth and profitability for its shareholders and stakeholders. A strong corporate governance culture and framework is a central pillar of PMPC's operations and provides a catalyst for the achievement of its strategic goals. PMPC continues its strong commitment in upholding and embodying the principles of transparency, integrity, accountability, fairness, and professionalism in all its activities, as particularly evident in the company's response to the unprecedented circumstances of the COVID-19 pandemic. In many ways, the COVID-19 pandemic has pushed the company to activate its business continuity program and utilized available IT technologies to cope with the impact of enhance community quarantine imposed by the local government. The pandemic has also drawn attention to the need for a more active role of the Board of Directors in monitoring the company's relationships with their core stakeholders – customers, employees, suppliers, communities, shareholders, regulators, and government.

The year 2020 has significantly brought on a massive scale significant challenges to the Company's operation that tested the Board's governance. The global production and supply chain system is mostly disrupted due to widespread of the COVID-19. Both the Board and management though its governance process are continuously searching for adequate strategies and policies for revamping production patterns and meet consumer demand. From global supply chain perspectives, the majority of the Company's raw materials are imported from China and other Asian developing nations. The COVID-19 pandemic has broken the most of transportation links and distribution mechanisms between suppliers, production facilities and customers. Therefore, it is imperative that a different governance and management approach must be applied to continuously sustain production and consumer consumption pattern in the COVID-19 pandemic era. Most of the prominent economies around the world enforced a total lockdown, and the focus has since shifted to surge in demand for essential products and services. This has led to the decline in demand for Company's appliance products. The production and operations management challenges of the pandemic situations will be strongly addressed by both Board Directors and management to continuously adopt and improve the resilience and sustainability of the business system and operation.

BOARD GOVERNANCE

The Corporate Governance structure of the Board prescribes the authority and responsibilities. It is the company's highest governance body which ensures there is an effective governance framework and system in place. It is also responsible for the stewardship of the company, which means that it oversees the day-to-day management delegated to the President and the other officers of the company. The Board as well as in their individual capacity, foster the long-term success of the company, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interest of its stockholders.

Compliance with the principles of good corporate governance starts with the Company's Board of Directors. The Board is responsible for oversight of the business affairs and integrity of the Company;

determination of the Company's mission, long term strategy, and objectives; the management of the Company's risks through evaluation, and ensuring the adequacy of the Company's internal controls and procedures. It is the responsibility of the Board to foster and engender the long-term success of the Company and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, exercised in the best interest of the Company, its shareholders, and other stakeholders.

BOARD COMPOSITION

The Board consists of ten members, each elected by the common stockholders during the Annual Stockholders' Meeting (ASM). The Board members hold office for one year until their successors are duly elected and qualified in accordance with the amended by-laws of the Company. PMPC Board is a combination of executive and non-executive that are possessed with qualifications and stature that enable them to effectively participate in the deliberations of the Board. It is composed of qualified and competent individuals that provide complementary skills from their respective areas of expertise in the exercise of their fiduciary responsibilities.

The Board includes three independent directors who were selected by Nomination Committee based on independence criteria as set forth under the SEC's revised Securities Regulation Code and implementing rules and regulation, PMPC By-laws, and Code of Governance Manual. The Board of Directors and the senior management of the Company have all undergone the requisite training on corporate governance. The names, profiles, and shareholdings of each director are found in the Definitive Information Statement, distributed prior to the ASM.

TERM LIMIT OF INDEPENDENT DIRECTOR

The Board's independent directors shall serve for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from re-election as such in the same company, but may continue to qualify for nomination and election as a non-independent director. In the instance that a company wants to retain an independent director who has served for nine years, the Board shall provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting.

Independent directors (IDs) who have served for nine years may continue as a non-independent director of the company. Reckoning of the cumulative nine-year term is from 2012, in connection with SEC Memorandum Circular No. 9, Series of 2011.

Any term beyond nine years for an ID is subjected to rigorous review, taking into account the need for progressive change in the Board to ensure an appropriate balance of skills and experience. However, the shareholders may, in exceptional cases, choose to re-elect an independent director who has served for nine years. In such instances, the Board must provide a meritorious justification for the re-election.

BOARD DIVERSITY

PMPC recognizes and embraces the benefits of having a diverse Board, and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of differences in the skills, regional and industry experience, background, race, gender, and other distinctions between Directors. These differences are considered in determining the optimum composition of the Board and balanced appropriately. All Board appointments are made on merit, in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective. Currently, there are two female independent directors on board with different professional backgrounds. PMPC implemented the Board Diversity policy in 2015.

BOARD COMMITTEES

Our Board of Directors is the highest governance body of the company. It provides direction and delegates the conduct of business to the company's management and operating levels under the leadership of the President. PMPC has standing committees to support the Board. The Audit Committee, Corporate Governance Committee, Risk Management Committee, and Related Party Transaction Committee have their respective charters approved by the Board. Charters delineate the objectives of the committees, define it functions, composition and procedures. These charters were prepared and benchmarked consistent with SEC's revised Code of Corporate Governance and existing rules and regulations. Every PMPC committee has at least two independent directors. The Board convenes regular meeting on a monthly basis and special meetings may be called for as needed.

AUDIT COMMITTEE

The Board appoints from its members an Audit Committee composed of at least three (3) members, majority of whom are Independent Directors including the Chairman. The Committee is composed of two independent directors and one executive director. The Chairman of Audit Committee is an independent director and a Certified Public Accountant (CPA). With the resignation of Audit Committee Chairman Independent Director Emiliano Volante in the last quarter of 2021, the Board approved the appointment of committee member Independent Director Marlon M. Molano as the new chairperson. Members of the committee must have accounting, auditing or related financial management expertise, or experience commensurate with the size, complexity of operations, and risk profile of the Company. The Chairperson of the Audit Committee shall not be the Chairperson of the Board or of any other board-level committees.

The purpose and authority of the Audit Committee is to assist the Board in fulfilling its responsibilities for general oversight of: (1) PMPC's financial reporting processes and the audit of financial statements, (2) PMPC's compliance with legal and regulatory requirements, (3) the external auditors' qualifications and independence, (4) the performance of PMPC's internal audit function and external auditors, and (5) risk assessment and risk management.

For fiscal year 2020, the Audit Committee monitored and evaluated the adequacy and effectiveness of the Company's internal control systems, risk management, compliance, and governance practices. It provided oversight on the integrity of the Company's financial statements and financial reporting process, performance of the internal and external audit functions and compliance with Company's policies, applicable laws, and regulatory requirements. The Committee also approved the external auditor's annual audit plan and scope of work and assessed its overall performance and effectiveness. In consultation with management, this Committee also approved the external auditor's terms of engagement and audit fees.

As for Internal Audit function, the Audit Committee reviewed and approved the Internal Audit performance report in 2020, internal audit plan for 2020, and the revised internal audit charter. The Internal Audit periodically reports on the status of relevant auditable areas and recommendations which includes the current status of internal control over financial reporting. The quarterly Audit Committee meetings were conducted to report significant audit issues and accomplishments of the Internal Audit. The Audit Committee through its Internal Audit reviewed the audited consolidated financial statements in accordance with Philippine Financial Reporting Standard (PFRS) and Philippine Accounting Standards (PAS) for Board approval. The Internal Audit reports functionally to the Audit Committee Chairman.

CORPORATE GOVERNANCE COMMITTEE

The Board appoints from its members a Corporate Governance Committee composed of at least three (3) members of the Board, who shall all be non-executive directors, majority of whom are Independent Directors including the Chairman. The Board also appointed Independent Director Atty. Justina Callangan as the new Corporate Governance Committee chairman for the remainder of the 2020 to 2021 board term.

The Corporate Governance Committee is appointed to assist the Board in fulfilling this responsibility with respect to four (4) fundamental issues: (i) overseeing the development and the regular assessment of the Corporation's approach to corporate governance issues, (ii) ensuring that such approach supports the effective functioning of the Corporation with a view to the best interests of the Corporation's shareholders and effective communication between the Board of Directors and management of the Corporation, (iii) overseeing the process, structure and effective system of accountability by management to the Board of Directors and by the Board to the shareholders, in accordance with applicable laws, regulations and industry standards for good governance practices, and (iv) carrying out the functions and responsibilities of a nomination and compensation committees to recommend to the Board of Directors candidates for election or appointment to the Board of Directors.

RISK MANAGEMENT COMMITTEE

The Board appoints from its members a Risk Management Committee composed of at least three (3) members of the Board, majority of whom shall be Independent Directors, including the Chairperson. Committee members should possess a range of knowledge and expertise on risk management issues and best practices. Ms. Elizabeth Gildore, Chairperson, is not the Chairperson of the Board or of any other board-level committee.

The Risk Management Oversight Committee monitors the risk environment for PMPC and provides direction for the activities to mitigate, to an acceptable level, the risks that may adversely affect company's ability to achieve its goals. The committee facilitates continuous improvement of the company's capabilities around managing its priority risks. In addition, the committee supports the Audit Committee's efforts to monitor and evaluate, as mandated by the SEC's Code of Corporate Governance, the risk management processes of the company.

RELATED PARTY TRANSACTION COMMITTEE

The Board appoints from its members a Related Party Transaction Committee composed of at least three (3) Non-Executive Directors, majority of whom are Independent Directors including the Chairperson. The Board also appointed Independent Director Atty. Justina Callangan as the new Committee chairman for the remainder of the 2020 to 2021 board term.

The purpose of the Related Party Transaction Committee is to assist the Board of Directors of the company to provide independent review, approval, and oversight of Related Party Transactions (RPTs) to ensure that transactions with related parties are conducted in arms-length. The company is exercising extensive effort to ensure that all significant related party transactions with related parties are done at arm's length. The transactions with related parties involve the supply of raw materials, service, and management consulting. RPT Committee clearly defines the threshold for disclosure and approval of RPTs and categorizes such transactions according to those that are considered de minimis or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. The aggregate amount of RPTs within any twelve (12) month period is considered for purposes of applying the thresholds for disclosure and approval. In 2019 PMPC adopted the Related Party Transaction guidelines of SEC pursuant to SEC memorandum circular no. 10 series of 2019.

BOARD MEETINGS

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

Scheduling of Meetings. The Board and the board committees conduct business through meetings for the effective discharge of obligations. Regular board meetings are convened monthly, scheduled at the beginning of fiscal year to cover the full term of the newly elected or re-elected Directors. The Board meeting in FY 2020 were held on the following dates:

Date of Meeting	Nature of Meeting
April 14, 2020	Special
May 7, 2020	Special
May 27, 2020	Special
June 10, 2020	Regular
July 9, 2020	Special
July 13, 2020	Special
July 28, 2020	Special
July 30, 2020	Special
August 4, 2020	Special
August 26, 2020	Shareholder/Board Mtg.
September 1, 2020	Special
September 7, 2020	Special
September 9, 2020	Special
September 22, 2020	Special
October 29, 2020	Regular
November 9, 2020	Special
November 11, 2020	Special
November 27, 2020	Special
December 23, 2020	Special
January 6, 2021	Special
January 12, 2021	Special
January 18, 2021	Special
January 27, 2021	Regular
March 9, 2021	Special
March 11, 2021	Special

Conduct of Meetings. The Chairman presides over meetings of the Board. The Vice Chairman presides in the absence of the Chairman. Board and committee meetings are conducted consistent with the Company's Amended By-Laws.

Meeting Materials. Board and board committee reference materials are made available to the directors at least five (5) days prior to the scheduled meeting. As an innovation to board governance, all materials for Board and board committee meetings are uploaded through a secure email system to ensure immediate receipt and quick access. Smart devices are link with the Company's email system.

Director Attendance. The table below shows the attendance of elected directors in fiscal year 2020. When exigencies prevent a Director from physically attending a Board or board committee meeting, facilities for conferencing are made available via Teams video conferencing.

DETAILS	MEMBERSHIP AND ATTENDANCE						
	STOCKHOLDERS' & BOARD			BOARD COMMITTEE			
MEETING	AS	BOD	NED & ID	AC	BROC	CGNCC	RPTC
NO. OF MEETING	1	25	1	4	4	4	4
Masatoshi Sasaki Executive Director	C 1/1	C 25/25	-				
Yoshiyuki Takahashi Executive Director	- 1/1	VC 25/25	-	M 4/4	M 4/4	C 4/4	C 4/4
Hiroshi Yamada Executive Director	- 1/1	M 25/25	-				
Masaru Toyota Executive Director	- 1/1	M 11/11	-				
Hiroyuki Tagishi Non-Executive Director	1/1	M 5/10	-				
Yukio Hirose Non-Executive Director	- 1/1	M 13/25	-				
Shigero Dohno [1] Non-Executive Director	- 1/1	M 13/25	-				
Hirokazu Yoshida [2] Non-Executive Director	-	M 8/15	-				
Satoshi Kono [3] Executive Director	-	14/14 M					
Emiliano Volante Independent Director	- 1/1	M 23/23	M 1/1	C 3/3	M 3/3	M 3/3	M 3/3
Elizabeth Gildore Independent Director	- 1/1	M 25/25	M 1/1	M 4/4	C 4/4	M 4/4	M 4/4
Atty. Justina Callangan [4] Independent Director	-	M 11/11	-	-	M 2/2	M 2/2	M 2/2
Marlon Molano [5] Independent Director	-	M 2/2	-	M 1/1	M 1/1	M 1/1	M 1/1

[1] Mr.Shigeru Dohno was nominated and elected as director to replace Mr. Tonooka effective October 8, 2019

[2] Mr. Hirokazu Yoshida replaced Mr. Hiroyuki Tagishi on September 1, 2020.
[3] Mr. Satoshi Kono replaced Mr. Masaru Toyota on September 1, 2020
[4] Atty. Justina Callangan was elected September 1, 2020 to increase the no. of independent to three (3) members. She was subsequently elected to chair the Corporate Governance & Related Party Transaction Committees to replace Mr. Yoshiyuki Takahashi.
[5] Mr Marlon Molano replaced Mr. Emiliano Volante on January 27, 2021 and assumed the chairmanship of Audit Committee

C- Charman	VC- Vice Chairman	M - Member	
AS -Annual Stockholders	BOD – Board of Directors	NED - Non-Executive Director	ID – Independent Director
EC – Executive Committee	AC – Audit Committee	BROC – Board Risk Oversight Committee	CGNCC - Corporate Gov., Nomination & Compensation Committee
RPTC – Related Party Transaction Committee			

BOARD PERFORMANCE EVALUATION

Board of Director, Board Committee, and relevant senior management evaluations, in accordance with the Code of Corporate Governance self-assessment, have been undertaken with respect to the FY 2020 reporting period. It was put in place by the Board since 2009 and has since been consistently implemented. The corporate governance self-assessment is annually conducted to measure performance and benchmark its compliance with the best Corporate Governance practices in the industry. The actions agreed upon by the Board in response to the performance review were documented and the completion of these items was monitored by the Board. In accordance with SEC's implementing rules and regulations, PMPC directors have attended at least one corporate governance seminar conducted by accredited agency. In fiscal year 2020 all the directors and management of PMPC attended an online seminar on Corporate Governance. Our directors keep abreast with the latest developments relevant with their duties and responsibilities to ensure good corporate governance practices. The table below provides the process and criteria in evaluation the performance of the Board.

	Process	Criteria
Board of Directors	Self-Assessment by all directors The Board shall be given sufficient time to accomplish the self-assessments. Each individual director performs the self-assessment using the prescribed forms, applying the rating scale and predetermined evaluation criteria for each level.	Strategy and Effectiveness Structure and Committees Meetings and Procedures Board and Management Relations Succession Planning and Training Performance Evaluation Value Creation Effective Governance

	Each director shall submit the completed forms on or before the deadline set by the Governance Committee or at such earlier or later date as the Board may agree upon. The Corporate Governance Committee processes the results of the assessments and communicates this to the Board through a Summary Report.	
Board Committee	Self-Assessment by all Directors Submission of Accomplishment Reports to the Board by the different committees. .	General and specific factors relating to Committee organization, meetings, processes and procedures, and overall effectiveness. Committee role Committee membership Procedure and practice Committee structure Collaboration and style Personal Effective Governance
Individual Director	Each director is required to fill-up a Self-Assessment Form annually	Leadership, Vision, Mission, and Values Effective Governance Strategic Thinking and Decision Making Teamwork Fulfillment of the Company's Governance Attendance
President / CEO	Each director fills up an evaluation form based on the relevant criteria. These are then submitted to the Chairman. The CEO/ President's performance is also evaluated at least once a year by the Personnel and Compensation Committee and Executive Committee.	Leadership Working with the Board Strategic & Visionary Managing Execution Communication/External Relations

TRAINING AND CONTINUING EDUCATION PROGRAM FOR THE DIRECTORS AND OFFICERS

The Company has a training policy that all directors should annually attend at least a four-hour training on corporate governance. In addition, all new directors are required to undergo at a minimum an eight-hour orientation program on the company's business and structure, vision and mission, business strategy, Governance Codes and Policies, Articles, By-Laws, Corporate Governance Manual, Board and Committee Charters, SEC-mandated topics on governance matters and other subjects essential for the effective performance of their duties and responsibilities. It is the Chief Compliance Officer's responsibility to ensure that each director has underdone the necessary trainings for the year.

As a corporate-wide initiative, a Corporate Governance training was held on March 25, 2021 during the fiscal year 2020. The training serves as continuing education program for the Board, President and senior management. It was the first virtual Corporate Governance training of Company facilitated by Ms. Judith Lopez. She was the former Chairman and Senior Partner of Isla Lipana & Co. and Board member of Philippines Veterans Bank. The relevant topics discussed as follows:

- Strategy and implementation
- Risk Management
- Corporate Ethics
- Monitoring Company Performance
- Management Evaluation, Compensation and Succession
- Communication with Stakeholders
- Board Dynamics

SHAREHOLDER RIGHTS

The company shall treat all shareholders fairly and eqtably, and also recognize, protect and facilitate the exercise of their rights. It is the responsibility of the Board to adopt a policy informing the shareholders of all their rights. The Company encourages shareholders to exercise their rights by providing clear-cut processes and procedures for them to follow.

Voting rights. Each common share in the name of the shareholder entitles such shareholder to one vote, which may be exercised in person or by proxy at shareholders' meetings, including the Annual General Stockholders' Meeting. Common shareholders have the right to elect, remove, and replace directors, as well as vote on certain corporate acts specified in the Revised Corporation Code.

Preferred shareholders have the right to vote on matters involving certain corporate acts specified in the Revised Corporation Code. They enjoy certain preferences over holders of common shares in terms of dividends and in the event of liquidation of the Company.

- Electronic Voting in Absentia. In its meeting, the Board approved Management's recommendations for the Company to provide the Company's shareholders with the option to vote in absentia in the 2020 ASM. Hence, at the August 26, 2020 ASM, shareholders were able to effectively participate and had the option to cast votes in absentia through an online electronic system, as also provided for in the Revised Corporation Code.

- Cumulative voting is used in the election of directors, who may be removed with or without cause. Directors shall not be removed without cause if it would deny minority shareholders representation in the Board. Removal of directors requires an affirmative vote of two-thirds of the outstanding capital of PMPC.

- No stockholders' meeting may conduct business unless a majority of the outstanding and subscribed capital stock entitled to vote is represented, except to adjourn from day to day until such time may be deemed proper.
- The Company also strictly complies with the rules and regulations of the SEC in relation to sending out the notice of meeting at least two weeks prior to the meeting, right to vote, and right to appoint a proxy.
- PMPC adheres to the "One Share, One Vote" rule. Its Amended By-Laws state that shareholders are entitled to voting rights equivalent to the number of shares they hold.

Pre-emptive rights. A pre-emptive right is often provided to existing shareholders to avoid involuntary dilution of their ownership stake. The right gives them the chance to buy a proportional interest of any future issuance of common stock.

Right to Information. Shareholders are provided, through the Investor Relations, disclosures, announcements, and, upon request, periodic reports filed with the SEC. All disclosures of the Company are likewise immediately available and downloadable at the Company's website upon disclosure to the Philippine Stock Exchange (PSE).

Right of inspection. Shareholders shall be allowed, within certain reasonable limits, to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code. They shall be provided with an annual report, including financial statements.

Dividends. Shareholders are entitled to receive dividends as the Board, in its discretion, may declare from time to time. However, the Company is required, subject to certain exceptions under the law, to declare dividends when the retained earnings equal to or exceed its paid-up capital stock. The Company has been consistently paying dividends to its shareholders annually.

Appraisal right. In accordance with the Corporation Code, shareholders may exercise appraisal rights under the following circumstances:

- In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any shareholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- In case of sale, lease, exchange, transfer, mortgage, pledge, or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
- In case of merger or consolidation

List of Material Information on Stockholders. The table below is the list of material information on stockholders as provided for by the Company's policy and procedure on Material Disclosures. The following gives a general description of matters which would be regarded as material information. This list is not exhaustive, and is for guidance purposes only.

List of Material Information on Stockholders
a) A change in control of the issuer
b) The filing of any legal proceeding by or against the Issuer and/or its subsidiaries, involving a claim amounting to ten percent (10%) or more of the Issuer's total current assets or any legal proceeding against its President and/or any member of its Board of Directors in their capacity as such;
c) Changes in the Issuer's corporate purpose and any material alterations in the Issuer's activities or operations or the initiation of new ones;
d) Resignation or removal of directors, officers or senior management and their replacements and the reasons for such;
e) Any decision taken to carry out extraordinary investments or the entering into financial or commercial transactions that might have a material impact on the Issuer's situation;
f) Losses or potential losses, the aggregate of which amounts to at least ten percent (10%) of the consolidated total assets of the Issuer;
g) Occurrence of any event of dissolution with details in respect thereto;
h) Acts and facts of any nature that might seriously obstruct the development of corporate activities, specifying its implications on the Issuer's business;
i) Any licensing or franchising agreement or its cancellation which may materially affect the Issuer's operations;
j) Any delay in the payment of debentures, negotiable obligations, bonds or any other publicly traded security;
k) Creation of mortgages or pledges on assets exceeding ten percent (10%) or more of the Issuer's total assets;
l) Any purchase or sale of stock or convertible debt securities of other companies when the amount is ten percent (10%) or more of the Issuer's total assets;
m) Contracts of any nature that might limit the distribution of profits, with copies thereof;
n) Facts of any nature that materially affect or might materially affect the economic, financial or equity situation of those companies controlling, or controlled by the Issuer including the sale of or the constitution of sureties/pledges on a substantial part of its assets;
o) Authorization, suspension, retirement or cancellation of the listing of the Issuer's securities on an exchange or electronic marketplace domestically or abroad;
p) Fines of more than ₱50,000.00 and/or other penalties on the Issuer or on its subsidiaries by regulatory authorities and the reasons therefor;
q) Merger, consolidation or spin-off of the Issuer;
r) Any modification in the rights of the holders of any class of securities issued by the Issuer and the corresponding effect of such modification upon the rights of the holders;
s) Any declaration of cash dividend, stock dividend and pre-emptive rights by the Board of Directors;
t) Any change in the Issuer's fiscal year and the reason(s) therefor;
u) All resolutions, approving material acts or transactions, taken up in meetings of the Board of Directors and Stockholders of the Issuer;
v) A joint venture, consolidation, acquisition, tender offer, take-over or reverse take-over and a merger;
w) Capitalization issues, options, directors/officers/employee stock option plans, warrants, stock splits and reverse splits;

x)	All calls to be made on unpaid subscriptions to the capital stock of the Issuer;
y)	Any change of address and contact numbers of the registered office of the Issuer;
z)	Any change in the auditors of the Issuer and the corresponding reason for such change;
aa)	Any proposed amendment to the Articles of Incorporation and By- Laws and its subsequent approval by the Commission;
bb)	Any action filed in court, or any application filed with the Commission, to dissolve or wind-up the Issuer or any of its subsidiaries, or any amendment to the Articles of Incorporation shortening its corporate term;
cc)	The appointment of a receiver or liquidator for the Issuer or any of its subsidiaries;
dd)	Any acquisition of shares of another corporation or any transaction resulting in such corporation becoming a subsidiary of the Issuer;
ee)	Any acquisition by the Issuer of shares resulting in its holding ten percent (10%) or more of the issued and outstanding shares of another Issuer or where the total value of its holdings exceed five percent (5%) of the net assets of an unlisted corporation;
ff)	Any sale made by the Issuer of its shareholdings in another listed or unlisted corporation: (1) resulting in such corporation ceasing to be its subsidiary; (2) resulting in its shareholding falling below ten percent (10%) of the issued capital stock;
gg)	Firm evidence of significant improvement or deterioration in near term earnings prospects;
hh)	The purchase or sale of significant assets amounting to ten percent (10%) or more of the Issuer's total assets otherwise than in the ordinary course of business;
ii)	A new product or discovery;
jj)	The public or private sale of additional securities;
kk)	A call for redemption of securities;
ll)	The borrowing of a significant amount of funds not in the ordinary course of business;
mm)	Default of financing or sale agreements;
nn)	Deviation from capital investment funds equivalent to twenty percent (20%) of the original amount appropriated;
oo)	Disputes with subcontractors, customers or suppliers or with any other parties;
pp)	An increase or decrease by ten percent (10%) in the monthly, quarterly and annual revenues on a year-on-year basis.
qq)	Material changes in the Group's business or its strategy or investment plans

Alternative Dispute Mechanism. The Company maintains policy and procedures on alternative dispute mechanism. It is the policy of the Company to resolve disputes or differences with shareholders, regulatory authorities and other third parties, if and when such disputes or differences arise, through mutual consultation or negotiation, mediation or arbitration.

SHARE INFORMATION

Listing Date: January 21, 1983
Class of Shares: Common A & B Shares
Voting Rights: One vote per share
Authorized: 847,000,000 as of March 31, 2020
Outstanding: 422,718,020 as of March 31, 2020

Rights, obligations, and restrictions attaching to shares. The rights and obligations attaching to each class of ordinary common in PMPC's share capital are set out in full in its Articles of Incorporation which may be amended by special resolution of the shareholders and can be found on www.panasonic.com.ph investor relation section.

Share Distribution Ownership. The table below summarizes sharelots ownership statistics as of March 31, 2021.

Size of Shareholdings	Common Share Class	No. of Shareholders	%	No. of Shares	%
1-100	A	70	14.99%	3,298	0.00%
101-500	A	82	17.56%	21,027	0.00%
501-1000	A	62	13.28%	52,188	0.01%
1001-5000	A	113	24.20%	268,450	0.06%
5001-10,000	A	38	8.14%	210,738	0.05%
10,0001-50,000	A	54	11.56%	1,035,256	0.25%
50,001-100,000	A	9	1.93%	970,874	0.23%
100,001-500,000	A	27	5.78%	4,738,261	1.12%
500,001-1,000,000	A	4	0.86%	2,692,510	0.64%
1,000,001-5,000,000	A	4	0.86%	12,633,524	2.99%
5,000,001-10,000,000	A	1	0.21%	6,076,341	1.44%
10,000,001-50,000,000	A	2	0.42%	56,020,972	13.25%
50,000,001 – 500,000,000	B	1	.21%	337,994,581	79.96%
Grand Total		467	100%	422,718,020	100.00%

STAKEHOLDER INVESTOR RELATION

PMPC strives to maintain its corporate credibility and instill investor confidence in the Company by practicing a structured approach to the communication of material information. It assists in achieving a fair market value for PMPC's securities – a benefit to both shareholders and the Company. PMPC will make every effort to ensure that all material information concerning the Company is made as freely and widely available as possible. PMPC encourages an exchange of opinion between itself and its principal stakeholders and will organize its communications to facilitate that dialogue.

PMPC responds to information requests from the investing community and keeps shareholders informed through timely disclosures to the PSE and the SEC and through regular quarterly briefings, annual shareholders meeting, investor briefings and the Company's website, and responses to email and telephone queries. The Company's disclosures and other filings with the SEC and PSE are available for viewing and download at the Company's website.

STOCKHOLDER MEETING AND VOTING PROCEDURES

Despite the unprecedent circumstances brought about by the COVID-19 pandemic in 2020, notices of the 2020 ASM were sent to the stockholders on July 17, 2020, 39 days, prior to the ASM which was held on August 26, 2020. Voting procedures on matters presented for approval of the stockholders in the ASM are set out in the Definitive Information Statement distributed to all shareholders of the Company.

The ASM also continues to be a key communications event for our Board and Management. It is a primary opportunity for meaningful discussion of the company's narrative, to engage with its shareholders and investors on the key issues facing the Company, review fiscal information for the past year, and respond to any questions regarding goals and directions the Company's business will take in the future. PMPC's Chairman and members of the Board, chairmen and members of the Board-level Committees, and senior executive officers led by the President and CEO, CFO, and Heads of Risk, Control, and Compliance, including the Corporate Secretary, and the Investor Relations Officer, are always in attendance and available for informal discussion before and after the formal business of the ASM. The table below is the list of directors, officers who attend the ASM.

List of directors, officers and stockholders who attend the Annual Stockholders' Meeting	
Director:	
Masatoshi Sasaki	Chairman
Yoshiyuki Takahashi	Vice-Charman
Hiroshi Yamada	Executive Director
Masaru Toyota	Executive Director
Hiroyuki Tagishi	Non-Executive Director
Dohno Shigero	Non-Executive Director
Yukio Hirose	Non-Executive Director
Emiliano Volante	Independent Director
Elizabeth Gildore	Independent Director
Officers:	
Masatoshi Sasaki	President / Chairman
Yoshiyuki Takahashi	Executive Director / Treasurer and Vice-Chairman
Hiroshi Yamada	Executive Director
Masaru Toyota	Executive Director / Vice-Chairman PPH
Atty. Mamerto Mondragon	Corporate Secretary
Ma. Virginia Arevalo	Compliance Officer
Stockholders:	
Forty-one (41) Shareholder	Shareholders

For the benefit of all the stockholders, the Chairman of the Board and the Corporate Secretary discussed the Rules of Conduct and Procedures for the meeting after the requisite call to order, certification of notice of meeting, and determination of quorum. The Rules of Conduct and Procedures were also detailed in the explanations of agenda items in the Notice of ASM. All items in the agenda requiring approval by the shareholders, including the election of the Board, need the affirmative vote of shareholders representing at least a majority of the issued and outstanding voting stock. Voting is considered on a poll, by shares of stock; that is, one share entitles the holder to one vote, two shares to two votes. Cumulative voting as provided for in the Corporation Code may be applied in the election of the Board. The Office of the Corporate Secretary tabulates all votes received and the Company's external auditor validates the results.

The Company proactively encourages the full participation of its shareholders, including institutional shareholders, at the ASM. Shareholders may participate in person or through their authorized representative. For the 2020 ASM, only shareholders of record as of August 10, 2020 were entitled to the notice and to vote at the meeting. Due to the pandemic and enhanced community quarantine in place, it was a virtual ASM and shareholders could not physically attend the meeting. However, they could still participate through the livestreamed webcast of the meeting and the option to vote in absentia through an online electronic system or by appointing the Chairman of the meeting as their proxy.

Stockholder's Question and Answer. Annually, the Board ensures that the shareholders are encouraged, recognized, and given sufficient time to ask questions at the ASM to ensure accountability and identification with the Board's and Management's strategy and goals of the Company. Questions or comments of shareholders, as well as responses of the Board and management, were duly recorded in the Minutes of the Meeting. The following questions were asked during the stockholders meeting:

1. **Ms. Wenyfreda Borgonos** (shareholder): Considering the COVID-19 pandemic situation, may we know how the company is particularly affected in terms of capacity and profitability? In connection with these, what is the company's business strategy for fiscal year 2020, and even for the coming years?

   Mr. Y. Sasaki: The Company has not been spared from the impact of COVID-19. As early as January of 2020, importation of raw materials from China is a challenge due to the impact of lockdown on the supply chain of raw materials. Accordingly, in the last quarter of FY 2019, the company only managed to generate sales of 2.7 billion pesos, which is 63% of the plan and 85% of the previous year. Also, profit is only 5.5 million pesos, which is very much less than the previous year.

2. **Ms. Imelda Garcia** (shareholder): This is a follow-up on the previous question of stockholder. As explain by Mr. Y. Sasaki, the company felt the effects of the COVID-19 pandemic beginning in the last quarter of FY 2019, what are the current plans of the company to recover and meet or achieve its sales targets?

   Mr. Y. Sasaki: Currently, we have a very difficult production and sales situation. But luckily demands for some of our products during the quarantine period have stepped up. These include refrigerators, aircons, and washing machines. It appears that the Company has an opportunity to turn an unpleasant situation into something positive. While we fully recognize the difficulty brought about by the disruption in the supply chain relative to our raw materials, we are able to leverage the people's current reliance on consumer products like ours by ramping up and maximizing production capacity. The Company will also focus on the cost reduction activities, which is facilitated by falling raw material prices. By actively pursuing these strategies, we hope to eventually achieve our target sales and profit.

Voting Results. The results of the voting of the ASM are counted and tabulated by Office of the Corporate Secretary of and independent external third-party auditor. The voting results for the 2020 ASM are as follows:

Total Number of Votes (Present and Proxy) = 359,745,841 Total Issued and Outstanding Shares = 422,718,020 Percentage of Attendees = 85.10%			
Resolution	**For**	**Against**	**Abstain**
Approval of Minutes of Annual Stockholders' Meeting held on June 21, 2019	359,745,841 100%	-	
Approval of Annual Report and Audited Financial Statements as of March 31, 2019	359,745,841 100%	-	
Ratification of the Acts of the Board of Directors and Officers	359,745,841 100%	-	
Election of External Auditors and Fixing of their Remuneration	359,745,841 100%	-	
Election of Members of the Board of Directors			
Masatoshi Sasaki	359,745,841	-	
Yoshiyuki Takahashi	359,745,841	-	
Hiroshi Yamada	359,745,841	-	
Masaru Toyota	359,745,841	-	
Hiroyuki Tagishi	359,745,841	-	
Dohno Shigero	359,745,841	-	
Yukio Hirose	359,745,841	-	
Emiliano Volante	359,745,841	-	
Elizabeth Gildore	359,745,841	-	

Voting results are submitted to the SEC and disclosed on the websites of the various Exchanges, where the Company's shares are traded, and made publicly-available on the company website as well by the next working day or sooner.

Minutes of the ASM. The Minutes of the ASM includes all information pertinent to the meeting: date, time, and location of the annual meeting; qualified participants, attendance, and quorum present to conduct business; approval of prior minutes; general report of the President and CEO; record of action items in the meeting including election of the Board, any pertinent discussions, and actual votes; and corporate resolutions that were adopted. The minutes also records the dialogue between shareholders and the Board and Management, facilitating Board and Management's responses to shareholders' questions and clarifications, as well as determining any follow up actions that need to be taken by the Board and Management in the future. Minutes of the previous year's ASM are provided to shareholders prior to the start of the meeting of the current year. Minutes of the 2020 ASM were likewise posted on the company website within five calendar days from the date of the ASM. Minutes of the ASM for the current and prior years may be viewed at the Company's website.

RISK MANAGEMENT

PMPC recognizes risks are associated with achieving value-based objectives. Managing these risks forms an essential part of PMPC's business. The aim of risk management within PMPC is to provide reasonable assurance that it understands the risks associated with achieving its business objectives and that it responds appropriately to these risks at all levels within the organization. This is achieved by always ensuring that:

- Risks are properly identified, assessed, managed and reported;
- Risk ownership is taken and communicated;
- Resources are effectively and efficiently allocated to manage risks;
- Risks that could significantly affect our employees, the company, our suppliers, or our clients are suitably managed;
- The company is compliant with regulatory and legal requirements.

ACCOUNTABILITY AND AUDIT

External Auditors. The Audit Committee has the primary responsibility to recommend the appointment and removal of the external auditor. The external auditors are directly accountable to the Audit Committee in helping ensure the integrity of the company's financial statements and financial reporting process. Their responsibility is to assess and provide an opinion on the conformity of the audited financial statements with Philippine Financial Reporting Standards and the overall quality of the financial reporting process. The Audit Committee oversees the work of the external auditors and ensures that they have unrestricted access to records, properties, and personnel to enable performance of the required audit. During the ASM last August 26, 2020, the shareholders re-appointed Sycip Gorres Velayo & Co. (SGV & Co.) as the company's external auditor for the year 2020, with Juan Carlo Maminta as the lead engagement partner.

The Committee met with the external auditors without the presence of the management team to discuss any issues or concern. To ensure that the external auditor maintains the highest level of independence from the company, both in fact and appearance, the Audit Committee approved all audit, audit-related, and reviewed non-audit services rendered by the external auditor. Non-audit services expressly prohibited by regulations of the SEC were awarded to other audit firms to ensure that the company's external auditor carries out its work in an objective manner.

Internal Audit. Internal Audit supports the Audit Committee in the effective discharge of its oversight role and responsibility. The Head of Internal Audit, Andrei R. Tibi, reports functionally to the Audit Committee of the Board of Directors, and administratively to the President / CEO. The activities of Internal Audit are governed by a separate Internal Audit Charter approved by the Audit Committee and the Board.

Internal Audit adopts a risk-based audit approach in developing its annual work plan, which is reassessed quarterly to consider emerging risks. The Audit Committee reviews and approves the annual work plan and all deviations therefrom and ensures that internal audit examinations cover the evaluation of adequacy and effectiveness of controls encompassing the company's governance, operations, and information systems; reliability and integrity of financial and operational information; safeguarding of assets; and compliance with laws, rules, and regulations. The Committee also ensures that audit resources are adequate and reasonably allocated to the areas of highest risk, including the effectiveness of the internal audit function. Its audit activities conform to the International Standards for the Professional Practice of Internal Auditing. During the year, the Committee regularly met with the Head of Internal Audit without the presence of management to discuss any issues or concern.

CODE OF BUSINESS CONDUCT AND ETHICS

Our business environment is constantly changing. We can count on changes in our products, our people, our customers, and our suppliers. What will not change is our commitment to our company values. Our basic business philosophy helps us determine our objectives, our approach to business activities, and the general direction of our company. It serves as a compass, helping us set and maintain the right direction for our business. It is timeless and remains valid regardless of where our business takes us. Our values are the foundation for sustaining our business environment within the Company. Among them, include:

- Contribution to society
- Fairness & honesty
- Cooperation & team spirit
- Untiring effort for improvement
- Courtesy and humility
- Adaptability
- Gratitude

These values define who we are as a company — to each other, to our customers, to our suppliers and to our shareholders. They define what we stand for, and they are guiding principles for behavior.

Internal policies such as conflict of interest policy, insider trading policy, whistleblower policy and related party transaction lend guidance, provide support, and lay the proper context in PMPC's adherence to Code of Business Conduct and Ethics.

Anti-Corruption Policy. PMPC is steadfast in abiding by the highest ethical standards in doing its business. A zero-tolerance policy is adopted towards fraud, corruption, bribery in any form, and all unethical practices, coupled with a firm commitment to full compliance with all relevant laws and standards. The anti-corruption policy contained in the Code of Business Conduct and Ethics guides all directors, officers, and employees on how to conduct business in a fair, ethical, and legal manner. Strict observance of the policy is mandated in all their transactions and dealings with customers, suppliers, and business partners of the company as well as with the government.

Conflict of Interest. It is PMPC's policy that all employees avoid any activity that is or has the appearance of being hostile, adverse, or competitive with the company, or that interferes with the proper performance of duties, responsibilities, or loyalty to the company. PMPC has in place conflict of interest policy that elevate the interest of the company above that of the personal interest of directors, officers, and employees. The policy covers specific conflict of interest situations and it also support that directors, officers and employees do not tolerate corruption or any form of bribery nor provide or accept improper inducement during any business dealing.

Insider Trading. It is the policy of the Company to oppose the unauthorized disclosure of any nonpublic information acquired in the workplace and the misuse of Material Nonpublic Information in securities trading. The company prohibits director, officer, or employee of, or consultant or contractor to, the Company, and no member of the immediate family or household of any such person, shall engage in any transaction involving a purchase or sale of Company's securities, including any offer to purchase or offer to sell, during any period commencing with the date that he or she possesses Material Nonpublic Information concerning the Company, and ending at the close of business on the second Trading Day following the date of public disclosure of that information, or at such time as such nonpublic information is no longer material.

Whistleblower. PMPC has whistleblower policy in place, another important mechanism for preventing the incident of fraud, bribery, and misconduct. All stakeholders which include the board, officers, and employees, as well as customers, and suppliers can report any violation of conduct of business conduct, policies, procedures and applicable laws and regulations. A whistleblower can raise their concerns of violations of the code of business conduct and ethical guidelines, or other illegal or unethical conduct, without fear that they will be disciplined or terminated. The company does not permit retaliation of any kind against an employee for reporting information in good faith. The whistleblower may approach the internal audit or any officers of the company who are designated contact person for the purpose of whistleblowing.

DISCLOSURE AND TRANSPARENCY

PMPC adheres to a high level of standard in its corporate disclosure and adopts transparency with respect to the Company's financial condition and state of corporate governance.

Ownership Structure. The top 20 shareholders of the Company, including the shareholdings of certain record and beneficial owners who own at least 2% of its capital stock, its directors and key officers, are disclosed annually in the Definitive Information Statement distributed to shareholders prior to ASM.

Financial Reporting. PMPC provides the investing community with regular updates on operating and financial information through adequate and timely disclosures filed with the SEC and the PSE. Consolidated audited financial statements are submitted to the SEC and the PSE on or before the prescribed period and are available to the shareholders prior to the ASM.

PMPC's financial statements conform to Philippine Accounting Standards and Philippine Financial Reporting standards, which also in compliance with International Accounting Standards. Quarterly financial results, on the other hand, are released and are duly disclosed to the SEC and PSE in accordance with the prescribed rules. These disclosures are likewise posted on the Company's corporate website.

In addition to compliance with structural reportorial requirements, the Company discloses in a timely manner market-sensitive information such as dividend declarations, acquisitions, and sale of significant assets that materially affect the share price performance of the Company.

Securities Dealing. The Company has adopted a policy which regulates the acquisition and disposal of Company shares by its directors, officers, and employees, and the use and disclosure of price-sensitive information by such persons. Under the policy, directors, officers, and employees who have knowledge or are in possession of material nonpublic information are prohibited from dealing in the Company's securities prior to disclosure of such information to the public.

MEASURE TO FULLY COMPLY WITH CORPORATE GOVERNANCE

In 2020, PMPC substantially complied with its Manual on Corporate Governance, the provisions of the Revised Code of Corporate Governance of the Securities and Exchange Commission (SEC) and the Corporate Governance Guidelines Disclosure Template of the Philippine Stock Exchange (PSE). As a mechanism to comply with Corporate Governance, the company has a Corporate Governance Committee, which comprises the company's President, Compliance Officer, Audit Committee, Internal Audit, and Risk Management Committee. The Corporate Governance Committee has taken various initiatives to comply with the ASEAN Corporate Governance and Integrated Annual Corporate Governance Report (IACGR) practices which recently include increasing the number of independent directors to three (3) members, the adoption of Corporate Compliance Program Policy headed by Compliance Officer, Related Party Transaction Policy, Board Related Party Transaction Committee, Beneficial Ownership Policy, Fraud Statement Policy among others. These initiatives are prospectively monitored by the board and facilitated by the company's compliance officer. PMPC has put in place a policy on Corporate Compliance Program to strengthen its compliance initiatives consistent with the regulatory agencies.

PMPC's Corporate Governance is exercised by a duly appointed Compliance Officer who is responsible for monitoring compliance with the provisions and requirements of corporate governance law, rules, and regulations, reporting violations and recommending the imposition of disciplinary actions, and adopting measures to prevent repetition of violations. She also ensures that corporate governance education and communication program, promotes the development of knowledge, skills, attitudes, and culture that would enhance observance of corporate governance policies.

The company has Board Assessment Policy and Procedures that provides, at the minimum, criteria, and process to determine the performance of the Board, individual directors, and committees as an evaluation system whether they comply with the Manual of Corporate Governance.

In fiscal year 2020, the increase from two to three independent directors due to onboarding of additional independent director improved the Company's compliance with Code of Corporate Governance and Integrated Annual Corporate Governance Report.

NO MATERIAL DEVIATION

The Company has established various Internal Controls, procedures, and mechanism to ensure compliance with the Code of Corporate Governance and to avert any possible deviation thereof. PMPC shall continue to monitor, adopt, and evolve in conjunction with corporate governance developments. There have been no material deviations noted by the compliance officer for the fiscal year 2020.

PLANS TO IMPROVE CORPORATE GOVERNANCE

PMPC will continue to monitor any developments in Corporate Governance to consistently comply with local regulatory agencies and improve the Company's governance practices. Areas for improvement noted during the preparation of SEC and PSE corporate governance reports and the result of Corporate Governance audit conducted by the Company's Internal Audit Department will be addressed with positive action.

The Corporate Governance Committee shall principally and periodically review the provisions and enforcement of the company's Manual on Corporate Governance. The said manual is subject to annual 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. Specifically, PMPC plans to fully comply with the ASEAN Corporate Governance practices and Integrated Annual Corporate Governance Report to reflect global principles and internationally recognized good practices in corporate governance applicable to public listed corporations. The company also adopts SEC's Revised Corporate Governance pursuant to SEC Memorandum Circular No.24 series of 2019 to improve its Corporate Governance Practices by the Board and management. As such, it prospectively revised its Manual of Corporate Governance accordingly.

Panasonic

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

CERTIFICATION

I, Imelda Garcia, Finance Senior Manager of Panasonic Manufacturing Philippines Corporation ("PMPC") with SEC Registration No. 23022 with principal office address at Ortigas Avenue Extension, San Isidro, Taytay, Rizal, on oath state:

1) That on behalf of Panasonic Manufacturing Philippines Corporation, I have caused this SEC Form 20-IS Definitive to be prepared;
2) That I read and understood its content which are true and correct of my own personal knowledge and/or based on true records;
3) That the company, Panasonic Manufacturing Philippines Corporation, will comply with the requirements set forth in SEC Notice dated March 18, 2020 for a complete and official submission of reports and/or documents through electronic mail; and
4) That I am fully aware that documents filed online which requires pre-evaluation and or processing fee shall be considered complete and officially received upon payment of a filing fee.

IN WITNESS THEREOF, I have hereunto set my hand this 22nd day of June, 2021.

Imelda Garcia
Affiant

SUBSCRIBED AND SWORN to before me this 22 JUN 2021 day of ____, 2021

NOTARY PUBLIC

ATTY. [illegible]
Notary Public for Quezon City
Until December 31, 20[illegible]
PTR No. [illegible] QC
IBP No. [illegible] QC
Roll No. [illegible]
MCLE VI-0030379 / 2-21-2020
Adm. Matter No. NP-001(2020-2021)
TIN NO. 131-942-754

Doc. No. 267
Page No. 55
Book No. 03
Series of 21

ANNEX A-1

COVER SHEET

SEC Registration Number

2	3	0	2	2						

Company Name

PANASONIC MANUFACTURING
PHILIPPINES CORPORATION
AND SUBSIDIARY

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

Ortigas Avenue Extension
Barrio Mapandan, Barangay San
Isidro, Taytay, Rizal

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-C		

CERTIFICATION OF INDEPENDENT DIRECTOR – ELIZABETH GILDORE

Company's Email Address	Company's Telephone Number/s	Mobile Number
www.panasonic.com/ph	8 635-2260 to 65	N/A

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
458	July 16th	March 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Imelda M. Garcia	imelda.garcia@ph.panasonic.com	8 635-2260	0917-8112175

Contact Person's Address

Ortigas Avenue Extension, San Isidro, Taytay, Rizal

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

CERTIFICATION OF INDEPENDENT DIRECTOR

ANNEX A-1

I, **ELIZABETH GILDORE**, Filipino, of legal age and a resident of L21 Dona Francesca St. Filinvest Homes East, Antipolo City, Rizal, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Panasonic Manufacturing Philippines Corporation and have been its independent director since May 4, 2015.

2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
NONE	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, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of Panasonic Manufacturing Philippines Corporation and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
NONE	N/A	N/A

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding:

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
NONE	N/A	N/A

6. I am neither in government service nor affiliated with a government agency or government-owned and -controlled corporation.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of Panasonic Manufacturing Philippines Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this ______________ day of __________, at _____________________.

Elizabeth Gildore
Independent Director

SUBSCRIBED AND SWORN to before me this 10 day of JUN 2021 at QUEZON CITY, affiant personally appeared before me and exhibited to me herDriver License ID with No. D16-89018-765 issued at Metro East Pasig City on October 19, 2018.

Doc. No. 452;
Page No. 92;
Book No. 57;
Series of 2021;

ATTY. CONCEPCION P. VILLAREÑA
Notary Public for Quezon City
Until December 31, 2021
PTR No. 0683[illegible] 1-6-2021/ QC
IBP No. 093[illegible]-2019/ QC
Roll No. 3[illegible] / [illegible]-09-80
MCLE VI-[illegible] / 2-21-2020
Adm. Matter No. NP 001(2020-2021)
TIN NO. 13[illegible]-942-754

ANNEX A-2

COVER SHEET

SEC Registration Number

2	3	0	2	2						

Company Name

PANASONIC MANUFACTURING
PHILIPPINES CORPORATION
AND SUBSIDIARY

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

Ortigas Avenue Extension
Barrio Mapandan, Barangay San
Isidro, Taytay, Rizal

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-C		

CERTIFICATION OF INDEPENDENT DIRECTOR – MARLON MOLANO

Company's Email Address	Company's Telephone Number/s	Mobile Number
www.panasonic.com/ph	8 635-2260 to 65	N/A

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
458	July 16th	March 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Imelda M. Garcia	imelda.garcia@ph.panasonic.com	8 635-2260	0917-8112175

Contact Person's Address

Ortigas Avenue Extension, San Isidro, Taytay, Rizal

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

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **MARLON M. MOLANO,** Filipino, of legal age and a resident of Laguna Bel-Air 2, 72 Friendswood Street, Don Jose, Santa Rosa City, Laguna, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Panasonic Manufacturing Philippines Corporation and have been its independent director since March 1, 2021.

2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
NONE	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, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of Panasonic Manufacturing Philippines Corporation and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
NONE	N/A	N/A

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding:

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
NONE	N/A	N/A

6. I am neither in government service nor affiliated with a government agency or government-owned and -controlled corporation.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of Panasonic Manufacturing Philippines Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this JUN 15 2021 day of __________, at TAYTAY RIZAL.

Marlon Molano
Independent Director

SUBSCRIBED AND SWORN to before me this ______ day of JUN 1 5 2021 at TAYTAY RIZAL, affiant personally appeared before me and exhibited to me his Passport P4650504B issued at DFA Manila on February 1, 2020 .

Doc. No. 122;
Page No. 26;
Book No. XII;
Series of 2024

ATTY. JOHN KENNETH T. MORENO
NOTARY PUBLIC
Roll No. 35640
IBP No. 137130 - 29 Dec. 2020
PTR No. 15581807 - 4 Jan. 2021
MCLE No. VI-0029169 - 5 Nov. 2019
Appt. No. 20-20 - 20 Dec. 2019
Until Dec. 31, 2021
For Antipolo City, Taytay, Cainta
Province of Rizal

ANNEX A-3

COVER SHEET

SEC Registration Number

2 3 0 2 2

Company Name

PANASONIC MANUFACTURING
PHILIPPINES CORPORATION
AND SUBSIDIARY

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

Ortigas Avenue Extension
Barrio Mapandan, Barangay San
Isidro, Taytay, Rizal

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-C		

CERTIFICATION OF INDEPENDENT DIRECTOR – JUSTINA CALLANGAN

Company's Email Address	Company's Telephone Number/s	Mobile Number
www.panasonic.com/ph	8 635-2260 to 65	N/A

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
458	July 16th	March 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Imelda M. Garcia	imelda.garcia@ph.panasonic.com	8 635-2260	0917-8112175

Contact Person's Address

Ortigas Avenue Extension, San Isidro, Taytay, Rizal

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

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JUSTINA CALLANGAN**, Filipino, of legal age and a resident of Block 1, Lot 88 Granwood Villas, BF Homes, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Panasonic Manufacturing Philippines Corporation and have been its independent director since September 01, 2020.

2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
NONE	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, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of Panasonic Manufacturing Philippines Corporation and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
NONE	N/A	N/A

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding:

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
NONE	N/A	N/A

6. I am neither in government service nor affiliated with a government agency or government-owned and -controlled corporation.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of Panasonic Manufacturing Philippines Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this JUN 15 2021 day of ________, at TAYTAY RIZAL.

Justina Callangan
Independent Director

SUBSCRIBED AND SWORN to before me this JUN 1 5 2021 at TAYTAY RIZAL affiant personally appeared before me and exhibited to me her Driver's License ID No. 81-011208 issued at Marikina City on June 2, 2017.

Doc. No. 123;
Page No. 26;
Book No. XII;
Series of 2021

ATTY. JOHN KENNETH T. MORENO
NOTARY PUBLIC
Roll No. 35640
IBP No. 137130 - 29 Dec. 2020
PTR No. 15581807 - 4 Jan. 2021
MCLE No. VI-0029169 - 5 Nov. 2019
Appt. No. 20-20 - 20 Dec. 2019
Until Dec. 31, 2021
For Antipolo City, Taytay, Cainta
Province of Rizal

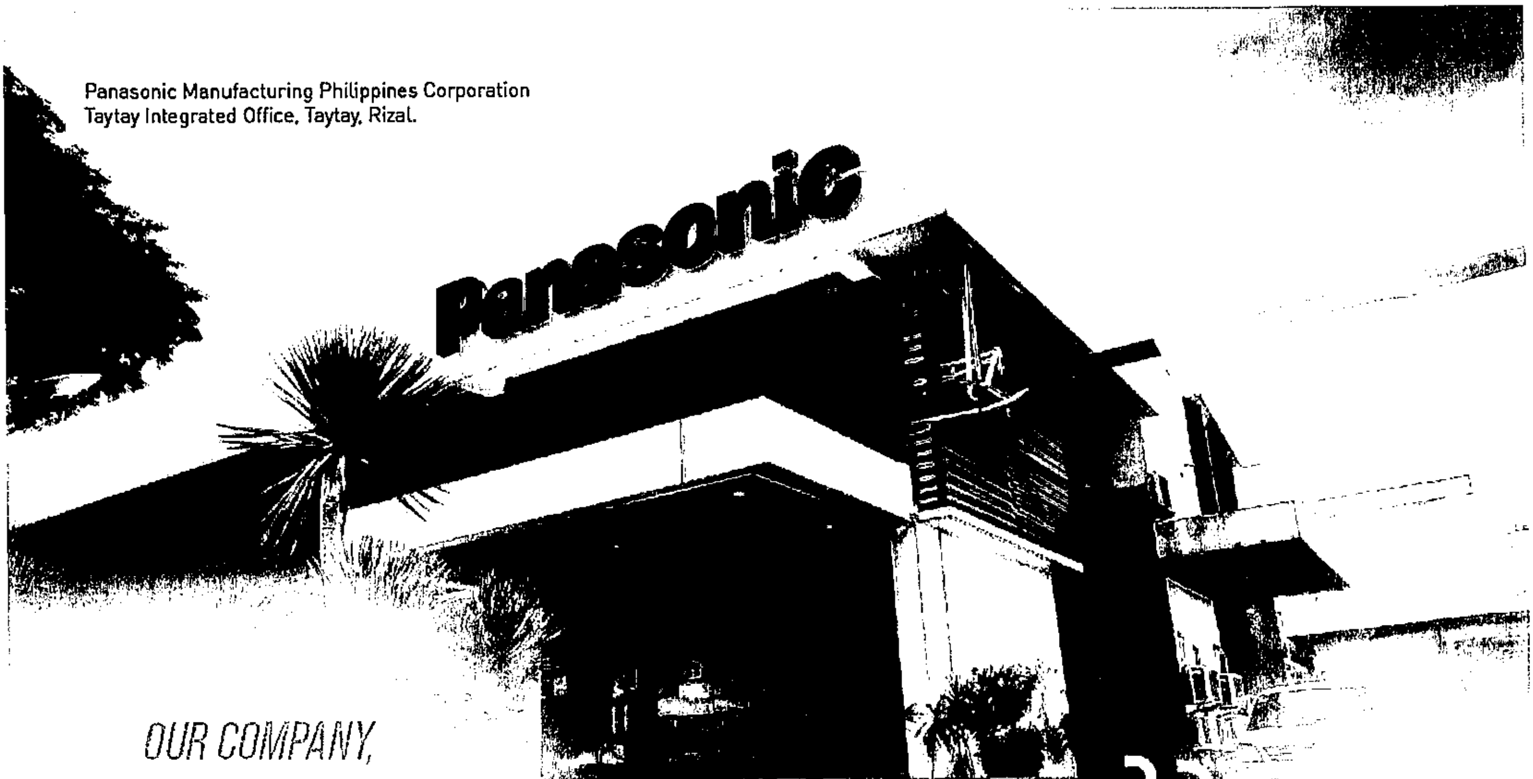
ANNEX B

Panasonic

Panasonic Manufacturing Philippines Corporation

FISCAL YEAR 2020 ANNUAL REPORT

FY 2020 ended March 31, 2021



Panasonic Manufacturing Philippines Corporation
Taytay Integrated Office, Taytay, Rizal.

OUR COMPANY,

Our Commitment

Panasonic Manufacturing Philippines Corporation (PMPC) is a manufacturer, importer and distributor of electronic, electrical, mechanical, electro-mechanical appliances, other types of machines, parts and components, battery and related products bearing the brand name, "Panasonic". PMPC, which is a subsidiary of Panasonic Corporation (PC), Japan is the first Filipino-Japanese joint venture operation in the area of consumer electronics in the country.
The primary products manufactured by the Company are refrigerators, air conditioners, washing machines, and electric fans.
In October 2003, the Company ceased using "National" brand and unified the branding of all its products under the Panasonic brand.
PMPC has a wide base of sales and service distribution centers strategically located at key municipalities, cities, and provinces all over the Philippines.

In 2011, PC made Panasonic Electrics Works Co., Ltd. (PEW) and SANYO Electric Co., Ltd. wholly owned subsidiaries. Consequently, with the said integration, PEW-Philippines and SANYO-Philippines ceased their existence as independent companies in the country. However, some of PEW operations with products under Eco-solutions like solar panel business and other devices, as well as SANYO's commercial refrigeration businesses among others were integrated into the business operation of PMPC's Sales Division, Panasonic Philippines (PPH) effective April 1, 2012.
On March 19, 2013, the Securities and Exchange Commission (SEC) approved the extension of PMPC's corporate life for another 50 years or until May 15, 2063.
In 2016, PMPC marked the initial year of its business operation under the umbrella of Panasonic Appliances (AP) Company.
Two years after celebrating its golden anniversary in 2017, PMPC renews its commitment to operate with dedication and continuing growth along with its corporate mission as a gesture of its gratitude to the continuing support of its loyal customers, business partners, and the communities where it operates, looking forward to the future with confidence, and focusing its efforts and resources in serving both the customers and society.
PMPC, as part of Panasonic Group recognizes that the primary role of its business is to serve society in return for the use of its resources, and thus devoting its business activities to the progress and development of society and the well-being of the people. This commitment serves as guidance for the Company in carrying out its operation and corporate activities.

CONTENTS

Financial Highlights

FISCAL YEARS 2020, 2019 & 2018

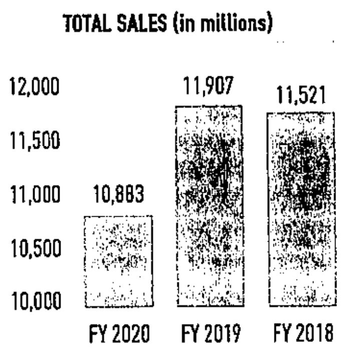
TOTAL OPERATIONS	FY 2020	FY 2019	FY 2018
NET SALES	10,883,095,262	11,906,948,322	11,520,813,753
NET INCOME AFTER TAX	358, 015, 592	126,456,220	148,521,135
Attributed to:			
Equity Holders of the Parent Company	357, 239, 514	126,066,914	148,144,539
Minority Interest	776, 078	389,306	376,596
EARNINGS PER SHARE	0.85	0.30	0.35
TOTAL EQUITY	4, 802, 260, 909	4,485,251,641	4,512,842,195
Book Value Per Share	11.36	10.61	10.68
WORKING CAPITAL (EOY) (Current Assets - Current Liabilities)	4,132,888,427	3,677,364,787	3,820,671,844
CURRENT ASSETS RATIO	2.39	2.50	2.56

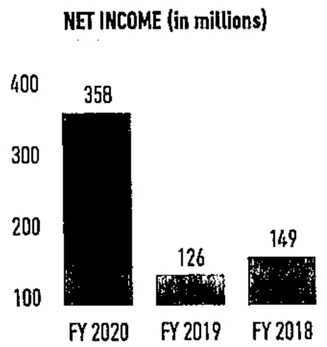
CASH DIVIDENDS

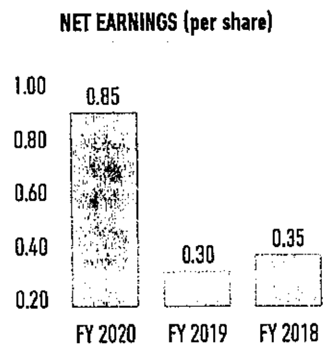
2020 - 52.45% regular cash dividend. Declaration date: May 20, 2021 ; Recorded June 4, 2021

2019 - 14.98% regular cash dividend. Declaration date: May 7, 2020 ; Recorded May 30, 2020

2018 - 20.99% regular cash dividend. Declaration date: April 22, 2019 ; Record date: May 7, 2019



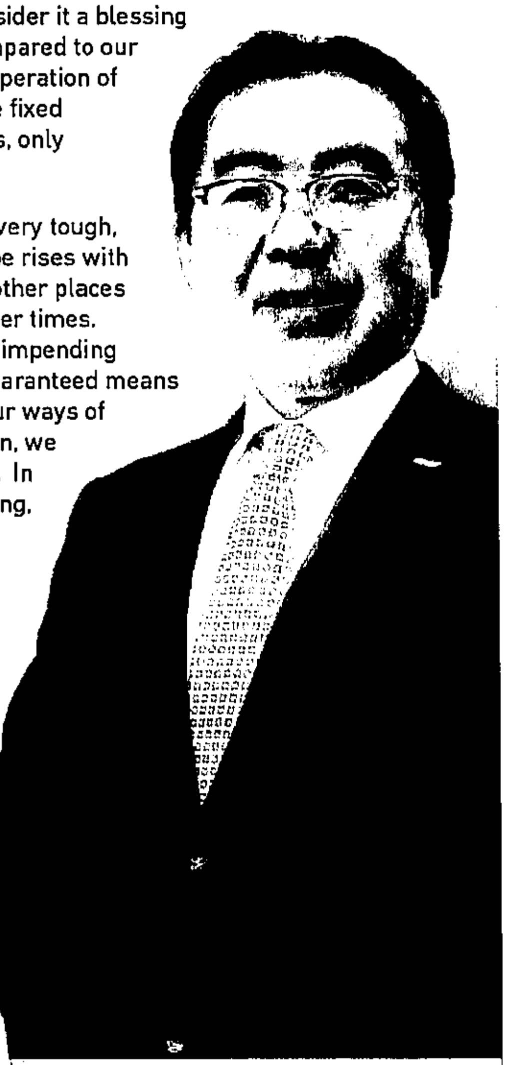




MESSAGE TO *Stockholders*

Our Panasonic Manufacturing Philippines Corporation (PMPC) business operation for fiscal year (FY) ending March 31, 2021 was generally shaped by the impacts of lockdowns and unprecedented disruptions attributed to the persisting COVID-19 pandemic, which also limited our capacity and capability to carry out our business activities and programs as desired. Thanks to our customers and business partners, who remained supportive and cooperative through this difficult time coupled with our Company's continuing recognition of the value of communication in imparting the owner's mind to every member of PMPC Family along with the essence of our management philosophy, we have managed to operate and continued to survive under the 'new normal'. Consequently, through our Company's Crisis Center, we have been consistently communicating via guided on-line and off-line meetings with our various stakeholders, not only to comply with government guidelines and protocols on COVID-19, but also to address promptly related issues arising from time to time. Indeed, our business operation in FY2020 was extremely strenuous, but at the same time, provided us with the opportunity to demonstrate the very essence of our Company's commitment to serve society in many ways - the very reason for our corporate existence.

Operating in FY2020 - which commenced when the enhanced community quarantine (ECQ) was imposed on the island of Luzon and its associated islands, then culminated when ECQ was re-implemented to mitigate the new spike in COVID-19 cases - truly crippled most businesses, including that of our business partners, who faced also range of challenges that were beyond expectations. Thus, although we were able to generate only a total sales performance of 10.9 billion pesos or 91 percent of the 11.9 billion pesos that our Company posted in FY2019, we can consider it a blessing that we managed to achieve 358 million pesos profit after taxes, which was higher compared to our achievement posted in FY2019. And we can attribute this partly to the support and cooperation of the members of our PMPC Family in the implementation of various measures to reduce fixed operation cost to augment in a way our lower sales growth. Among our major products, only refrigerator, and window aircon export achieved sales higher than FY2019.



In FY2021, along with the expectation that the market situation will continue to be very tough, our Company need to be more innovative so as survive and succeed. And although hope rises with the rollout of Covid-19 vaccines to tame the pandemic, the virus continues to surge in other places with the emergence of new variants that seemed to downplay the scenario toward better times. Likewise, there are related factors that must be addressed with resiliency, such as the impending increase in the price of raw materials. Verily, we must bear in mind that there is no guaranteed means to predict the real impact of the pandemic, which has triggered significant change in our ways of living and doing business. Many experts believe that to sustain our business operation, we must stay competitive in this 'new normal,' initiating new strategies and new practices. In other words, we need to continue doing refinement on how we do things. But, in so doing, we must not forget the basics... our management philosophy. This is the root of the traditional strengths and uniqueness of Panasonic. So, PMPC must always go back to our strengths along with our commitment to "Challenge growth with a sense of speed" in confronting unforeseen challenges of COVID-19 to our business operation. This is also in harmony with Panasonic Corporation's resolved to shift to a holding company system in 2022, which makes FY2021 as a very important year for the entire Panasonic Group in making a fresh start. And in this very important transformation, we must be mindful always of our basic principles and business fundamentals, practicing innovative and creative strategies that respond to the challenges and opportunities before us. Basically, in FY2021 and beyond, we will continue to exert our best effort to be closer to the Philippine market and become a trend-setter or the best choice when it comes to improving lifestyle and providing solutions. Moreover, we will make use to the fullest of our advantage of having a local production in serving our customers with flexibility and speed. And not to forget, we must keep carrying on the wonderful legacies of our pioneers along with our Company's continuing commitment to serve and contribute to society. These should be our conviction as we exert our concerted effort for a common goal, creating a synergy, which could create more opportunities for PMPC in continuously delivering something worthwhile always to society.

On behalf of the Members of the Board, once again I would like to express my gratitude to all our loyal customers, cooperative business partners, valued shareholders, supportive members of our Panasonic Appliance Company management, and all the dynamic members of our PMPC Family. I pray for everyone's continued protection and safety.

Sincerely,

Masatoshi Sasaki
President

ANNEX C

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

2	3	0	2	2

COMPANY NAME

PANASONIC MANUFACTURING PHILIPPINES CORPORATION AND SUBSIDIARY

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

Ortigas Avenue Extension, Barrio Mapandan, Barangay San Isidro, Taytay, 1920, Rizal

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
www.panasonic.com/ph	635-2260 to 65	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
460	July 16	March 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Julieta Beltran	julieta.beltran@ph.panasonic.com	635-2260 to 65	(+63) 917 584 4500

CONTACT PERSON's ADDRESS

Ortigas Avenue Extension, Taytay, Rizal

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

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

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Panasonic Manufacturing Philippines Corporation and its Subsidiary (the Group), which comprise the consolidated statements of financial position as at March 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended March 31, 2021, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended March 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Provision for estimated liabilities

The Group, in the ordinary course of its business, recognizes provision for estimated liabilities related to expected warranty claims from products sold and other estimated liabilities. This matter is significant to our audit because the determination of whether the provision should be recognized and the estimation of the potential liability resulting from these assessments require significant estimate and judgment by management. The estimate of the provision for warranty claims requires an analysis of past experience on the level of repairs and returns. The inherent uncertainty over the outcome of the matters related to other estimated liabilities is brought about by the differences in the interpretation and implementation of the relevant laws and regulations.

The relevant accounting policy and discussion of significant judgments and estimates for provisions are included in Notes 2 and 3 to the consolidated financial statements. The amount of provisions recognized is disclosed in Note 11 to the consolidated financial statements.

Audit response

We reviewed the underlying data used in the estimate for warranty claims by comparing the level of repairs and returns across various product lines applied in the calculation against documents supporting the actual claims such as completed service invoices and service reports from accredited service centers. We tested the mathematical accuracy of management's calculation of warranty claims. We also involved our internal specialist in the evaluation of management's assessment on whether any provision for contingencies should be recognized for the other estimated liabilities, and the estimation of such amount. We discussed with management the status of the claims and obtained correspondences with the regulatory authorities and opinions from the external legal counsel. We evaluated the position of the Group by considering the relevant laws, rulings and jurisprudence applicable to the Group.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended March 31, 2021, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended March 31, 2021 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.

- We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Juan Carlo B Maminta.

SYCIP GORRES VELAYO & CO.

Juan Carlo Maminta

Juan Carlo B. Maminta
Partner
CPA Certificate No. 115260
Accreditation No. 115260-SEC (Group A)
Valid to cover audit of 2020 to 2024
financial statements of SEC covered institutions
Tax Identification No. 210-320-399
BIR Accreditation No. 08-001998-132-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534323, January 4, 2021, Makati City

June 9, 2021

PANASONIC MANUFACTURING PHILIPPINES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱3,743,228,585**	₱2,945,349,793
Receivables (Note 5)	**1,476,638,862**	1,440,042,700
Inventories (Note 6)	**1,741,171,787**	1,654,053,222
Other current assets (Note 9)	**142,543,607**	91,857,986
Total Current Assets	**7,103,582,841**	6,131,303,701
Noncurrent Assets		
Property, plant and equipment (Note 7)	**984,691,769**	1,083,329,310
Deferred tax assets - net (Note 23)	**127,188,623**	168,745,041
Other noncurrent assets (Note 9)	**22,430,182**	25,590,201
Total Noncurrent Assets	**1,134,310,574**	1,277,664,552
	₱8,237,893,415	₱7,408,968,253
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 10)	**₱2,889,647,033**	₱2,365,479,331
Lease liabilities - current portion (Note 8)	**4,361,116**	8,986,996
Other current liabilities (Note 11)	**76,686,265**	79,472,587
Total Current Liabilities	**2,970,694,414**	2,453,938,914
Noncurrent Liabilities		
Retirement liability (Note 11)	**122,445,262**	122,592,066
Lease liabilities - net of current portion (Note 8)	**7,283,845**	1,721,796
Other noncurrent liabilities (Note 11)	**335,208,985**	345,463,836
Total Noncurrent Liabilities	**464,938,092**	469,777,698
	3,435,632,506	2,923,716,612
Equity		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Note 12)	**422,718,020**	422,718,020
Additional paid-in capital (Note 12)	**4,779,762**	4,779,762
Other comprehensive loss (Notes 9 and 12)	**(124,187,388)**	(146,240,284)
Retained earnings (Note 13)		
Appropriated	**3,842,400,000**	3,792,400,000
Unappropriated	**583,016,225**	338,835,931
	4,728,726,619	4,412,493,429
Non-controlling Interest	**73,534,290**	72,758,212
Total Equity	**4,802,260,909**	4,485,251,641
	₱8,237,893,415	₱7,408,968,253

See accompanying Notes to Consolidated Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended March 31		
	2021	2020	2019
NET SALES (Note 26)	**₱10,883,095,262**	₱11,906,948,322	₱11,520,813,753
COST OF GOODS SOLD (Notes 14 and 26)	**(8,316,813,759)**	(9,508,271,446)	(9,267,009,913)
GROSS PROFIT	**2,566,281,503**	2,398,676,876	2,253,803,840
SELLING EXPENSES (Notes 15 and 26)	**(1,204,276,357)**	(1,265,826,533)	(983,828,140)
GENERAL AND ADMINISTRATIVE EXPENSES (Notes 16 and 26)	**(950,374,726)**	(1,045,314,839)	(1,103,257,249)
OTHER INCOME - net (Notes 20 and 26)	**67,019,396**	152,519,987	107,872,735
INCOME BEFORE INCOME TAX	**478,649,816**	240,055,491	274,591,186
PROVISION FOR INCOME TAX (Note 23)	**(120,634,224)**	(113,599,271)	(126,070,051)
NET INCOME	**358,015,592**	126,456,220	148,521,135
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may not be reclassified to profit or loss			
Remeasurement gain (loss) on the net defined benefit liability, net of tax (Note 11)	**21,979,420**	(62,111,145)	(68,747,698)
Unrealized gain (loss) on financial assets at fair value through other comprehensive income (Note 9)	**73,476**	(3,199,545)	2,444,125
TOTAL COMPREHENSIVE INCOME	**₱380,068,488**	₱61,145,530	₱82,217,562
Net income attributable to:			
Equity holders of the Parent Company (Note 25)	**₱357,239,514**	₱126,066,914	₱148,144,539
Non-controlling interest	**776,078**	389,306	376,596
	₱358,015,592	₱126,456,220	₱148,521,135
Total comprehensive income attributable to:			
Equity holders of the Parent Company	**₱379,292,410**	₱60,756,224	₱81,840,966
Non-controlling interest	**776,078**	389,306	376,596
	₱380,068,488	₱61,145,530	₱82,217,562
Basic/diluted earnings per share (Note 25)	**₱0.85**	₱0.30	₱0.35

See accompanying Notes to Consolidated Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to Equity Holders of the Parent Company								
	Capital Stock (Note 12)	**Additional Paid-in Capital (Note 12)**	**Net Unrealized Gains on Financial Assets at FVOCI (Note 9)**	**Remeasurement Loss on Retirement Liability (Note 11)**	**Appropriated Retained Earnings (Note 13)**	**Unappropriated Retained Earnings (Note 13)**	**Total**	**Non-controlling Interest**	**Total**
Balances at April 1, 2020	**₱422,718,020**	**₱4,779,762**	**₱625,548**	**(₱146,865,832)**	**₱3,792,400,000**	**₱338,835,931**	**₱4,412,493,429**	**₱72,758,212**	**₱4,485,251,641**
Total comprehensive income	–	–	73,476	21,979,420	–	357,239,514	379,292,410	776,078	380,068,488
Reversals of appropriation (Note 13)	–	–	–	–	(814,494,110)	814,494,110	–	–	–
Appropriations (Note 13)	–	–	–	–	864,494,110	(864,494,110)	–	–	–
Cash dividends (Note 13)	–	–	–	–	–	(63,059,220)	(63,059,220)	–	(63,059,220)
Balances at March 31, 2021	**₱422,718,020**	**₱4,779,762**	**₱699,024**	**(₱124,886,412)**	**₱3,842,400,000**	**₱583,016,225**	**₱4,728,726,619**	**₱73,534,290**	**₱4,802,260,909**
Balances at April 1, 2019	₱422,718,020	₱4,779,762	₱3,825,093	(₱84,754,687)	₱3,742,400,000	₱351,505,101	₱4,440,473,289	₱72,368,906	₱4,512,842,195
Total comprehensive income	–	–	(3,199,545)	(62,111,145)	–	126,066,914	60,756,224	389,306	61,145,530
Reversals of appropriation (Note 13)	–	–	–	–	(798,825,280)	798,825,280	–	–	–
Appropriations (Note 13)	–	–	–	–	848,825,280	(848,825,280)	–	–	–
Cash dividends (Note 13)	–	–	–	–	–	(88,736,084)	(88,736,084)	–	(88,736,084)
Balances at March 31, 2020	₱422,718,020	₱4,779,762	₱625,548	(₱146,865,832)	₱3,792,400,000	₱338,835,931	₱4,412,493,429	₱72,758,212	₱4,485,251,641
Balances at April 1, 2018	₱422,718,020	₱4,779,762	₱1,380,968	(₱16,006,989)	₱3,692,400,000	₱410,484,850	₱4,515,756,611	₱71,992,310	₱4,587,748,921
Total comprehensive income	–	–	2,444,125	(68,747,698)	–	148,144,539	81,840,966	376,596	82,217,562
Reversals of appropriation (Note 13)	–	–	–	–	(724,620,000)	724,620,000	–	–	–
Appropriations (Note 13)	–	–	–	–	774,620,000	(774,620,000)	–	–	–
Cash dividends (Note 13)	–	–	–	–	–	(157,124,288)	(157,124,288)	–	(157,124,288)
Balances at March 31, 2019	₱422,718,020	₱4,779,762	₱3,825,093	(₱84,754,687)	₱3,742,400,000	₱351,505,101	₱4,440,473,289	₱72,368,906	₱4,512,842,195

See accompanying Notes to Consolidated Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended March 31		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱478,649,816**	₱240,055,491	₱274,591,186
Adjustments for:			
Depreciation and amortization (Note 18)	**242,680,763**	259,286,292	203,400,308
Provision for inventory write-down (Note 14)	**157,959,416**	107,445,039	79,432,386
Retirement and other long-term employee benefits expense (Notes 11 and 17)	**34,962,636**	34,946,121	26,874,278
Interest income (Notes 4 and 20)	**(32,503,149)**	(73,510,148)	(68,853,694)
Provision for warranty claims and estimated liabilities (Note 11)	**19,222,356**	25,118,992	176,048,662
Provision for (net recovery from) credit and impairment losses (Notes 5, 16 and 20)	**7,944,612**	(598,229)	526,315
Gain on disposal/retirement of property, plant and equipment and software (Note 20)	**(351,723)**	–	(154,482)
Unrealized foreign currency exchange (gain) loss (Notes 4, 5 and 10)	**(328,560)**	4,070,446	(11,837,158)
Interest on lease liability (Notes 8 and 16)	**282,553**	979,388	–
Operating income before changes in working capital	**908,518,720**	597,793,392	680,027,801
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	**(45,698,280)**	225,651,921	(477,570,556)
Inventories	**(245,077,981)**	(124,059,527)	(384,350,014)
Other current assets	**(50,685,621)**	98,611,719	6,964,457
Increase (decrease) in:			
Accounts payable and accrued expenses	**516,827,082**	(706,818)	188,001,522
Other liabilities	**(28,453,068)**	278,804	–
Net cash generated from operations	**1,055,430,852**	797,569,491	13,073,210
Income taxes paid	**(82,521,504)**	(198,893,173)	(210,090,566)
Interest received from bank deposits (Notes 4 and 20)	**33,669,317**	75,385,714	70,426,202
Other retirement liability and long-term employee benefits paid (Note 11)	**(5,781,869)**	(1,954,676)	(11,057,192)
Interest paid on lease liability (Note 8)	**(282,553)**	(979,388)	–
Contributions to the retirement fund (Note 11)	**–**	(101,637,974)	–
Net cash provided by (used in) operating activities	**1,000,514,243**	569,489,994	(137,648,346)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment (Notes 7 and 28)	**(129,284,699)**	(339,762,980)	(253,149,528)
Software (Note 9)	**–**	(1,458,326)	–
Proceeds from disposal of property, plant and equipment (Note 7)	**481,469**	360,270	2,786,367
Decrease (increase) in noncurrent other assets (Note 9)	**(2,156,760)**	(5,452,653)	4,713,210
Net cash used in investing activities	**(130,959,990)**	(346,313,689)	(245,649,951)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash dividends paid (Notes 13 and 28)	**(63,056,242)**	(88,733,571)	(157,155,460)
Payment of principal portion of lease liability (Note 28)	**(7,691,950)**	(14,586,138)	(450,502)
Cash used in financing activities	**(70,748,192)**	(103,319,709)	(157,605,962)

(Forward)

	Years Ended March 31		
	2021	2020	2019
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (Note 4)	**(₱927,269)**	(₱6,016,174)	₱16,333,796
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**797,878,792**	113,840,422	(524,570,463)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,945,349,793**	2,831,509,371	3,356,079,834
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱3,743,228,585**	₱2,945,349,793	₱2,831,509,371

See accompanying Notes to Consolidated Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Panasonic Manufacturing Philippines Corporation (the Parent Company) was incorporated in the Philippines on May 14, 1963 and is a subsidiary of Panasonic Corporation (PC or the Ultimate Parent Company) which was incorporated in Japan on December 15, 1935. The Securities and Exchange Commission (SEC) approved on March 19, 2013 the extension of Parent Company's corporate life for another 50 years or until May 15, 2063. The Parent Company holds 40.0% interest in Precision Electronics Realty Corporation (PERC or the Subsidiary), over which the Parent Company has the control over the Subsidiary.

On February 20, 2019, Republic Act No. 11232, otherwise known as the "Revised Corporation Code of the Philippines" or "RCC", was signed into law. The RCC took effect on February 23, 2019. The corporate term of a corporation with certificate of incorporation issued prior to the effectivity of the RCC and which continue to exist, shall be deemed perpetual upon the effectivity of the RCC, without any action on the part of the corporation. As of February 23, 2019, the Group is deemed to have selected a perpetual term.

The Parent Company is a manufacturer, importer and distributor of electronic, electrical, mechanical, electro-mechanical appliances, other types of machinery, parts and components, battery and other related products bearing the "Panasonic" brand. The Subsidiary is in the business of realty brokerage and leases out the land to the Parent Company in which the latter's manufacturing facilities are located (see Note 7).

The Parent Company's registered address is Ortigas Avenue Extension, Barrio Mapandan, Barangay San Isidro, Taytay, 1920, Rizal.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements of the Parent Company and the Subsidiary (collectively referred to as the "Group") have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI) that have been measured at fair value and inventories that have been measured at lower of cost or net realizable value (NRV). The accompanying consolidated financial statements are presented in Philippine peso (₱), which is also the Parent Company's functional currency. The functional currency of PERC is also the Philippine peso. All values were rounded to the nearest peso except when otherwise indicated.

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and PERC, a subsidiary which it controls (see Note 3).

Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the Subsidiary and has the ability to affect those returns through its power over the Subsidiary.

The Parent Company controls an investee if, and only if the Parent Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Parent Company's voting rights and potential voting rights

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of its Subsidiary to bring the accounting policies used in line with those used of the Group.

All intragroup transactions, balances, income and expenses are eliminated in the consolidation.

Non-controlling interests are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from Parent Company shareholders' equity. The interest of non-controlling shareholders may be initially measured at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, non-controlling interests consists of the amount attributed to such interests at initial recognition and the non-controlling interest's share of changes in equity since the date of acquisition.

Changes in the Parent Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transaction. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Parent Company.

If the Parent Company loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interest;

- derecognizes the related other comprehensive income recorded in equity and recycles the same to profit or loss or retained earnings;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained; and
- recognizes any surplus or deficit in profit or loss in the consolidated statement of comprehensive income.

The consolidated financial statements include the financial statements of the Parent Company and PERC. The summarized financial information of PERC is provided below. The information is based on amounts before intercompany eliminations.

	2021	2020
Summarized financial position information		
Total current assets	**₱43,852,062**	₱45,808,470
Total noncurrent assets	**233,177,867**	233,177,867
Total current liabilities	**482,598**	3,732,469
Total noncurrent liabilities	**153,990,175**	153,990,175
Total equity	**₱122,557,156**	₱121,263,693
Summarized comprehensive income information		
Revenues	**₱29,178,623**	₱29,716,169
Cost and expenses – net	**27,512,284**	28,504,262
Income before income tax	**1,666,339**	1,211,907
Provision for income tax	**372,876**	563,063
Total comprehensive income	**₱1,293,463**	₱648,844
Summarized cash flow information		
Operating	**(₱4,945,981)**	₱2,255,855
Net increase (decrease) in cash and cash equivalents	**(₱4,945,981)**	₱2,255,855

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at April 1, 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

- Amendments to PFRS 3, *Business Combinations - Definition of a Business*
- Amendments to PFRS 7, *Financial Instruments: Disclosures and PFRS 9, Financial Instruments, Interest Rate Benchmark Reform*
- Amendments to PAS 1, *Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material*
- Conceptual Framework for Financial Reporting issued on March 29, 2018
- Amendments to PFRS 16, Leases, *COVID-19-related Rent Concessions*

Fair Value Measurement
For measurement and disclosure purposes, the Group determines the fair value of an asset or a liability at initial measurement date or each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on lowest level input that is significant to the fair value measurement as a whole:

- Level 1 –Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfer have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Cash and Cash Equivalents
Cash and cash equivalents in the consolidated statement of financial position comprise cash in banks and time deposits with original maturities of three months or less and are subject to an insignificant risk of change in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and time deposits as defined above.

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Date of recognition
The Group recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial instruments that require delivery of assets and liabilities within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial recognition of financial instruments
Financial instruments are initially recognized at fair value of the consideration given. The initial measurement of financial instruments includes transaction costs, except for financial instruments at financial assets at fair value through profit and loss (FVTPL).

As of March 31, 2021 and 2020, the Group only has financial assets and financial liabilities at amortized cost and financial assets at FVOCI.

'Day 1' difference
Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the profit or loss in the statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where transaction price used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the profit or loss in the statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

In 2021, 2020 and 2019, there were no 'Day 1' differences recognized in the profit or loss in the consolidated statement of comprehensive income.

a) Financial assets
Classification and measurement
Financial assets are classified at fair value at initial recognition and subsequently measured at amortized cost, FVOCI, and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are solely for principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount). In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.
The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers, if any, of the business are compensated.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

The financial assets of the Group as of March 31, 2021 and 2020 consist of financial assets at amortized cost and financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).

Financial assets at amortized cost (debt instruments)
The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include cash and cash equivalents and receivables.

Financial assets designated at FVOCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation*, and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statements of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group elected to classify irrevocably its investments in unquoted equity instruments under this category.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
The Group recognizes an allowance for ECLs for all debt instruments not held at FVTPL. ECL represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime ECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets such nontrade receivable, due from related parties and other receivables, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk (SICR) since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been an SICR since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and cash equivalents and short-term investments, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from reputable credit rating agencies to determine whether the debt instrument has SICR and to estimate ECLs.

The key inputs in the model include the Group's definition of default and historical data of three years for the origination, maturity date and default date. The Group considers trade receivables and contract assets in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Determining the stage for impairment
At each reporting date, the Group assesses whether there has been a SICR for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed SICR since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

b) Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at FVTPL
Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognized in the consolidated statements of income.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied.

The Group does not have financial liabilities at FVTPL as of March 31, 2021 and 2020.

Other financial liabilities
This category pertains to financial liabilities that are not held for trading or not designated as at FVTPL upon the inception of the liability. These include liabilities arising from operations and borrowings.

After initial measurement, other financial liabilities are measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the acquisition and fees or costs that are an integral part of the EIR. Gains and losses are recognized in profit or loss when other financial liabilities are derecognized, as well as through the EIR amortization process.

This category applies to the Group's accounts payable and accrued expenses (excluding statutory and taxes payables).

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

c) Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Inventories
Inventories are valued at the lower of cost or NRV. NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. Cost is determined primarily using the first-in, first-out method, except for spare parts and supplies, which are determined on a weighted average method. For manufactured inventories, cost includes the applicable allocation of fixed and variable overhead costs.

Creditable Withholding Tax
This pertains to the tax withheld at source by the Group's customers and is creditable against the income tax liability of the Group.

Property, Plant and Equipment
Property, plant and equipment, except land, are carried at cost less accumulated depreciation, amortization and any impairment in value except land which is carried at cost less any impairment in value. The initial cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Significant renewals and improvements are capitalized.

Expenditures incurred after the properties have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to income in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

Depreciation and amortization is computed using the straight-line method on land improvements and buildings and improvements over their estimated useful lives and the declining balance method on other property, plant and equipment.

The estimated useful lives of property, plant and equipment are as follows:

	Years
Land improvements	10
Factory machinery, equipment and tools	2-10
Buildings and improvements	5-25
Office furniture, fixtures and equipment	2-5
Transportation equipment	3-5

The useful life and depreciation and amortization methods are reviewed at each reporting date to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

When assets are sold or retired, their cost and accumulated depreciation and amortization and any accumulated impairment losses are eliminated from the accounts and any gain or loss resulting from their disposal is included in profit or loss.

Fully depreciated property, plant and equipment are retained in the accounts until these are no longer in use.

Software
Software acquired separately is measured on initial recognition at cost. Following initial recognition, software is carried at cost less any accumulated amortization and any accumulated impairment losses.

Amortization of software is computed using the declining balance method over its estimated useful life of 2 to 5 years. The estimated useful life and amortization method for software are reviewed at least at each financial year end to ensure that the period and method of amortization are consistent with the expected pattern of economic benefits from these assets.

The amortization expense on software is recognized in profit or loss under general and administrative expenses. Software is assessed for impairment whenever there is an indication that this asset may be impaired.

Impairment of Nonfinancial Assets
At each reporting date, the Group assesses whether there is any indication that its nonfinancial assets (e.g., property, plant and equipment, investment properties, software, creditable withholding taxes and value-added tax) may be impaired.

Where there is an indication of impairment, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

A previously recognized impairment loss is reversed by a credit to current operations, unless the asset is carried at a revalued amount, in which case, the reversal of the impairment loss is credited to the revaluation increment of the same asset, to the extent that it does not restate the asset to a carrying amount in excess of what would have been determined (net of any accumulated depreciation and amortization) had no impairment loss been recognized for the asset in prior years.

Leases
The Group determines at contract inception whether a contract is, or contains, a lease by assessing whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Parent Company as a lessee
The Parent Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Parent Company recognizes right-of-use assets representing the right to use the underlying assets and lease liabilities to make lease payments.

i. Right-of-use assets
The Parent Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Parent Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Depreciation of right-of-use assets is presented under 'Depreciation and amortization' in Cost of Goods Sold (Note 14) and General and Administrative Expenses (Note 16).

The Group presents the right-of use assets in 'Property, plant and equipment' and subjects it to impairment. Refer to the accounting policies in section *Impairment of non-financial assets.*

ii. *Lease liability*
At the commencement date of the lease, the Parent Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Parent Company and payments of penalties for terminating a lease, if the lease term reflects the Parent Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Parent Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. The accretion is presented as 'Interest expense' (Note 16) in the Parent Company's statement of comprehensive income.

iii. *Short-term leases and leases of low-value assets*
The Parent Company applies the short-term lease recognition exemption to its short-term leases of office spaces (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Subsidiary as a lessor
The Subsidiary classifies a lease as finance lease if it transfers substantially all the risks and rewards incidental to ownership of asset arising from the lease. Leases where the Subsidiary does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an income in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

Business Combinations
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are recognized in profit or loss.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. The measurement period is the period from the date of acquisition to the date the Group receives complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum period of one year.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in accordance with PFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquired are assigned to those units.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Equity

Capital stock is measured at par value for all shares issued and outstanding. When the shares are sold at premium, the difference between the proceeds and the par value is credited to 'Additional paid-in capital' account. Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to 'Additional paid-in capital' account. If additional paid-in capital is not sufficient, the excess is charged against the retained earnings.

When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Retained earnings represent accumulated earnings of the Group less any dividends declared.

Revenue Recognition

To account for the revenues arising from contracts with customers, the Group applies the following five step model:

a. Identify the contract(s) with a customer
b. Identify the performance obligations in the contract
c. Determine the transaction price
d. Allocate the transaction price to the performance obligations in the contract
e. Recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in its revenue arrangements because it controls the goods or services before transferring them to the customer.

The following specific recognition criteria must also be met before revenue and other income are recognized:

Revenue within the scope of PFRS 15:

Sale of goods and services
Revenue from sale of goods is recognized at a point in time upon transfer of control to the buyer, usually upon delivery of goods.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods and services, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer, if any.

Sale of scrap and gain (loss) on sale of property, plant and equipment
Revenue from sale of scrap is recognized upon delivery, when the control has passed to the buyer and the amount of revenue can be measured reliably.

Service income
Service income is earned from rendering services in the form of general advice and assistance fees to related parties.

Other income
Other income is recognized in the profit or loss as it accrues when there is reasonable degree of certainty as to its collectivity. It includes foreign currency exchange gain, refund for damaged goods in cargo, administration fees, insurance claims and gain on pre-termination of lease.

Revenue outside the scope of PFRS 15:

Interest income
Interest income is recognized as interest accrues, taking into account the effective yield on the assets.

Dividend income
Dividend income is recognized when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

Rental income
Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

Costs and Expenses
Costs and expenses encompass losses as well as those expenses that arise in the course of the ordinary activities of the Group. Cost and expenses are recognized as incurred. The following specific recognition criteria must be met before costs and expenses are recognized:

Cost of goods sold
Cost of goods sold includes all expenses associated with the specific sale of goods. Cost of goods sold include all materials and supplies used, direct labor, occupancy cost, depreciation of production equipment and other expenses related to production. Such costs are recognized when the related sales have been recognized.

Selling expenses
Selling expenses constitute costs which are directly related to selling, advertising and delivery of goods to customers. These include sales commissions and marketing expenses. Selling expenses are recognized when incurred.

General and administrative expenses
General and administrative expenses constitute costs of administering the business and are recognized when incurred.

Dividends on Common Shares
Dividends on common shares are recognized as a liability and deducted from equity when declared and approved by the Board of Directors (BOD) of the Parent Company. Dividends for the year that are declared and approved after the consolidated statement of financial position date, if any, are dealt with as an event after the financial reporting date and disclosed accordingly.

Earnings Per Share (EPS)
Basic EPS is computed by dividing net income for the year attributable to ordinary equity holders of the parent by the weighted average number of common shares issued and outstanding during the year, after giving retroactive adjustment to any stock dividend declared or stock split made during the year.

Diluted EPS is calculated by dividing the net income attributable to common shareholders by the weighted average number of common shares outstanding during the year adjusted for the effects of any dilutive convertible common shares.

The Group has no dilutive convertible common shares. Thus, basic and diluted EPS are the same.

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized. All other borrowing costs are recognized as expense in the year which they are incurred.

Retirement Costs
The Parent Company operates a funded noncontributory defined benefit retirement plan, which requires contributions to be made to a separate administered fund.

The cost of providing benefits under the defined benefit pension plan is determined by an independent actuary using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current period.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Retirement expenses comprise the following:

- Current service cost
- Net interest on the net defined benefit liability or asset
- Remeasurement of retirement liability

Current service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurement comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurement is not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Parent Company, nor can they be paid directly to the Parent Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Parent Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefit
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability and expense when they are accrued to the employees. The cost of employee entitlements to annual leave is actuarially computed using the projected unit credit method.

Income Taxes
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The rates and tax laws used to compute the amount are those that have been enacted or substantially enacted as of the reporting date.

The Company periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred tax
Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating losses carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits from excess credits and unexpired NOLCO can be utilized, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date, and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recognized.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted as of the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss in the consolidated statement of comprehensive income. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Foreign Currency-denominated Transactions and Translation

Foreign currency-denominated transactions are recorded using the exchange rate at the date of transaction. Foreign currency-denominated monetary assets and liabilities are translated using the prevailing closing exchange rate at reporting date. Exchange gains or losses from foreign currency-denominated transactions and translation are credited or charged to profit or loss.

Operating Segment

Operating segments for management reporting purposes are organized into three major segments according to the nature and user of the products. Common income and expenses are allocated among business segments based on sales or other appropriate bases. Segment assets include operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, net of allowances, provisions and depreciation and amortization. Segment liabilities include all operating liabilities and consist principally of accounts payable and accrued liabilities. Information on business segments is presented in Note 26.

Provisions

Provisions are recognized when the following conditions are present: (a) the Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense in profit or loss in the consolidated statement of comprehensive income. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is probable.

Provision for estimated liabilities
Provision for estimated liabilities consists of provision for warranty claims and other liabilities. Provision for warranty claims is recognized for expected warranty claims on products sold, based on past experience in the level of repairs and returns. Provision for other liabilities is recognized when all of the conditions mentioned above are present.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Events after the Reporting Period
Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

Standards Issued but not yet Effective
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective in fiscal year 2021
- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

Effective beginning on or after January 1, 2022
- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16 , *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs* 2018-2020 Cycle
    - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
    - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
    - Amendments to PAS 41, *Agriculture, Taxation in fair value measurement*

Effective beginning on or after January 1, 2023
- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- PFRS 17, *Insurance Contracts*

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

3. Significant Accounting Judgments, Assumptions and Estimates

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

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

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

a. Revenue recognition on sale of goods and services
Revenue recognition under PFRS 15 involves the application of significant judgment and estimation in the: (i) identification of the performance obligations; (ii) accounting for consideration paid or payable to customer; and (iii) determination when control is transferred.

(i) *Identification of performance obligations*
The Group identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Group's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

Based on management assessment, business-to-consumer (B2C) sales have only one performance obligation, while business-to-business (B2B) sales may include one or more performance obligations depending on the satisfaction of the criteria mentioned above.

(ii) *Accounting for consideration paid or payable to customer*
The Group determines the nature of its consideration paid or payable to customer if it represents purchases by the Group of goods or services offered by the customer, or incentives given by the Group to the customer. Consideration payable to a customer includes cash amounts that the Group pays, or expects to pay, to the customer. The consideration payable to a customer is accounted for as a reduction of the transaction price unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the entity

(iii) *Determination when control is transferred*
The Group recognizes its revenue for B2C sales at a point in time, when the goods are sold and delivered and when services are already rendered. The Group may recognize revenue for B2B sales over time if the buyer simultaneously receives and consumes the benefits as the Group performs its obligation, the buyer controls the goods and services as it is created or enhanced, or if the goods and services has no alternative use to the Group and the Group has enforceable right to payment for performance completed to date.

b. *Control over PERC*
The Group considers that it controls PERC even though it owns less than majority equity interest in PERC. The Parent Company holds a 40.0% equity interest in PERC. The remaining 60.0% of the equity shares in PERC are held by the retirement fund of the Parent Company. The Parent Company determined that it has control over PERC since it has the practical ability to direct the relevant activity of PERC and is exposed to variable returns from PERC. The sole purpose of PERC's establishment and continuing existence is to hold several parcels of land as location for the Parent Company's manufacturing facilities. Thus, the relevant activity of PERC includes the acquisition of parcels of land through funding from the Parent Company and the subsequent lease thereto. The decision to set up the structure of PERC through lease and loan agreements is devised by the Parent Company for it to have location for its facilities since it could not hold more than 40.0% ownership in private lands in the Philippines. The BOD and officers of the Parent Company are also the BOD and officers of PERC.

c. *Distinction between investment properties and owner-occupied properties*
The Group determines whether a property qualifies as an investment property. In making its judgement, the Group considers whether the property is not occupied substantially for use by, or in operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately, the property is accounted for as an investment property, only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Group considers each property separately in making its judgment.

Estimates
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

a. *Provisions for estimated liabilities*
Provision for estimated liabilities pertain to provision for warranty claims from products sold and other estimated liabilities. The determination of whether the provision should be recognized and the estimation of the potential liability from these assessments requires significant estimate and judgment by management.

The estimate of the provision for warranty claims requires an analysis of past experience on the level of repairs and returns. Other provisions for estimated liabilities include provisions for legal cases and other claims. The Group makes provisions on the basis of management's and its legal counsel's opinion and assessment of the outcome of the claims arising from interpretations and applications of statutes applicable to the Group.

Provisions for estimated liabilities amounted to ₱391.1 million and ₱403.0 million as of March 31, 2021 and 2020, respectively (see Note 11).

b. *NRV of inventory*
Inventories are carried at lower of cost or NRV. NRV of inventories are assessed regularly based on the prevailing selling prices of inventories less the estimated costs necessary to sell and to complete. Any increase in NRV will increase the carrying amount of inventories but only to the extent of their original acquisition costs. The carrying value of inventories as of March 31, 2021 and 2020 amounted to ₱1.7 billion (see Note 6). The amount of provision for inventory write-down included under cost of goods sold amounted to ₱158.0 million, ₱107.4 million and ₱79.4 million in 2021, 2020 and 2019, respectively (see Notes 6 and 14).

c. *Determining method to estimate variable consideration and assessing the constraint*
The Group includes some or all the amounts of variable consideration estimated but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group considers both the likelihood and magnitude of the revenue reversal in evaluating the extent of variable consideration the Group will subject to constraint. Factors such as i) highly susceptibility to factors outside the Group's influence, ii) timing of resolution of the uncertainty, and iii) having a large number and broad range of possible considerations amount are considered.

Some contracts with customers provide prompt payment, volume discount and special discounts that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The expected value method of estimation takes into account a range of possible outcomes while the most likely amount is used when the outcome is binary.

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration given the large number of customer contracts that have similar characteristics and the range of possible outcomes.

d. *Assessment for ECL on trade receivables*
The Group, applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for trade receivables. The provision matrix specifies provision rates depending on the number of days that a trade receivable is past due. The Group also uses appropriate groupings if its historical credit loss experience show significantly different loss patterns for different customer segments. The Group then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data affecting each customer segment to reflect the effects of current and forecasted economic conditions.

The Group adjusts historical default rates to forward-looking default rate by determining the closely related economic factor affecting each customer segment. The Group regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual credit loss experience.

The determination of the relationship between historical default rates and forecasted economic conditions is a significant accounting estimate. Accordingly, the provision for ECL on trade receivables is sensitive to changes in assumptions about forecasted economic conditions. The Group has assessed that the ECL on trade receivables is not material because substantial amount of receivables are normally collected within one year.

The carrying amount of trade receivables amounted to ₱1.4 billion and ₱1.3 billion as at March 31, 2021 and 2020, respectively (see Note 5).

e. *Present value of benefit obligation*
The determination of the obligation and cost of retirement and other employee benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, expected returns on plan assets and salary increase rates.

While the Group believes that the assumptions are reasonable and appropriate, significant differences between actual experiences and assumptions may materially affect the cost of employee benefits and related obligations.

The Group's defined benefit plan resulted to a retirement liability amounting to ₱122.4 million and ₱122.6 million as of March 31, 2021 and 2020, respectively (see Note 11).

f. *Deferred tax assets*
The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces them to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and the level of future taxable profits together with future tax planning strategies considering expected future market or economic conditions and the expected performance of the Group. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Recognized deferred tax assets amounted to ₱127.2 million and ₱168.7 million as of March 31, 2021 and 2020, respectively (see Note 23).

g. *Leases*

<u>*Estimating the incremental borrowing rate*</u>
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

The carrying amount of lease liabilities is ₱11.6 million and ₱10.7 million as at March 31, 2021 and 2020, respectively (see Note 8).

4. Cash and Cash Equivalents

This account consists of:

	2021	2020
Cash in banks	**₱1,126,220,585**	₱634,292,276
Cash equivalents	**2,617,008,000**	2,311,057,517
	₱3,743,228,585	₱2,945,349,793

Cash in banks earned annual interest ranging from 0.125% to 0.5% and 0.05% to 0.5% in 2021 and 2020, respectively.

Cash equivalents pertain to time deposits made for varying periods with maturity of up to three months depending on the immediate cash requirements of the Group. Interest on cash equivalents ranged from 0.01% to 1.25% in 2021, 0.6% to 2.6% in 2020 and from 0.5% to 2.0% in 2019.

Interest income from cash in banks and cash equivalents amounted to ₱32.5 million, ₱73.5 million and ₱68.9 million in 2021, 2020 and 2019, respectively (see Note 20).

Foreign exchange loss resulting from translation of foreign currency-denominated cash in banks into Philippine peso amounted to ₱36.6 million, ₱30.0 million and ₱18.2 million in 2021, 2020 and 2019, respectively (see Note 20).

5. Receivables

This account consists of:

	2021	2020
Trade		
Domestic	**₱1,253,151,679**	₱1,219,746,211
Export (Note 21)	**132,915,917**	108,537,336
Non-trade		
Related parties (Note 21)	**63,183,575**	63,801,390
Employees	**4,707,742**	14,468,347
Third parties	**3,391,783**	3,023,489
Others	**31,560,549**	34,793,698
	1,488,911,245	1,444,370,471
Less allowance for credit losses	**(12,272,383)**	(4,327,771)
	₱1,476,638,862	₱1,440,042,700

Trade receivables are non-interest bearing and are generally on 30 to 60-day terms. Trade receivables classified as "domestic" are those claims against local customers. Trade receivables classified as "export" are those claims arising from export sales of air conditioner units to related parties.

The changes in the allowance for expected credit losses on trade receivables in 2021 and 2020 follow:

	2021	2020
Balances at beginning of year	**₱4,327,771**	₱4,926,000
Provision for (recovery from) credit losses (Notes 16 and 20)	**7,944,612**	(598,229)
Balances at end of year	**₱12,272,383**	₱4,327,771

Foreign exchange gain (loss) loss on translation of receivables amounted to (₱1.8 million), (₱1.3 million) and ₱0.4 million in 2021, 2020 and 2019, respectively (see Note 20).

6. Inventories

This account consists of:

	2021	2020
At NRV:		
Finished goods and merchandise	**₱946,654**	₱1,312,585
At cost:		
Finished goods and merchandise	**1,054,961,158**	1,001,546,666
Raw materials	**630,876,304**	602,944,562
Supplies	**42,723,603**	33,814,742
Goods in process	**11,664,068**	14,434,667
	1,740,225,133	1,652,740,637
	₱1,741,171,787	₱1,654,053,222

The related cost of inventories recorded at NRV amounted to ₱34.2 million and ₱26.8 million as of March 31, 2021 and 2020, respectively. The amount of write-down of inventories included under cost of goods sold amounted to ₱158.0 million, ₱107.4 million and ₱79.4 million in 2021, 2020 and 2019, respectively (see Note 14). The amount of inventories recognized in cost of goods sold during the year amounted to ₱8.3 billion, ₱9.5 billion and ₱9.3 billion in 2021, 2020 and 2019, respectively (see Note 14).

7. Property, Plant and Equipment

The rollforward of this account follows:

	2021							
	Land and Land Improvements	Factory Machinery, Equipment and Tools	Buildings and Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Construction in Progress	Right-of-Use Asset-Building	Total
Cost								
Balances at beginning of year	₱236,029,162	₱2,020,870,339	₱1,223,511,001	₱184,016,993	₱141,320,455	₱10,443,344	₱25,739,710	₱3,841,931,004
Acquisitions (Note 28)	–	39,394,524	9,335,567	6,851,446	13,208,039	66,293,610	13,893,389	148,976,575
Retirements/disposals	–	(18,034,542)	–	(153,083)	(7,825,986)	–	(25,739,710)	(51,753,321)
Reclassifications	–	22,272,297	451,285	(424,007)	–	(22,299,575)	–	–
Balances at end of year	236,029,162	2,064,502,618	1,233,297,853	190,291,349	146,702,508	54,437,379	13,893,389	3,939,154,258
Accumulated depreciation								
Balances at beginning of year	2,851,295	1,620,873,831	834,805,507	168,367,900	116,740,010	–	14,963,151	2,758,601,694
Depreciation (Note 18)	–	158,523,595	52,655,036	12,364,047	10,955,214	–	7,179,612	241,677,504
Retirements/disposals	–	(17,375,142)	–	(153,083)	(7,689,431)	–	(20,599,053)	(45,816,709)
Balances at end of year	2,851,295	1,762,022,284	887,460,543	180,578,864	120,005,793	–	1,543,710	2,954,462,489
Net book value	₱233,177,867	₱302,480,334	₱345,837,310	₱9,712,485	₱26,696,715	₱54,437,379	₱12,349,679	₱984,691,769

	2020							
	Land and Land Improvements	Factory Machinery, Equipment and Tools	Buildings and Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Construction in Progress	Right-of-Use Asset-Building	Total
Cost								
Balance at beginning of year	₱236,029,162	₱1,754,237,442	₱1,096,458,676	₱170,127,243	₱137,481,609	₱90,102,116	₱25,739,710	₱3,510,175,958
Acquisitions (Note 28)	–	75,261,768	51,368,292	16,398,166	12,336,610	191,562,358	–	346,927,194
Retirements/disposals	–	(392,620)	(451,250)	(5,648,025)	(8,497,764)	(182,489)	–	(15,172,148)
Reclassifications	–	191,763,749	76,135,283	3,139,609	–	(271,038,641)	–	–
Balances at end of year	236,029,162	2,020,870,339	1,223,511,001	184,016,993	141,320,455	10,443,344	25,739,710	3,841,931,004
Accumulated depreciation								
Balances at beginning of year	2,851,295	1,457,013,010	785,223,965	157,728,705	112,605,442	–	–	2,515,422,417
Depreciation (Note 18)	–	164,237,262	50,032,792	16,297,300	12,460,650	–	14,963,151	257,991,155
Retirements/disposals	–	(376,441)	(451,250)	(5,658,105)	(8,326,082)	–	–	(14,811,878)
Balances at end of year	2,851,295	1,620,873,831	834,805,507	168,367,900	116,740,010	–	14,963,151	2,758,601,694
Net book value	₱233,177,867	₱399,996,508	₱388,705,494	₱15,649,093	₱24,580,445	₱10,443,344	₱10,776,559	₱1,083,329,310

The land owned by PERC on which the manufacturing facilities are located is leased by the Parent Company under a twenty-five year lease agreement. Upon expiration of the lease, title to the land will not be transferred to the Parent Company.

As of March 31, 2021, the construction in progress mainly pertains to the improvements of factory machinery, equipment and tools and building improvements in PPH, Electric Fan, Refrigerator and Aircon Division. As of March 31, 2020, the construction in progress mainly pertains to the improvements of factory machinery, equipment and tools in Refrigerator Division and Aircon Division.

Additions in property, plant and equipment acquired on account amounted to ₱5.8 million and ₱7.2 million in 2021 and 2020, respectively (see Note 10). Gain on disposal and retirement of property, plant and equipment amounted to ₱0.4 million, nil and ₱0.2 million in 2021, 2020 and 2019, respectively (see Note 20). Considerations received from the disposal and retirement of property, plant and equipment amounted to ₱0.5 million, ₱0.4 million and ₱2.8 million in 2021, 2020 and 2019, respectively.

8. Leases

Parent Company as a Lessee

The Parent Company entered into cancellable operating leases of office spaces and warehouses (presented as 'Right-of-Use Assets - Building under 'Property, Plant and Equipment) for one (1) to three (3) years renewable under certain terms and conditions.

Some leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

The Parent Company also has certain leases of office space with remaining lease terms of 12 months or less and leases with low value assets. The Parent Company applies the recognition exemptions for these types of leases.

Rent expense charged against current operations amounted to ₱10.2 million, ₱2.6 million and ₱35.2 million, respectively in 2021, 2020 and 2019, respectively (see Notes 14 and 16). Rent expense in 2021 and 2020 pertains to expenses from short-term leases and leases of low-value assets.

The following are the amounts recognized in statement of comprehensive income:

	2021	2020
Depreciation expense of right-of-use assets	**₱7,179,612**	₱14,963,151
Interest expense on lease liabilities	**282,553**	979,388
Expenses relating to low-value assets (included in 'Cost of Goods Sold - Others') (Note 14)	**–**	133,200
Expenses relating to short-term leases (included in 'General and Administrative Expenses') (Note 16)	**10,190,458**	2,417,700
Total amount recognized in statement of comprehensive income	**₱17,652,623**	₱18,493,439

The rollforward of lease liability follows:

	2021	2020
Balance at beginning of year	**₱10,708,792**	₱25,294,930
Additions	**13,893,389**	–
Disposals	**(5,265,270)**	–
Accretion of interest (Note 16)	**282,553**	979,388
Payments	**(7,974,503)**	(15,565,526)
Balance at end of year	**₱11,644,961**	₱10,708,792

The following are the amounts recognized in the statement of financial position:

	2021	2020
Current lease liabilities	**₱4,361,116**	₱8,986,996
Noncurrent lease liabilities	**7,283,845**	1,721,796
	₱11,644,961	₱10,708,792

Shown below is the maturity analysis of the undiscounted lease payments as of March 31, 2021 and 2020:

	2021	2020
Within one (1) year	**₱11,294,650**	₱9,855,562
More than one (1) year	**7,648,699**	1,885,905
	₱18,943,349	₱11,741,467

9. Other Current Assets and Other Noncurrent Assets

Other current assets consist of the following:

	2021	2020
Creditable withholding taxes (CWTs)	**₱91,598,330**	₱33,886,458
Prepaid expenses	**48,530,780**	39,226,998
Advances to employees	**5,914,497**	10,831,222
Value-added input tax	**–**	11,413,308
	146,043,607	95,357,986
Less allowance for impairment losses	**3,500,000**	3,500,000
	₱142,543,607	₱91,857,986

Other noncurrent assets consist of the following:

	2021	2020
Refundable deposits	**₱17,788,338**	₱19,115,475
Financial assets at FVOCI	**1,659,514**	1,586,038
Software	**1,632,272**	2,635,531
Deferred input VAT	**1,350,058**	2,253,157
	₱22,430,182	₱25,590,201

CWTs
The allowance for impairment losses primarily relates to unrecoverable CWTs.

Value-added input tax
This represents amounts that can be applied against value-added output tax.

Advances to employees
Advances to employees pertain to cash advances made to employees for cost and expenses to be incurred on behalf of the Group, subject to liquidation.

Software
The composition and movements of software follow:

	2021	2020
Cost		
Balances at beginning of year	**₱110,099,686**	₱108,992,460
Additions	**–**	1,458,326
Write-off	**–**	(351,100)
Balances at end of year	**110,099,686**	110,099,686
Accumulated amortization		
Balances at beginning of year	**107,464,155**	106,520,118
Amortization (Note 18)	**1,003,259**	1,295,137
Written-off	**–**	(351,100)
Balances at end of year	**108,467,414**	107,464,155
Net book value	**₱1,632,272**	₱2,635,531

Financial assets at FVOCI
Financial assets at FVOCI pertain to the Parent Company's investments in mandatory equity shares in utility companies. The Parent Company does not intend to dispose these assets as it will continue to avail of the services of the said utility companies. The changes in fair value recognized in other comprehensive income amounted to ₱0.1 million gain in 2021, ₱3.2 million loss in 2020, and ₱2.4 million gain in 2019. Fair value changes in financial assets at FVOCI are presented as components of 'Other comprehensive income' in Equity.

Dividend income earned from financial assets at FVOCI amounted to nil in 2021, 2020 and 2019.

10. Accounts Payable and Accrued Expenses

Accounts payable consist of:

	2021	2020
Trade		
Related parties (Note 21)	**₱443,414,414**	₱209,302,448
Third parties	**404,533,775**	317,127,826
Non-trade		
Related parties (Note 21)	**129,272,155**	111,919,979
Third parties	**5,798,487**	7,164,214
Accrued expenses		
Third parties	**1,829,376,834**	1,659,084,633
Related parties (Note 21)	**21,339,728**	19,923,398
Others		
Advances from customers	**41,199,975**	40,954,320
Output VAT – net	**14,706,174**	–
Dividends payable (Notes 13 and 21)	**5,491**	2,513
	₱2,889,647,033	₱2,365,479,331

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

Accrued expenses to third parties consist of:

	2021	2020
Advertising expenses and sales promotions	**₱998,430,300**	₱1,038,747,000
Suppliers	**785,945,397**	587,586,043
Salaries and other employee benefits	**27,420,027**	26,392,075
Freight expenses and releasing charges	**17,581,110**	6,359,515
	₱1,829,376,834	₱1,659,084,633

Foreign exchange gain (loss) on translation of payables amounted to ₱8.4 million, ₱5.5 million and (₱1.7 million) in 2021, 2020 and 2019, respectively (see Note 20).

11. Retirement and Other Liabilities

Other liabilities account consists of:

	2021	2020
Current		
Provisions for estimated liabilities	**₱76,686,265**	₱79,472,587
Noncurrent		
Provisions for estimated liabilities	**314,428,664**	323,575,349
Other long-term employee benefits	**20,780,321**	21,888,487
	335,208,985	345,463,836
	₱411,895,250	₱424,936,423

Provisions for estimated liabilities
Current and noncurrent portion of this account follows:

	2021	2020
Current		
Warranty claims	**₱76,686,265**	₱79,472,587
Noncurrent		
Warranty claims	**12,992,735**	21,846,413
Others	**301,435,929**	301,728,936
	314,428,664	323,575,349
	₱391,114,929	₱403,047,936

The rollforward of this account follows:

	2021		
	Warranty Claims	**Others**	**Total**
Balances at beginning of year	**₱101,319,000**	**₱301,728,936**	**₱403,047,936**
Provisions for (reversals of) (Notes 15 and 20)	**32,224,945**	**(13,002,589)**	**19,222,356**
Claims/usage/reclassifications	**(43,864,945)**	**12,709,582**	**(31,155,363)**
Balances at end of year	**₱89,679,000**	**₱301,435,929**	**₱391,114,929**

	2020		
	Warranty Claims	Others	Total
Balances at beginning of year	₱100,990,000	₱284,231,860	₱385,221,860
Provisions for (reversals of) (Notes 15 and 20)	67,830,925	(42,711,933)	25,118,992
Claims/usage/reclassifications	(67,501,925)	60,209,009	(7,292,916)
Balances at end of year	₱101,319,000	₱301,728,936	₱403,047,936

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

Others primarily consist of provisions for legal cases and other liabilities.

The other information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it may negatively affect the operations of the Group and prejudice the outcome of the litigations and assessments.

Retirement Liability
The Group's retirement liability consists of:

	2021	2020
Retirement liability under defined benefit plan	**₱107,075,461**	₱113,594,542
Others	**15,369,801**	8,997,524
	₱122,445,262	₱122,592,066

The Parent Company has a funded, noncontributory defined benefit retirement plan covering all of its regular employees. The benefits are based on the years of service and percentage of latest monthly salaries.

Other retirement liability pertains to the Parent Company's employee benefits outside its defined benefit plan that it expects to pay to its employees upon retirement.

The principal actuarial assumptions used in determining retirement benefits for the Parent Company's retirement plan are as follows:

	2021	2020
Discount rate		
Beginning	**4.9%**	5.8%
Ending	**4.6%**	4.9%
Salary increase rate		
Beginning	**5.0%**	5.0%
Ending	**5.0%**	5.0%
Average expected future service years	**8.0**	7.5

Changes in retirement liability under defined plan in 2021 and 2020 are as follows:

	2021		
	Present value of defined benefit obligation	**Fair value of plan assets**	**Net defined benefit liability (asset)**
Balances at beginning of year	**₱544,862,049**	**(₱431,267,507)**	**₱113,594,542**
Net benefit cost in the consolidated statement of comprehensive income (Note 17)			
Current service cost	**26,855,899**	**–**	**26,855,899**
Net interest cost (income)	**26,698,240**	**(21,132,108)**	**5,566,132**
	53,554,139	**(21,132,108)**	**32,422,031**
Actual Contribution	**–**	**–**	**–**
Benefits paid	**(34,752,826)**	**34,752,826**	**–**
Remeasurements in other comprehensive income			
Actuarial changes arising from changes in financial assumptions	**11,824,582**	**–**	**11,824,582**
Experience adjustments	**(28,482,782)**	**–**	**(28,482,782)**
Return on plan assets	**–**	**(22,282,912)**	**(22,282,912)**
	(16,658,200)	**(22,282,912)**	**(38,941,112)**
Balances at end of year	**₱547,005,162**	**(₱439,929,701)**	**₱107,075,461**

	2020		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Balances at beginning of year	₱490,396,878	(₱397,990,822)	₱92,406,056
Net benefit cost in the consolidated statement of comprehensive income (Note 17)			
Current service cost	24,086,773	–	24,086,773
Net interest cost (income)	28,443,019	(23,083,468)	5,359,551
	52,529,792	(23,083,468)	29,446,324
Actual Contribution	–	(101,637,974)	(101,637,974)
Benefits paid	(22,664,466)	22,664,466	–
Remeasurements in other comprehensive income			
Actuarial changes arising from changes in financial assumptions	32,320,594	–	32,320,594
Experience adjustments	(7,720,749)	–	(7,720,749)
Return on plan assets	–	68,780,291	68,780,291
	24,599,845	68,780,291	93,380,136
Balances at end of year	₱544,862,049	(₱431,267,507)	₱113,594,542

Changes in other retirement liability in 2021 and 2020 are as follows:

	Present value of defined benefit obligation	
	2021	2020
Balances at beginning of year	**₱8,997,524**	₱9,231,918
Net benefit cost in the consolidated statement of comprehensive income (Note 17)		
Current service cost	**824,578**	772,991
Net interest cost	**440,879**	535,451
	1,265,457	1,308,442
Benefits paid	**(3,398,555)**	(188,316)
Remeasurements in other comprehensive income		
Actuarial changes arising from changes in financial assumptions	**217,265**	383,226
Experience adjustments	**8,288,110**	(1,737,746)
	8,505,375	(1,354,520)
Balances at end of year	**₱15,369,801**	₱8,997,524

Rollforward of remeasurement losses in 2021 and 2020 on retirement follows:

	2021	2020
Balance at the beginning of year	**(₱146,865,832)**	(₱84,754,687)
Remeasurement gain (loss) on retirement plan in OCI		
Due to change in financial assumption	**(12,041,847)**	(32,703,820)
Due to experience	**20,194,672**	9,458,495
Actuarial gain (loss) on plan assets	**22,282,912**	(68,780,291)
Remeasurement gain (loss) during the year	**30,435,737**	(92,025,616)
Tax effect	**(8,456,317)**	29,914,471
Remeasurement gain (loss) on retirement plan during the year, net of tax effect	**21,979,420**	(62,111,145)
Balance at the end of year	**(₱124,886,412)**	(₱146,865,832)

Movement of remeasurement gain (loss) to be recognized in OCI in 2021 and 2020 follows:

	2021	2020	2019
Actuarial gain (loss):			
Due to change in financial assumption	**(₱12,041,847)**	(₱32,703,820)	(₱23,428,569)
Due to experience	**20,194,672**	9,458,495	3,991,130
Due to change in demographic assumption	**–**	–	281,397
	8,152,825	(23,245,325)	(19,156,042)
Actuarial gain (loss) on plan assets	**22,282,912**	(68,780,291)	(79,054,955)
Total gain (loss) to be recognized in OCI	**30,435,737**	(92,025,616)	(98,210,997)
Tax effect	**(8,456,317)**	29,914,471	29,463,299
Total gain (loss) to be recognized in OCI, net of tax effect	**₱21,979,420**	(₱62,111,145)	(₱68,747,698)

Other long-term employee benefits

Other long-term employee benefits pertain to accumulated sick leaves and vacation leaves. Based on the Parent Company's policy, employees are entitled to accumulate 10 days of vacation leave and 45 days of sick leave credits which are convertible to cash upon retirement or resignation.

The principal actuarial assumptions used in determining other long-term employee benefits for the Parent Company are as follows:

	2021	2020
Discount rate		
Beginning	**4.9%**	5.8%
Ending	**4.5%**	4.9%
Salary increase rate		
Beginning	**5.0%**	5.0%
Ending	**5.0%**	5.0%
Average expected future service years	**8.0**	7.5
Average accumulated sick leaves	**37.3 days**	37.5 days
Average accumulated vacation leaves	**10.4 days**	10.6 days

Other long-term employee benefits incurred in 2021, 2020 and 2019 amounted to ₱1.3 million, ₱4.2 million and ₱4.9 million, respectively, presented under 'Salaries, wages and employee benefits' in the consolidated statement of comprehensive income (see Note 17).

The latest actuarial valuation reports of the Parent Company are prepared by an independent actuary as of March 31, 2021.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of March 31, 2021 and 2020, assuming all other assumptions were held constant:

	Increase/ (Decrease)	**2021**	2020
Discount rates	+1.0%	**(₱523,751,911)**	(₱517,709,837)
	-1.0%	**605,636,335**	594,130,495
Future salary increases	1.0%	**601,423,729**	593,689,290
	-1.0%	**(526,746,499)**	(517,413,316)

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

	2021	2020
Less than 1 year to 5 years	**₱253,604,809**	₱311,068,013
More than 5 years to 10 years	**404,005,132**	397,966,036
More than 10 years to 15 years	**268,677,037**	261,451,302
More than 15 years	**395,736,075**	305,960,856

The average duration of the defined benefit obligation at the end of the reporting period is 14.6 years. The Parent Company expects to contribute ₱107.1 million to the defined benefit plan in 2022.

The distribution of plan assets by each class as at the end of the reporting period of the Parent Company are as follow (see Note 21):

	2021	2020
Cash and cash equivalents	**₱132,778,119**	₱154,536,064
Loans and receivables	**51,698,484**	59,272,207
Investments	**255,453,098**	217,459,236
	₱439,929,701	₱431,267,507

12. Capital Stock

Details of capital stock as of March 31, 2021 and 2020 follow:

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

a. The Class A shares of stock can be issued to Philippine nationals only, while the Class B shares of stock can be issued to either Philippine or foreign nationals. As of March 31, 2021 and 2020, all Class B shares are issued to foreign nationals only. The Group's Class A shares of stock are listed in the Philippine Stock Exchange.

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

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

The total number of shares registered under the SRC is 84,723,432 shares being held by 460 and 453 stockholders as of March 31, 2021 and 2020, respectively.

Capital management
The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group considers the following as its capital as of March 31, 2021 and 2020:

	2021	2020
Capital stock	**₱422,718,020**	₱422,718,020
Additional paid-in capital	**4,779,762**	4,779,762
Other comprehensive loss	**(124,886,412)**	(146,865,832)
Retained earnings (Note 13)		
Appropriated	**3,842,400,000**	3,792,400,000
Unappropriated	**583,016,225**	338,835,931
	₱4,728,027,595	₱4,411,867,881

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

The Parent Company declared cash dividends amounting to ₱63.1 million, ₱88.7 million, and ₱157.1 million in 2021, 2020 and 2019, respectively (see Note 13).

The Group and the Parent Company have no externally imposed capital requirements. There were no changes made in the objectives, policies or processes for the years ended March 31, 2021, 2020 and 2019, respectively.

13. Retained Earnings

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

The retained earnings inherited from NPPI before the effectivity of the merger amounting to ₱64.7 million are included in the consolidated statement of financial position under "unappropriated retained earnings". Such is not available for distribution to stockholders in the form of cash or property dividends. Based on the SEC guidelines and after considering this adjustment, the retained earnings available for dividend declaration as of March 31, 2021 and 2020 amounted to ₱343.5 million and ₱77.8 million, respectively.

In 2021 and 2020, the consolidated retained earnings include the retained earnings of PERC amounting to ₱42.4 million, which are not available for dividend declaration.

b. On April 22, 2021, the Parent Company's BOD authorized and directed the reversal of the appropriated retained earnings amounting to ₱814.5 million. On the same date, the BOD authorized the appropriation of retained earnings amounting to ₱864.5 million, having a total appropriated retained earnings amounting to ₱3.8 billion of which, ₱3.6 billion, represents the reinstatement of the previous appropriations for in-plant production of plastic and metal parts, the Group's change of IT System and other future projects of the Parent Company, while the additional ₱221.4 million appropriations represents appropriations for expansion of warehouses to cope with business growth and the replacement and upgrading of old machines, molds and dies and other expected undertakings to expand production including target increase in B2B sales volume. Several projects of the Parent Company that were expected to be completed in 2021 were delayed. These projects are expected to be completed by 2030.

c. On April 14, 2020, the Parent Company's BOD authorized and directed the reversal of the appropriated retained earnings amounting to ₱798.8 million. On the same date, the BOD authorized the appropriation of retained earnings amounting to ₱848.8 million, having a total appropriated retained earnings amounting to ₱3.8 billion of which, ₱3.2 billion, represents the reinstatement of the previous appropriations for in-plant production of plastic and metal parts, the Group's change of IT System and other future projects of the Parent Company, while the additional ₱530.0 million appropriations represents appropriations for expansion of warehouses to cope with business growth and the replacement and upgrading of old machines, molds and dies and other expected undertakings to expand production including target increase in B2B sales volume. Several projects of the Parent Company that were expected to be completed in 2021 were delayed. These projects are expected to be completed by 2030.

d. On March 29, 2019, the Parent Company's BOD authorized and directed the reversal of the appropriated retained earnings amounting to ₱724.6 million. On the same date, the BOD authorized the appropriation of retained earnings amounting to ₱774.6 million, having a total of ₱3.7 billion of which, ₱3.3 billion represents the reinstatement of the previous appropriations for in-plant production of plastic and metal parts, the Group's change of IT System and other future projects of the Parent Company, while the additional ₱382.8 million appropriations represents appropriations for expansion of warehouses to cope with business growth and the replacement and upgrading of old machines, molds and dies and other expected undertakings to expand production including target increase in B2B sales volume. These projects are expected to be completed by 2024.

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

	2021	2020	2019
March 31, 2021, 14.98% cash dividends to stockholders of record as of May 21, 2020 payable on May 29, 2020 (₱0.15 per share)	**₱63,059,220**	₱–	₱–
March 31, 2020, 20.99% cash dividends to stockholders of record as of April 22, 2019 payable on May 24, 2019 (₱0.21 per share)	–	88,736,084	–
March 31, 2019, 37.10% cash dividends to stockholders of record as of April 25, 2018 payable on May 11, 2018 (₱0.37 per share)	–	–	157,124,288
	₱63,059,220	₱88,736,084	₱157,124,288

14. Cost of Goods Sold

This account consists of:

	2021	2020	2019
Direct materials	**₱4,274,434,406**	₱4,421,047,221	₱4,357,168,075
Direct labor (Note 17)	**252,061,884**	238,434,796	165,882,757
Manufacturing overhead:			
Depreciation and amortization (Note 18)	**207,480,273**	213,007,314	174,875,484
Indirect labor (Note 17)	**188,549,901**	187,835,092	183,671,391
Research and development	**92,845,002**	74,583,358	27,085,844
Electricity, gas and water	**50,017,236**	64,094,710	52,366,191
Provision for inventory write-down (Note 6)	**39,768,022**	15,805,533	9,331,037
Travel	**36,192,067**	13,277,711	10,517,307
Repairs and maintenance	**30,491,524**	38,832,358	27,555,130
Indirect materials	**23,378,276**	24,609,071	22,726,917
Supplies	**18,147,063**	17,543,490	15,804,579
Insurance	**10,436,315**	11,494,301	8,873,335
Taxes and dues	**5,211,524**	4,261,158	4,590,472
Others	**30,706,782**	31,583,065	24,738,651
Total manufacturing overhead	**733,223,985**	696,927,161	562,136,338
Total manufacturing costs	**5,259,720,275**	5,356,409,178	5,085,187,170

(Forward)

	2021	2020	2019
Goods in process (Note 6):			
Beginning of year	**₱14,434,667**	₱10,564,748	₱19,786,525
End of year	**(11,664,068)**	(14,434,667)	(10,564,748)
Cost of goods manufactured	**5,262,490,874**	5,352,539,259	5,094,408,947
Finished goods and merchandise (Note 6):			
Beginning of year	**1,002,859,251**	1,101,361,371	963,587,145
Purchases	**2,989,180,052**	3,965,590,561	4,240,273,843
Provision for inventory write-down (Note 6)	**118,191,394**	91,639,506	70,101,349
End of year	**(1,055,907,812)**	(1,002,859,251)	(1,101,361,371)
	₱8,316,813,759	₱9,508,271,446	₱9,267,009,913

15. Selling Expenses

This account consists of:

	2021	2020	2019
Sales promotions	**₱714,756,208**	₱641,408,369	₱280,431,982
Freight and storage	**371,053,414**	400,499,134	528,209,608
Advertising and commissions	**86,241,790**	156,088,105	109,633,888
Provision for warranty claims (Note 11)	**32,224,945**	67,830,925	65,552,662
	₱1,204,276,357	₱1,265,826,533	₱983,828,140

16. General and Administrative Expenses

This account consists of:

	2021	2020	2019
Salaries, wages, and employee benefits (Note 17)	**₱359,192,796**	₱361,024,343	₱328,354,472
Technical assistance fees (Note 21)	**180,653,122**	183,881,413	174,043,531
Brand license fees (Note 21)	**74,391,393**	87,067,735	83,374,564
Repairs and maintenance	**68,909,910**	81,329,931	86,413,251
Taxes and dues	**51,858,318**	53,545,513	47,753,087
Outsourcing	**46,612,439**	66,761,475	59,103,176
Depreciation and amortization (Note 18)	**35,200,490**	46,278,978	28,524,824
Insurance	**17,075,708**	17,317,756	17,886,118
Travel	**14,148,487**	36,293,845	36,897,385
Allocated costs	**13,951,945**	16,434,401	15,578,410
Rent	**10,190,458**	2,417,700	35,229,134
Supplies	**8,622,030**	13,684,111	8,508,143
Provision for credit and impairment losses (Note 5)	**7,944,612**	–	526,315
Communications	**7,443,917**	6,864,080	5,745,282
Electricity, gas and water	**6,645,314**	6,432,376	6,374,085
Freight and Storage	**3,241,576**	2,717,158	2,939,070

(Forward)

	2021	2020	2019
Interest expense on lease liability (Note 8)	**₱282,553**	₱979,388	₱–
Provision for (reversal of) other estimated liabilities (Note 11)	**–**	–	110,496,000
Others	**44,009,658**	62,284,636	55,510,402
	₱950,374,726	₱1,045,314,839	₱1,103,257,249

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

17. Salaries, Wages and Employee Benefits

This account consists of:

	2021	2020	2019
Compensation	**₱655,497,907**	₱637,149,431	₱556,709,452
Net retirement benefit expense (Note 11)	**33,687,488**	30,754,766	21,947,081
Other employee benefits	**110,619,186**	119,390,034	99,252,087
	₱799,804,581	₱787,294,231	₱677,908,620

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

	2021	2020	2019
Cost of goods sold (Note 14)	**₱440,611,785**	₱426,269,888	₱349,554,148
General and administrative expenses (Note 16)	**359,192,796**	361,024,343	328,354,472
	₱799,804,581	₱787,294,231	₱677,908,620

18. Depreciation and Amortization

Details of depreciation and amortization follow:

	2021	2020	2019
Property, plant and equipment (Note 7)	**₱241,677,504**	₱257,991,155	₱201,888,790
Software (Note 9)	**1,003,259**	1,295,137	1,511,518
	₱242,680,763	₱259,286,292	₱203,400,308
Cost of goods sold (Note 14)	**₱207,480,273**	₱213,007,314	₱174,875,484
General and administrative expenses (Note 16)	**35,200,490**	46,278,978	28,524,824
	₱242,680,763	₱259,286,292	₱203,400,308

19. Entertainment, Amusement and Recreation (EAR) Expenses

Details of EAR expenses required to be disclosed under Revenue Regulations No. 10-2002 of the Bureau of Internal Revenue, which authorizes the imposition of a ceiling on EAR expenses, follow:

	2021	2020	2019
General and administrative expenses (Note 16)	**₱–**	₱–	₱–
Cost of goods sold (Note 14)	**–**	–	32,822
	₱–	₱–	₱32,822

20. Other Income - net

This account consists of:

	2021	2020	2019
Service income (Note 21)	**₱41,463,421**	₱53,530,775	₱46,930,202
Interest income (Note 4)	**32,503,149**	73,510,148	68,853,694
Foreign currency exchange loss - net (Notes 4, 5 and 10)	**(29,989,340)**	(25,846,639)	(19,548,146)
Reversal of other estimated liabilities (Note 11)	**13,002,589**	42,711,933	–
Income from scrap sales	**9,103,411**	8,015,541	11,482,503
Gain on disposal/ retirement of property, plant and equipment and software (Note 7)	**351,723**	–	154,482
Recovery of allowance for credit and impairment losses (Note 5)	**–**	598,229	–
Miscellaneous income	**584,443**	–	–
	₱67,019,396	₱152,519,987	₱107,872,735

Miscellaneous income includes scrap sales and insurance claims.

21. Related Party Transactions

The Parent Company has entered into various transactions with related parties. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, such as affiliates. Related parties may be individuals or corporate entities. Transactions with related parties are made substantially on the same terms as with other individuals and businesses and are generally settled in cash.

The companies under common control of the Ultimate Parent Company (referred to as affiliates) that the Parent Company has transactions are as follows:

- Branch of Panasonic Appliances Vietnam Co., Ltd. In Hung Yen
- Panasonic Appliances (Thailand) Co.,Ltd.
- Panasonic Appliances Air-conditioning (Guangzhou) Co.,Ltd.
- Panasonic Appliances Air-conditioning (m) Sdn. Bhd.
- Panasonic Appliances India co., ltd.
- Panasonic Asia Pacific Pte. Ltd.
- Panasonic Consumer Marketing Asia Pacific
- Panasonic Corporation Appliances Company Head Office
- Panasonic Corporation Appliances Company Smart Life Network Bd Imaging Bu
- Panasonic Corporation Appliances Company Smart Life Network Bd Visual and Sound Bu
- Panasonic Corporation Global Procurement Company
- Panasonic Corporation Head Office
- Panasonic Ecology Systems (Thailand) Co.,Ltd.
- Panasonic Factory Solutions Asia Pacific
- Panasonic Hong Kong Co., Ltd.
- Panasonic India Pvt Ltd
- Panasonic Industrial Devices Automation Controls Sales Asiapacific
- Panasonic Industrial Devices Philippines Corporation
- Panasonic Life Solutions (Hong Kong) Co., Ltd.
- Panasonic Life Solutions Asia Pacific
- Panasonic Management (Thailand) Co.,Ltd.
- Panasonic Manufacturing Ayuthaya Co., Ltd.
- Panasonic Motor (Hangzhou) Co., Ltd.
- Panasonic Procurement Asia Pacific a Divisionof Panasonic Asia Pacific Pte. Ltd.
- Panasonic Procurement Malaysia Sdn.bhd.
- Panasonic Procurement (China)co., ltd.
- Panasonic System Solutions Asia Pacific
- Panasonic Taiwan Co.,Ltd. (Appliance)
- Panasonic Taiwan Co.,Ltd. avc networks company
- Panasonic Vietnam Co., Ltd.
- Panasonic Wanbao Appliances Compressor (Guangzhou) Co.,Ltd.
- Pt. Panasonic Gobel Eco Solutions Manufacturing Indonesia
- Pt. Panasonic Manufacturing Indonesia (Appliance)
- Pt. Panasonic Manufacturing Indonesia Eco System Division

As a result of the related party transactions, the Parent Company has outstanding balances with related parties as follows. Amounts due from and due to related parties are non-interest bearing and are normally settled within one year.

	2021		
	Nature, terms and conditions	**Amount/ Volume**	**Outstanding Balance**
Ultimate Parent Company			
Non-trade receivables (Note 5)	Related to compensation and welfare expenses of certain employee, 30-days term, non-interest bearing, unsecured	**₱10,137,380**	**₱8,636,852**
	Related to promo support, 30-day term, non-interest bearing, unsecured	**38,052,828**	**2,760,322**
Non-trade payables (Note 10)	Related to brand license fees payable equivalent to 0.7% of the sales price of the products bearing the brand "KDK" and "Panasonic", non-interest bearing, payable semi-annually, unsecured	**74,391,393**	**39,653,718**
	Related to technical assistance fees payable equivalent to 3.0% of selected products, non-interest bearing, payable semi-annually, unsecured	**162,587,810**	**89,618,437**
Dividends payable (Note 10)	Dividends declared by the Parent Company	**45,568,430**	**5,491**
Accrued expenses (Note 10)	Related to compensation and welfare expenses of certain employees, payable quarterly, non-interest bearing, unsecured	**64,703,690**	**16,519,094**
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	**9,434,539**	**1,460,311**
	Accrued expenses related to export sales of the ACD (e.g. warranty expenses)	**1,729,653**	**1,313,909**
Technical assistance fee (Note 16)	Related to technical assistance fees payable equivalent to 3.0% of selected products	**180,653,122**	**–**
Brand license fee (Note 16)	Related to brand license fees payable equivalent to 1.0% of the sales price of the products bearing the brand "KDK" and "Panasonic"	**74,391,393**	**–**
Affiliates			
Trade receivables (Note 5)	Sale of airconditioner units products, 30-day term, non-interest bearing, unsecured, no impairment	**1,302,724,774**	**132,915,917**
Non-trade receivables (Note 5)	Related to service income from rendering services in the form of general advice and assistance fees, 30-day term, non-interest bearing, unsecured, no impairment	**67,295,297**	**7,130,386**
	Related to promo support, 30-day term, non-interest bearing, unsecured, no impairment	**81,480,559**	**43,157,799**
	Related to certain expenses paid in behalf of affiliates, 30-day term, non-interest bearing, unsecured, no impairment	**17,364,080**	**1,347,587**

(Forward)

	2021		
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
	Related to MRO system charged by the Parent Company to a lessee-affiliate, 30-day term, non-interest bearing, unsecured, no impairment	₱2,121,880	₱150,629
Trade payable (Note 10)	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	3,766,491,574	443,414,414
Accrued expenses (Note 10)	Related to expenses payable for management fee, 30-day term, non-interest bearing, unsecured	13,950,745	1,327,902
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	4,581,732	–
	Related to allocated costs charged to the Company for certain services, 30-day term, non-interest bearing, unsecured	4,261,481	264,378
	Accrued expenses related to product development cost of Aircon	66,289,342	454,134
Service income (Note 20)	Related to service income earned from rendering services in the form of general advice and assistance fees	41,463,421	–

	2020		
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
Ultimate Parent Company			
Non-trade receivables (Note 5)	Related to compensation and welfare expenses of certain employee, 30-days term, non-interest bearing, unsecured	P13,551,227	P4,272,571
	Related to promo support, 30-day term, non-interest bearing, unsecured	15,765,302	12,765,742
Non-trade payables (Note 10)	Related to brand license fees payable equivalent to 0.7% of the sales price of the products bearing the brand "KDK" and "Panasonic", non-interest bearing, payable semi-annually, unsecured	87,067,735	37,180,355
	Related to technical assistance fees payable equivalent to 3.0% of selected products, non-interest bearing, payable semi-annually, unsecured	165,599,780	74,739,624
Dividends payable (Note 10)	Dividends declared by the Parent Company	70,953,373	2,513
Accrued expenses (Note 10)	Related to compensation and welfare expenses of certain employees, payable quarterly, non-interest bearing, unsecured	64,792,798	11,030,339
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	10,498,553	1,000,172
	Accrued expenses related to export sales of the ACD (e.g. warranty expenses)	3,419,138	2,136,454

(Forward)

	2020		
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
	Related to training fees incurred, non-interest bearing, unsecured	₱2,611,524	₱–
Technical assistance fee (Note 16)	Related to technical assistance fees payable equivalent to 3.0% of selected products	183,881,413	–
Brand license fee (Note 16)	Related to brand license fees payable equivalent to 1.0% of the sales price of the products bearing the brand "KDK" and "Panasonic"	87,067,735	–
Affiliates			
Trade receivables (Note 5)	Sale of airconditioner units products, 30-day term, non-interest bearing, unsecured, no impairment	1,042,752,733	108,537,336
Non-trade receivables (Note 5)	Related to service income from rendering services in the form of general advice and assistance fees, 30-day term, non-interest bearing, unsecured, no impairment	78,561,616	11,279,680
	Related to promo support, 30-day term, non-interest bearing, unsecured, no impairment	127,518,714	33,987,083
	Related to certain expenses paid in behalf of affiliates, 30-day term, non-interest bearing, unsecured, no impairment	12,485,465	1,190,494
	Related to MRO system charged by the Parent Company to a lessee-affiliate, 30-day term, non-interest bearing, unsecured, no impairment	3,605,534	305,820
Trade payable (Note 10)	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	4,123,686,759	209,302,448
Accrued expenses (Note 10)	Related to expenses payable for management fee, 30-day term, non-interest bearing, unsecured	16,559,455	3,877,020
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	20,635,002	1,326,490
	Related to allocated costs charged to the Company for certain services, 30-day term, non-interest bearing, unsecured	11,389,158	552,923
	Accrued expenses related to product development cost of Aircon	45,444,016	–
Service income(Note 20)	Related to service income earned from rendering services in the form of general advice and assistance fees	53,530,775	–

	2019		
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
Ultimate Parent Company			
Non-trade receivables (Note 5)	Related to compensation and welfare expenses of certain employee, 30-days term, non-interest bearing, unsecured	P29,157,733	P6,629,927
	Related to promo support, 30-day term, non-interest bearing, unsecured	41,495,540	1,380,418
Trade payable (Note 10)	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	43,040,984	408,116
Non-trade payables (Note 10)	Related to brand license fees payable equivalent to 0.7% of the sales price of the products bearing the brand "KDK" and "Panasonic", non-interest bearing, payable semi-annually, unsecured	76,431,870	37,613,910
	Related to technical assistance fees payable equivalent to 3.0% of selected products, non-interest bearing, payable semi-annually, unsecured	174,043,531	73,919,867
Dividends payable (Note 10)	Dividends declared by the Parent Company	125,632,588	–
Accrued expenses (Note 10)	Related to compensation and welfare expenses of certain employees, payable quarterly, non-interest bearing, unsecured	53,118,608	8,550,061
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	13,504,059	1,232,286
	Accrued expenses related to export sales of the ACD (e.g. warranty expenses)	3,357,520	3,357,520
	Related to training fees incurred, non-interest bearing, unsecured	2,168,853	70,626
Technical assistance fee (Note 16)	Related to technical assistance fees payable equivalent to 3.0% of selected products	174,043,531	–
Brand license fee (Note 16)	Related to brand license fees payable equivalent to 1.0% of the sales price of the products bearing the brand "KDK" and "Panasonic"	83,374,564	–
Affiliates			
Trade receivables (Note 5)	Sale of airconditioner units products, 30-day term, non-interest bearing, unsecured, no impairment	73,786,449	266,709,978
Non-trade receivables (Note 5)	Related to service income from rendering services in the form of general advice and assistance fees, 30-day term, non-interest bearing, unsecured, no impairment	57,244,192	5,411,215
	Related to promo support, 30-day term, non-interest bearing, unsecured, no impairment	193,632,733	8,321,564
	Related to certain expenses paid in behalf of affiliates, 30-day term, non-interest bearing, unsecured, no impairment	12,754,032	2,965,640

(Forward)

	Nature, terms and conditions	2019 Amount/ Volume	Outstanding Balance
Trade payable (Note 10)	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	₱4,955,738,885	₱446,282,458
Accrued expenses (Note 10)	Related to expenses payable for management fee, 30-day term, non-interest bearing, unsecured	15,578,410	2,703,750
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	51,508,127	9,907,893
	Accrued expenses related to product development cost of Aircon	7,764,583	140,423
Service income (Note 20)	Related to service income earned from rendering services in the form of general advice and assistance fees	46,930,202	–

Receivable from and payable to related parties are presented under 'Receivables' and 'Accounts payable and accrued expenses', respectively.

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances as at March 31, 2021 and 2020 are unsecured and interest-free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. In 2021, 2020 and 2019, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

The Parent Company has interest-bearing loans receivable from its Subsidiary amounting to ₱154.0 million as of March 31, 2021 and 2020. The 12.0% nominal annual interest is to be paid on a monthly basis while the principal is payable on its maturity date, March 31, 2026.

The carrying amount of the receivable in the Parent Company's books and payable in the Subsidiary's books amounted to ₱154.0 million as of March 31, 2021 and 2020, respectively, which were eliminated in the consolidation. The net expenses in the Parent Company's books and net revenue in the Subsidiary's books amounted to ₱28.9 million and ₱19.1 million in 2021, 2020 and 2019. These balances and transactions were eliminated in the consolidation.

Key Management Personnel
The Group's key management personnel include the president and directors. The compensation of key management personnel consists of:

	2021	2020	2019
Short-term employee benefits	**₱45,968,958**	₱58,169,352	₱64,978,844
Post-employment benefits	**4,338,871**	4,390,861	4,865,047
	₱50,307,829	₱62,560,213	₱69,843,891

There are no agreements between the Group and any of its key management personnel providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Parent Company's retirement plan.

Transactions with the Retirement Fund
Under PFRS, certain post-employment benefit plans are considered as related parties.

The Parent Company's retirement plan is in the form of different investments being managed by the Parent Company. The Board of Trustees (BOT) of the retirement plan is mandated to approve the plan, trust agreement, investment plan including any amendments or modifications thereto, and any other activities of the plan. Certain members of the BOD of the Parent Company are represented in the BOT. The BOT manages the plan based on the mandate as defined in the trust agreement. The retirement fund has 58.0% interest in the subsidiary of the Parent Company amounting to ₱7.4 million and 5.1% interest in the Parent Company amounting to ₱21.6 million as of March 31, 2021 and carried at fair value. The Retirement Fund recognized a remeasurement gain (loss) amounting to ₱22.3 million and (₱68.8) million in 2021 and 2020, respectively.

The fair value of the net plan assets of the fund by each classes as at the end of the reporting period are presented in Note 11.

As of March 31, 2021 and 2020, certain loans and receivables amounting to ₱51.7 million and ₱59.3 million, respectively, are receivables of the retirement fund from certain employees of the Parent Company. These are being deducted from the monthly salary of the employees and are payable within 12 months. Investments include equity instruments which have quoted market prices except for the investment in PERC amounting to ₱60.6 million and ₱60.0 million as of March 31, 2021 and 2020, respectively. The fair value of investment in quoted equity instruments as of March 31, 2021 and 2020 amounted to ₱136.4 million and ₱112.3 million, respectively. Investments also include investment properties pertaining to a parcel of land held for capital appreciation amounting to ₱18.0 million and ₱9.0 million as of March 31, 2021 and 2020.

There are no other transactions or outstanding balances by the Parent Company, or its related parties, with the retirement plan of the employees of the Parent Company as of March 31, 2021 and 2020.

22. Registration with the PEZA

The Parent Company is registered with the Philippine Economic Zone Authority (PEZA) pursuant to the provision of Republic Act (RA) No. 7916 (otherwise known as the "Special Economic Development Zone Act of 1995"), for Ecozone Export Enterprise for the manufacture of air conditioners and related service parts. Under the terms and conditions of its registration, the Parent Company is subject to certain requirements primarily related to the monitoring of its registered activities.

As a PEZA registered nonpioneer enterprise, the Parent Company's existing Board of Investments (BOI) operations, which were transferred to PEZA, are entitled to certain tax benefits and nontax incentives provided for the original project by the aforementioned law, which includes, among others, income tax holiday (ITH) for three years for incremental sales of air-conditioners starting April 1, 2003, 5.0% gross income taxation for air conditioners in lieu of national and local taxes, tax and duty-free importation of capital equipment and raw materials, exemption from realty taxes on machinery for four years from the date of acquisition, employment of foreign nationals and others. Any local sale of its registered products shall be subject to a separate application and prior PEZA approval.

The Parent Company's BOI registration is deemed cancelled upon approval of its PEZA registration.

The Parent Company also agrees that a first lien shall automatically be constituted upon any of its real or personal property found, existing and/or located in its registered operations to answer for any and all outstanding obligations or accounts owing, due and/or payable by the Parent Company to PEZA in the future, if any.

23. Income Taxes

The provision for income tax consists of:

	2021	2020	2019
Current			
RCIT	**₱73,887,590**	₱121,732,910	₱147,418,812
Gross income tax (GIT)	**23,469,912**	18,606,449	20,658,316
Deferred	**23,276,722**	(26,740,088)	(42,007,077)
	₱120,634,224	₱113,599,271	₱126,070,051

The reconciliation of income before income tax computed at the statutory tax rate to provision for income tax as shown in the consolidated statements of comprehensive income follows:

	2021	2020	2019
Income tax at statutory income tax rate	**₱135,591,343**	₱72,096,274	₱82,377,356
Additions to (reductions in) income taxes resulting from:			
Movement in unrecognized deferred tax assets	**6,734,988**	78,791,189	93,849,785
Income from PEZA registered activities	**(19,928,217)**	(23,262,547)	(34,686,453)
Income subjected to final tax	**(3,592,025)**	(16,303,888)	(15,118,297)
Non-deductible expenses (non-taxable income)	**1,828,135**	2,278,243	(352,340)
	₱120,634,224	₱113,599,271	₱126,070,051

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

	2021	2020
Deferred tax assets:		
Retirement liability (Note 11)	**₱54,647,457**	₱84,597,324
Provisions for estimated liabilities and other accruals	**34,245,166**	26,502,376
Allowance for inventory losses	**22,102,109**	20,504,037
Unamortized past service cost	**19,781,760**	43,243,688
Allowance for credit and probable losses	**3,068,096**	1,298,331
Lease liability	**2,911,240**	3,212,638
Unrealized foreign currency exchange loss - net	–	1,146,962
	136,755,828	180,505,356
Deferred tax liabilities:		
Net book value of replacement and burned property, plant and equipment	**6,430,878**	8,527,347
Right-of-use asset	**3,087,420**	3,232,968
Unrealized foreign currency exchange gain - net	**48,907**	–
	9,567,205	11,760,315
	₱127,188,623	₱168,745,041

Movements in net deferred tax assets comprise of:

	2021	2020
At beginning of the year	**₱168,745,041**	₱112,090,482
Amounts credited to statements of income	**(23,276,722)**	26,740,088
Amount charged against statements of comprehensive income	**(18,279,696)**	29,914,471
At end of the year	**₱127,188,623**	₱168,745,041

As of March 31, 2021 and 2020, the Group did not recognize deferred tax assets amounting to ₱54.6 million and ₱6.9 million, respectively, on temporary differences related to provisions for estimated liabilities and other accruals. The Group assessed that it may not be probable that sufficient taxable income will be available in the foreseeable future against which these tax benefits can be realized.

In addition, the Group has certain activities entitled to tax benefits and nontax incentives granted by PEZA. As such, no deferred tax assets were set up on certain gross deductible temporary differences amounting to ₱0.2 million and ₱0.7 million in 2021 and 2020, respectively.

Relevant tax updates
Corporate Recovery and Tax Incentives for Enterprises (CREATE) Bill

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding Php5 million and with total assets not exceeding Php100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.
- For investments prior to effectivity of CREATE:
    - RBEs granted an ITH followed 5% GIT or are currently enjoying 5% GIT – allowed to avail of the 5% GIT for 10 years.

Effective July 1, 2020, applying the provisions of the CREATE Act, the Parent Company and Subsidiary would have been subjected to lower regular corporate income tax rate of 25% and 20%, respectively.

Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the prorated CIT rate of the Parent Company and Subsidiary for FY2021 is 26.25% and 22.5%, respectively.

24. Contingencies

The Group is contingently liable for lawsuits and tax assessments arising from the ordinary course of business. In the opinion of management and its legal counsels, the ultimate liability for the said lawsuits and tax assessments, if any, would not be material in relation to the Group's financial position and operating results.

25. Basic/Diluted Earnings Per Share

Basic earnings per share is calculated by dividing the net income attributable to the equity holders of the Parent Company by the weighted average number of common shares outstanding during the year. Diluted earnings per share is the same as the basic earnings per share as there are no potential dilutive shares outstanding.

The following are the income and share data used in the basic/diluted earnings per share computation:

	2021	2020	2019
Net income attributable to the equity holders of the Parent Company (a)	**₱357,239,514**	₱126,066,914	₱148,144,539
Weighted average number of common shares (b) (Note 12)	**422,718,020**	422,718,020	422,718,020
Basic/diluted earnings per share (a/b)	**₱0.85**	₱0.30	₱0.35

There have been no other transactions involving common shares or potential common shares between the reporting date and the date of the completion of the consolidated financial statements.

26. Reporting Segments

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

Products under each business segment are as follows:

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

System Solutions Group (SSG) - This segment includes office automation equipment such as telecommunication products, security system and projectors primarily related to selling for business consumers.

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

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

The Group's segment information for the fiscal years ended March 31 is as follows (in thousands):

	2021					
	Consumer	SSG	ES	Others	Adjustments/ Eliminations	Total
Consolidated Statement of Comprehensive Income						
Net sales	₱10,483,965	₱181,337	₱117,244	₱100,549	₱–	₱10,883,095
Cost of goods sold (Note 14)	(7,978,269)	(131,880)	(95,874)	(110,790)	–	(8,316,813)
Selling expenses (Note 15)	(1,216,898)	(22,418)	25,714	9,326	–	(1,204,276)
General and administrative expenses (Note 16)	(942,861)	(23,746)	(38,247)	54,479	–	(950,375)
Other income - net (Note 20)	85,251	(505)	40	(17,767)	–	67,019
Income before income tax	₱431,188	₱2,788	₱8,877	₱35,797	₱–	478,650
Provision for income tax (Note 23)						120,634
Net income						₱358,016
Consolidated Statement of Financial Position						
Segment assets	₱3,325,386	₱282,415	₱43,657	₱4,459,246	₱127,189[1]	₱8,237,893
Segment liabilities	1,512,590	7,917	4,067	1,911,059	–	3,435,633
Other Segment Information						
Capital expenditures[2] (Notes 7 and 9)	14,582	–	42	134,353	–	148,977
Depreciation and amortization[3] (Note 18)	12,915	1,050	457	228,259	–	242,681
Interest income[4] (Note 20)	32,503	–	–	–	–	32,503

1. Segment assets do not include deferred tax assets amounting to ₱127.2 million.
2. Capital expenditures include acquisition of property, plant and equipment and software costs.
3. Depreciation and amortization is divided between cost of goods sold and general and administrative expenses.
4. Interest income is included in other income.

	2020					
	Consumer	SSG	ES	Others	Adjustments/ Eliminations	Total
Consolidated Statement of Comprehensive Income						
Net sales	₱11,363,548	₱396,001	₱–	₱147,399	₱–	₱11,906,948
Cost of goods sold (Note 14)	(9,013,471)	(331,389)	–	(163,411)	–	(9,508,271)
Selling expenses (Note 15)	(1,277,536)	(42,855)	–	54,564	–	(1,265,827)
General and administrative expenses (Note 16)	(952,294)	(44,897)	–	(48,124)	–	(1,045,315)
Other income - net (Note 20)	154,737	2,031	–	(4,248)	–	152,520
Income before income tax	₱274,984	(₱21,109)	₱–	(₱13,820)	₱–	240,055
Provision for income tax (Note 23)						113,599
Net income						₱126,456
Consolidated Statement of Financial Position						
Segment assets	₱6,920,429	₱316,939	₱–	₱2,855	₱168,745[1]	₱7,408,968
Segment liabilities	2,860,092	38,746	–	24,879	–	2,923,717
Other Segment Information						
Capital expenditures[3] (Notes 7 and 9)	345,116	1,534	–	1,736	–	348,386
Depreciation and amortization[4] (Note 18)	255,573	2,747	–	966	–	259,286
Interest income[5] (Note 20)	73,510	–	–	–	–	73,510

1. Segment assets do not include deferred tax assets amounting to ₱168.7 million.
2. Capital expenditures include acquisition of property, plant and equipment and software costs.
3. Depreciation and amortization is divided between cost of goods sold and general and administrative expenses.
4. Interest income is included in other income.

	2019					
	Consumer	SSG	ES	Others	Adjustments/ Eliminations	Total
Consolidated Statement of Comprehensive Income						
Net sales	₱11,021,262	₱338,466	₱–	₱161,086	₱–	₱11,520,814
Cost of goods sold (Note 14)	(8,800,913)	(299,221)	–	(166,876)	–	(9,267,010)
Selling expenses (Note 15)	(993,438)	(1,892)	–	11,502	–	(983,828)
General and administrative expenses (Note 16)	(1,006,023)	(30,778)	–	(66,456)	–	(1,103,257)
Other income - net (Note 20)	33,221	965	–	73,686	–	107,872
Income before income tax	₱254,109	₱7,540	₱–	₱12,942	₱–	274,591
Provision for income tax (Note 23)						126,070
Net income						₱148,521
Consolidated Statement of Financial Position						
Segment assets	₱4,520,268	₱379,112	₱–	₱2,365,116	₱112,090[1]	₱7,376,586
Segment liabilities	2,392,228	136,947	–	331,854	2,715[2]	2,863,744
Other Segment Information						
Capital expenditures[3] (Notes 7 and 9)	197,172	3,168	–	85,727	–	286,067
Depreciation and amortization[4] (Note 18)	141,412	790	–	61,198	–	203,400
Interest income[5] (Note 20)	68,854	–	–	–	–	68,854

1. *Segment assets do not include deferred tax assets amounting to ₱112.1 million.*
2. *Segment liabilities do not include income tax payable amounting to ₱2.7 million.*
3. *Capital expenditures include acquisition of property, plant and equipment and software costs.*
4. *Depreciation and amortization is divided between cost of goods sold and general and administrative expenses.*
5. *Interest income is included in other income.*

Geographic Information

The table below shows the net sales information of the Parent Company based on the location of the customer (in thousands):

	2021	2020	2019
Philippines	**₱9,580,370**	₱10,864,195	₱10,392,122
Hongkong	**1,302,725**	1,031,580	1,105,739
Nigeria	–	–	22,953
Africa	–	11,173	–
	₱10,883,095	₱11,906,948	₱11,520,814

The Parent Company has two customers each representing 10.0% or more of the Parent Company's total revenue amounting to ₱3.3 billion in 2021 and ₱3.8 billion in 2020.

Disaggregated revenue information

The table below shows the net sales information of the Parent Company based on the revenue streams identified (in thousands):

	2021				
	Consumer	**SSG**	**ES**	**Others**	**Total**
B2B sales	**₱306,710**	**₱181,337**	**₱117,244**	**₱100,549**	**₱705,840**
B2C sales	**10,177,255**	**–**	**–**	**–**	**10,177,255**
	₱10,483,965	**₱181,337**	**₱117,244**	**₱100,549**	**₱10,883,095**

	2020				
	Consumer	SSG	ES	Others	Total
B2B sales	₱394,148	₱396,001	₱–	₱61,721	₱851,870
B2C sales	10,969,400	–	–	85,678	11,055,078
	₱11,363,548	₱396,001	₱–	₱147,399	₱11,906,948

27. Financial Risk Management Objectives and Policies

Risk management structure
All policy directions, business strategies and management initiatives emanate from the BOD which strives to provide the most effective leadership for the Group. The BOD endeavors to remain steadfast in its commitment to provide leadership, direction and strategy by regularly reviewing the Group's performance. For this purpose, the BOD convenes at least once a month.

The Group has adopted internal guidelines setting forth matters that require BOD approval. Under the guidelines, all new investments, any increase in investment in businesses and any divestments require BOD approval.

The Group's principal financial instruments consist of cash and cash equivalents, receivables and AFS investments. The main purpose of these financial instruments is to raise finances for the Group's operations. The Group has various other financial instruments such as, accounts payable and accrued expenses, dividends payable and technical assistance fees payable which arise from normal operations.

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

Credit Risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss. With respect to credit risk arising from financial assets of the Group, which comprise of cash and cash equivalents, receivables, financial assets at FVOCI and other assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of the instrument.

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

As of March 31, 2021 and 2020, the Group does not hold collateral or other credit enhancement for cash and cash equivalents, receivables and refundable Meralco deposits (included in other noncurrent assets). Thus, carrying values represent maximum exposure to credit risk. The Group acquired credit insurance for its domestic trade receivables, which covers both fully secured and partially secured receivables. Other than for domestic trade receivables, the Group's maximum exposure to credit risk is equivalent to the carrying value of the Group's financial assets as of March 31, 2021 and 2020.

Risk concentrations of the maximum exposure to credit risk
Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Group's financial strength and undermine public confidence.

As of March 31, 2021, the Group had two customers that owed it for a total amount of ₱450.2 million that accounts for more than 34.6% of the total trade receivables outstanding. As of March 31, 2020, the Group had two customers that owed it for a total amount of ₱386.2 million that accounts for more than 30.4% of the total trade receivables outstanding.

As of March 31, 2021 and 2020, the Group's maximum exposure to credit risk pertaining to trade receivables follows:

	Carrying Value	Fair Value of Credit Enhancement	Maximum Exposure to Credit Risk	Financial Effect of Credit Enhancement
2021	**₱1,386,067,596**	**₱965,771,012**	**₱420,296,584**	**₱965,771,012**
2020	1,328,283,547	1,046,242,417	282,041,130	1,046,242,417

Credit risks from cash in banks and cash equivalents are minimal since these are placed and recoverable from banks. Accordingly, these financial assets are considered to be low credit risk investments. The ECL allowance of these financial assets are measured using 12-month ECL (Stage 1) which is considered insignificant as at April 1, 2020 and March 31, 2021.

For receivables, an impairment analysis is performed at each reporting date using a provision matrix to measure ECL.

The table below shows the information about the Group's credit risk exposures on trade receivables using a provision matrix:

	2021				
	Current	**More than 30 days**	**More than 60 days**	**More than 90 days**	**Total**
Trade receivables					
Expected credit loss rate	**0.21%**	**16.46%**	**26.69%**	**31.11%**	
Total gross carrying amount	**₱1,346,339,449**	**₱37,665,669**	**₱720,306**	**₱1,342,172**	**₱1,386,067,596**
Expected credit losses	**10,302,936**	**160,551**	**480,400**	**1,328,496**	**12,272,383**

	2020				
	Current	More than 30 days	More than 60 days	More than 90 days	Total
Trade receivables					
Expected credit loss rate	0.23%	16.49%	26.51%	30.18%	
Total gross carrying amount	₱1,315,150,441	₱7,271,132	₱3,229,981	₱2,631,993	₱1,328,283,547
Expected credit losses	2,886,410	699,554	379,842	361,965	4,327,771

The credit quality of financial assets was determined as follows:

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

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

Other assets - pertains to deposits in refundable Meralco deposits and advances to employees which are considered as "high grade" since collectability of the refund is reasonably assured.

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

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

The tables below summarize the maturity profile of the Group's financial assets and liabilities, based on the contractual undiscounted collections and payments:

	2021				
	Less than 30 days	**1 to 3 months**	**3 to 12 months**	**Beyond 1 year**	**Total**
Financial Assets					
Cash in banks	**₱1,126,220,585**	**₱–**	**₱–**	**₱–**	**₱1,126,220,585**
Cash equivalents*	**2,140,210,501**	**477,337,018**	**–**	**–**	**2,617,547,519**
Receivables					
Trade					
Domestic	**1,203,120,596**	**37,745,024**	**13,676**	**–**	**1,240,879,296**
Export	**132,915,917**	**–**	**–**	**–**	**132,915,917**
Non-trade	**102,843,649**	**–**	**–**	**–**	**102,843,649**
	4,705,311,248	**515,082,042**	**13,676**	**–**	**5,220,406,966**
Financial assets at FVOCI	**–**	**–**	**–**	**1,659,514**	**1,659,514**
Refundable deposits	**17,788,338**	**–**	**–**	**–**	**17,788,338**
	4,723,099,586	**515,082,042**	**13,676**	**1,659,514**	**5,239,854,818**
Financial Liabilities					
Lease Liability*	**–**	**1,213,389**	**3,712,970**	**7,648,699**	**12,575,058**
Accounts payable and accrued expenses**	**1,775,214,829**	**9,301,470**	**1,012,191,607**	**71,239,090**	**2,867,946,996**
	1,775,214,829	**10,514,859**	**1,015,904,577**	**78,887,789**	**2,880,522,054**
	₱2,947,884,757	**₱504,567,183**	**(₱1,015,890,901)**	**(₱77,228,275)**	**₱2,359,332,764**

**Includes future interest*
***Excludes statutory liabilities amounting to ₱21.7 million*

	2020				
	Less than 30 days	1 to 3 months	3 to 12 months	Beyond 1 year	Total
Financial Assets					
Cash in banks	₱634,292,276	₱–	₱–	₱–	₱634,292,276
Cash equivalents*	2,112,471,082	200,278,359	–	–	2,312,749,441
Receivables					
Trade					
Domestic	1,203,726,695	9,801,559	1,890,186	–	1,215,418,440
Export	108,537,336	–	–	–	108,537,336
Non-trade	116,086,924	–	–	–	116,086,924
	4,175,114,313	210,079,918	1,890,186	–	4,387,084,417
Financial assets at FVOCI	–	–	–	1,586,038	1,586,038
Refundable deposits	19,115,475	–	–	–	19,115,475
	4,194,229,788	210,079,918	1,890,186	1,586,038	4,407,785,930
Financial Liabilities					
Lease Liability*	1,323,033	2,646,068	5,318,625	1,760,000	11,047,726
Accounts payable and accrued expenses**	1,260,603,792	16,851,941	1,053,460,105	17,531,531	2,348,447,369
	1,261,926,825	19,498,009	1,058,778,730	19,291,531	2,359,495,095
	₱2,932,302,963	₱190,581,909	(₱1,056,888,544)	(₱17,705,493)	₱2,048,290,835

**Includes future interest*
***Excludes statutory liabilities amounting to ₱17.0 million*

Market Risk

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

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

As of March 31, 2021 and 2020, the foreign currency-denominated financial assets and financial liabilities in original currencies and their Philippine Peso (PHP) equivalents are as follows:

	2021			
	USD	**JPY**	**SGD**	**Equivalents in PHP**
Financial assets				
Cash and cash equivalents	**13,817,432**	**5,252,544**	**–**	**672,866,892**
Receivables	**3,831,380**	**463,207**	**–**	**186,140,312**
	17,648,812	**5,715,751**	**–**	**859,007,204**
Financial liabilities				
Accounts payable and accrued expenses	**12,761,029**	**28,385,451**	**–**	**631,759,627**

	2020			
	USD	JPY	SGD	Equivalents in PHP
Financial assets				
Cash and cash equivalents	20,786,957	1,417,406	–	1,054,153,981
Receivables	2,517,275	5,106,633	–	129,992,977
	23,304,232	6,524,039	–	1,184,146,958
Financial liabilities				
Accounts payable and accrued expenses	11,320,498	188,429,811	28,500	663,947,467

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

	Increase/ decrease in USD rate	Effect on income before tax
2021	**+8%**	**₱17,570,675**
	-8%	**(20,626,444)**
2020	+8%	₱44,987,825
	-8%	(52,811,795)

	Increase/ decrease in JPY rate	Effect on income before tax
2021	**+7%**	**(₱651,362)**
	-7%	**749,416**
2020	+7%	(₱5,633,639)
	-7%	6,481,713

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

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

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

Equity Price Risk
The Group's exposure to equity price pertains to its investments in quoted shares of the Parent Company which are classified as FVOCI 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 financial assets at FVOCI and available-for-sale at March 31, 2021 and 2020, respectively) due to a reasonably possible change in equity indices is not material to the consolidated financial position of the Group.

Fair Value Measurement
The methods used by the Group in estimating the fair value of its assets and liabilities follow:

Cash and cash equivalents, receivables and other assets
Carrying amounts of cash in banks, cash equivalents and receivables maturing within twelve (12) months are assumed to approximate their fair values. This assumption is applied to liquid assets and the short-term elements of all other financial assets.

Financial assets at FVOCI
Fair values are based on quoted prices published in the markets.

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

28. Notes to Statements of Cash Flows

Cash flows from investing activities include acquisitions of property, plant and equipment on account amounting to ₱5.8 million, ₱7.2 million and ₱32.9 million in 2021, 2020 and 2019, respectively (see Notes 7 and 10).

The table below provides for the changes in liabilities from financing activities:

	March 31, 2021			
	Beginning balance	**Cash flows**	**Non-cash changes**	**Ending balance**
Lease liability (Note 8)	**₱10,708,792**	**(₱7,974,503)**	**₱8,910,672**	**₱11,644,961**
Dividends payable (Notes 10 and 13)	**2,513**	**(63,056,242)**	**63,059,220**	**5,491**
Total liabilities from financing activities	**₱10,711,305**	**(₱71,030,745)**	**₱71,969,892**	**₱11,650,452**

	March 31, 2020			
	Beginning balance	Cash flows	Non-cash changes	Ending balance
Lease liability (Note 8)	₱25,294,930	(₱15,565,526)	₱979,388	₱10,708,792
Dividends payable (Notes 10 and 13)	–	(88,733,571)	88,736,084	2,513
Total liabilities from financing activities	₱25,294,930	(₱104,299,097)	₱89,715,472	₱10,711,305

	March 31, 2019			
	Beginning balance	Cash flows	Non-cash changes	Ending balance
Finance lease liability (Note 21)	₱450,502	(₱450,502)	₱–	₱–
Dividends payable (Note 10)	31,172	(157,155,460)	157,124,288	–
Total liabilities from financing activities	₱481,674	(₱157,605,962)	₱157,124,288	₱–

In 2021 and 2020, the Parent Company recognized right-of-use asset amounting to ₱13.89 million and ₱25.74 million, respectively (see Note 7) and lease liability amounting to ₱13.89 million and ₱25.29 million, respectively (see Note 8).

29. Approval of the Release of Consolidated Financial Statements

The accompanying consolidated financial statements were approved and authorized for issue by the Parent Company's BOD on June 9, 2021.

30. Subsequent Events

On May 20, 2021, the Parent Company's Board of Directors approved the declaration of 52.45% (₱0.5245 per share) cash dividends to stockholders of record as of June 4, 2021 amounting to ₱221.7 million payable on June 25, 2021.

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Panasonic Manufacturing Philippines Corporation and its Subsidiary (the Group) as at March 31, 2021 and 2020 and for each of the three years in the period ended March 31, 2021, included in this Form 17-A and have issued our report thereon dated June 9, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Juan Carlo Maminta

Juan Carlo B. Maminta
Partner
CPA Certificate No. 115260
Accreditation No. 115260-SEC (Group A)
Valid to cover audit of 2020 to 2024
financial statements of SEC covered institutions
Tax Identification No. 210-320-399
BIR Accreditation No. 08-001998-132-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534323, January 4, 2021, Makati City

June 9, 2021

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Panasonic Manufacturing Philippines Corporation and its Subsidiary (the Group) as at March 31, 2021 and 2020 and for each of the three years in the period ended March 31, 2021, and have issued our report thereon dated June 9, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's financial statements as at March 31, 2021 and 2020 and for each of the three years in the period ended March 31, 2021 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Juan Carlo Maminta

Juan Carlo B. Maminta
Partner
CPA Certificate No. 115260
Accreditation No. 115260-SEC (Group A)
Valid to cover audit of 2020 to 2024
financial statements of SEC covered institutions
Tax Identification No. 210-320-399
BIR Accreditation No. 08-001998-132-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534323, January 4, 2021, Makati City

June 9, 2021

PANASONIC MANUFACTURING PHILIPPINES CORPORATION
SCHEDULES REQUIRED UNDER SECURITIES REGULATION CODE RULE 68

PART 1

Annex I:	Reconciliation of Retained Earnings Available for Dividend Declaration
Annex II:	Map showing the relationships between and among the Company and its Ultimate Parent Company and Subsidiary
Annex III:	Schedule of Financial Soundness Indicators

PART 2

Schedule A:	Financial Assets
Schedule B:	Amounts Receivable from Directors, Officers, Employees and Principal Stockholders (Other than Related Parties)
Schedule C:	Amounts Receivable from Related Parties which are eliminated during the Consolidation of financial statements
Schedule D:	Long-Term Debt
Schedule E:	Indebtedness to Related Parties (Long-Term Loans from Related Companies)
Schedule F:	Guarantees of Securities of Other Issuers
Schedule G:	Capital Stock

Annex I

PANASONIC MANUFACTURING PHILIPPINES CORPORATION (PARENT COMPANY)

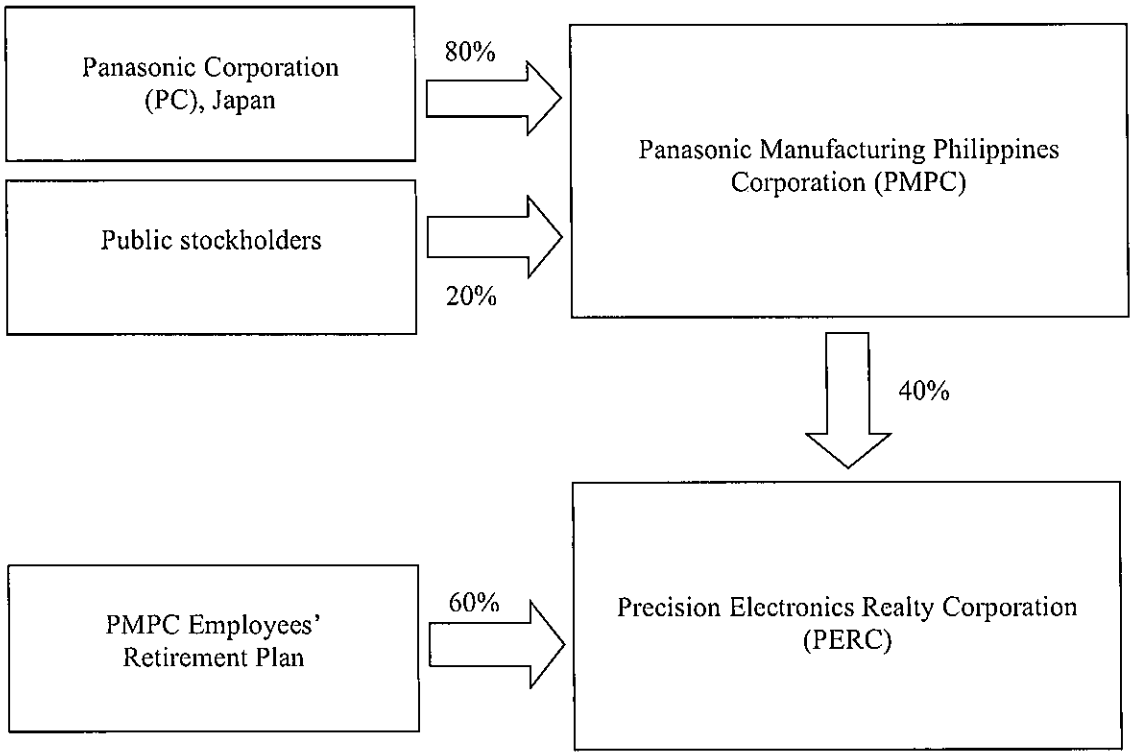
SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION MARCH 31, 2021

Unappropriated retained earnings, beginning			₱337,852,721
Adjustments on beginning balance:			
Less:	Deferred Tax Asset, beginning	(193,381,425)	
	Effect of pooling of interest with NPPI	(64,690,082)	
	Unrealized foreign exchange gain - net	(1,945,728)	(260,017,235)
Unappropriated retained earnings available for dividend declaration, beginning, as adjusted			77,835,486
Add:	Net income actually earned/realized during the year:		
	Net income during the period closed to retained earnings	356,722,129	
	Unrealized foreign exchange gain - net	(1,255,829)	
	Provision for deferred tax	23,276,722	378,743,022
Net income actually earned/realized during the period			456,578,508
Add:	Reversal of appropriation	814,494,110	
Less:	Appropriations	(864,494,110)	
	Dividends declarations during the period	(63,059,220)	(113,059,220)
Unappropriated retained earnings available for dividend declaration, end			₱343,519,288

Annex II

PANASONIC MANUFACTURING PHILIPPINES CORPORATION

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANY AND ITS ULTIMATE PARENT COMPANY AND SUBSIDIARY
MARCH 31, 2021



Annex III

PANASONIC MANUFACTURING PHILIPPINES CORPORATION

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
MARCH 31, 2021

RATIO	FORMULA	March 31, 2021	March 31, 2020
Current Ratio	Current Assets / Current Liabilities	2.39	2.50
Acid Test Ratio	(Cash Equivalents + Marketable Securities + Receivable) / Current Liabilities	1.76	1.79
Solvency Ratio	Net Income / Total Liabilities	0.10	0.04
Debt to Equity Ratio	Total Liabilities / Total Equity	0.72	0.65
Debt Ratio	Total Liabilities / Total Assets	0.42	0.39
Asset to Equity Ratio	Total Assets / Total Equity	1.72	1.65
Interest Rate Coverage Ratio	EBIT / Interest Expense	1,695.02	246.11
Return on Assets	Net Income / Average Total Assets	0.05	0.03
Return on Equity	Net Income / Average Total Equity	0.08	0.05
Net Profit Margin	Gross Profit / Total Revenue	0.24	0.20

Schedule A

Panasonic Manufacturing Philippines Corporation
Schedule A – Financial Assets
March 31, 2021

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Valued based on market quotation at end of reporting period	Income received and accrued
Financial assets at FVOCI				
Manila Electric Company	25,164	₱909,821	₱909,821	₱–
Philippine Long Distance Telephone Company	2,850	749,693	749,693	–
	28,014	₱1,659,514	₱1,659,514	₱–

Panasonic Manufacturing Philippines Corporation
Schedule B – Amounts Receivable from Directors, Officers, Employees and Principal Stockholders (Other than Related Parties)
March 31, 2021

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

Nothing to report

Panasonic Manufacturing Philippines Corporation
Schedule C – Amounts Receivable from Related Parties which are eliminated during the Consolidation of financial statements
March 31, 2021

Name and Designation of debtor	Balance at beginning of period	*Addition	Deductions		Current	Not current	Balance at the end of the period
			Amounts collected	Amounts written off			
Precision Electronics Realty Corporation	P153,990,175	P–	P–	P–	P–	P153,990,175	P153,990,175

**Represents accretion of day 1 difference*

Panasonic Manufacturing Philippines Corporation
Schedule D – Long-Term Debt
March 31, 2021

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

Nothing to report

Panasonic Manufacturing Philippines Corporation
Schedule E – Indebtedness to Related Parties (Long-Term Loans from Related Companies)
March 31, 2021

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

Nothing to report

Panasonic Manufacturing Philippines Corporation
Schedule F – Guarantees of Securities of Other Issuers
March 31, 2021

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

Nothing to report

Panasonic Manufacturing Philippines Corporation
Schedule G – Capital Stock
March 31, 2021

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under the related statement of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by Related parties	Number of shares held by Directors, officers and employees	Number of shares held by Others
Panasonic Manufacturing Philippines Corporation- Common	847,000,000	422,718,020	–	359,580,941	96,015	63,041,064

Panasonic

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Panasonic Manufacturing Philippines Corporation and its Subsidiary** (the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended March 31, 2021, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

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

Signed under oath by the following:

M. Sasaki
MASATOSHI SASAKI
Chairman & President

Y. Takahashi
YOSHIYUKI TAKAHASHI
Vice – Chairman & Executive Director

H. Yamada
HIROSHI YAMADA
Executive Director

Signed on this 18th day of June, 2021

ATTY. CONCEPCION P. VILLARENA
Notary Public for Quezon City
Until December 31, 2021
PTR No. 0683154 / 1-4-2021/ QC
IBP No. 093587 / 10-22-2019/ QC
Roll No. 30457 / 05-09-80
MCLE VI-0030379 / 2-21-2020
Adm. Matter No. NP-001(2020-2021)
TIN NO. 131-942-754

SUBSCRIBED AND SWORN to before me this 22 JUN 2021
affiants exhibiting to me their passport numbers as follows:

NAMES	PASSPORT NO.	DATE ISSUED	PLACE ISSUED
Masatoshi Sasaki	TS1137403	July 04, 2018	Japan
Yoshiyuki Takahashi	TZ1094063	December 15, 2015	Japan
Hiroshi Yamada	TZ1164469	November 08, 2016	Japan

Doc. No. 269
Page No. 55
Book No. 07
Series of 2021

NOTARY PUBLIC

ANNEX D

COVER SHEET
for
QUARTERLY REPORTS

SEC Registration Number

C	S	0	0	0	0	2	3	0	2	2

Company Name

PANASONIC MANUFACTURING PHILIPPINES CORPORATION AND SUBSIDIARY

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

Ortigas Avenue Extension, Barrio Mapandan, Barangay San Isidro, Taytay, Rizal

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
www.panasonic.com/ph	635-2260 to 65	N/A

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
453	26th of August / Wednesday	March 31st

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. Mamerto Mondragon	mzmlaw@yahoo.com	8818-7739	(+63) 917 5772162

Contact Person's Address

Ortigas Avenue Extension, San Isidro, Taytay, Rizal

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17- Q

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

1. For the quarterly period ended **December 31, 2020**

2. SEC Identification Number **23022** 3. BIR Tax Identification No. **000-099-692**

4. Exact name of registrant as specified in its charter

PANASONIC MANUFACTURING PHILIPPINES CORPORATION

5. **Philippines**
Province, Country or other jurisdiction of incorporation or organization

6. ☐ (SEC Use Only)
Industry Classification Code:

7. **Ortigas Avenue Extension, Bo. Mapandan Brgy. San Isidro, Taytay, Rizal**
Address of principal office

1920
Postal Code

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

9. **Ortigas Avenue Extension, Taytay, Rizal**
Former address changed since last report.

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
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, 2020 (with comparative figures as of March 31, 2020 and period ended December 30, 2019 & 2018) and selected Notes to Consolidated Financial Statements are on pages 12 to 32.

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

Key Performance Indicators

Name of Index	Calculation	FY 2020 Apr – Dec	FY 2019 Apr – Dec
1. Rate of Sales Increase [a]	CY[b] Sales – LY[c] Sales / LY Sales x 100%	-18.8%	4.6%
2. Rate of Profit Increase [a]	CY Profit Before Tax – LY Profit Before Tax / LY Profit Before Tax x 100%	-17.4%	77.4%
3. Rate of Profit on Sales [a]	Profit Before Tax / Total Sales x 100%	2.4%	2.6%
4. Current Ratio	Current Assets / Current Liabilities	2.40:1	2.67:1
5. Dividend Ratio to Capital	Dividend / Average Capital x 100%	15.0%	21.0%

(a) Continuing operations only
(b) Current Year
(c) Last Year

(a) Rate of Sales Increase - This measures the sales growth versus the same period last year. For the nine month of FY2020, the Group sales decreased by 18.8% from ₱9.905 billion last year to ₱8.047 billion due to business disruption caused by COVID19 pandemic.

(b) Rate of Profit Increase - This measures the increase in profit before tax versus the same period last year. Rate of profit decreased by 17.4% mainly due to 18.8% decrease in sales versus last year.

(c) Rate of Profit on Sales - This measures the percentage of profit before tax versus total sales for the period. Rate of profit slightly decreased to 2.4 % from 2.6% of the same period last year.

(d) Current Ratio - This measures the liquidity of the Group and its ability to pay off current liabilities. The Company registered current ratio of 2.40:1 as of December 31, 2020 and 2.67:1 last year.

(e) Dividend Ratio to Capital - This measures the dividend payout ratio versus capital for the period. The Group paid 15% and 21% cash dividend for the 1st semester of 2020 and 2019 respectively.

NINE MONTHS ENDED DECEMBER 31, 2020 vs. 2019

RESULTS OF OPERATION

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

Accounts	**Dec 2020 (Unaudited)**	Dec 2019 (Unaudited)	**Difference (%)**
Sales	**8,047,338**	9,905,031	**-18.8%**
Cost of Sales	**6,005,255**	7,524,425	**-20.2%**
Gross profit	**2,042,083**	2,380,606	**-14.2%**
Selling expenses	**1,144,380**	1,408,963	**-18.8%**
General & administrative expense	**699,654**	762,604	**-8.3%**
Other income – net	**(4,409)**	25,472	**-117.3%**
Income before tax	**193,640**	234,511	**-17.4%**
Income tax expense	**80,652**	77,578	**4.0%**
Income after tax	**112,988**	156,933	**-28.0%**

The total sales for the nine months of FY 2020 amounted to ₱8.047 billion, decreased by ₱1.858 billion (18.8%) from ₱9.905 billion posted in the same period last year. The reduction in sales was mainly due to disruption in operation, both sales and production of finished goods, brought by Covid19 outbreak and the imposition of enhanced community quarantine from mid-March until May 2020 throughout Luzon. For the remaining period, sales was low due to limited commercial establishments were doing business during pandemic.

Cost of sales reduced by ₱1.519 billion (20.2%) due mainly to decrease in material cost consumption by 14.9% amounting to ₱523.7 million and decrease in raw material purchases by ₱979 million due to stoppage of production of finished goods in April and May and low sales requirements in the succeeding months.

Gross profit decreased by 14.2% due to the significant low sales achievement as compared to last year.

Selling expenses decreased by ₱264.6 million (18.8%) compared last year mainly due to decrease in sales promotion expenses by ₱141.4 million and freight cost by ₱55.7 million, advertising expenses by ₱57.8 million and provision for warranty by ₱9.7 million.

General administrative expenses reduced by ₱62.9 million (8.3%) mainly due to lower brand license and royalty payment by ₱34.2 million due to low sales and travelling expenses by ₱19 million due to travel restriction, domestic and foreign.

Net non-operating income resulted to negative ₱4.4 million from ₱25.5 million last year due mainly to interest income earned from its money placements in local banks due to lower interest rate on time deposits.

The Group's net income before tax and net income after tax deteriorated by ₱40.9 million (17.4%) and ₱43.9 million (28.0%), respectively due to 18.8% decrease in sales amount and non-operating expense versus last year of the same period.

FINANCIAL POSITIONS

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

Accounts	Dec 2020 (Unaudited)	March 2020 (Audited)	Difference (%)
Cash and cash equivalents	**3,703,400**	2,945,350	**25.7%**
Receivables	**1,555,279**	1,440,043	**8.0%**
Inventories	**1,367,504**	1,654,053	**-17.3%**
Other current assets	**247,175**	91,858	**169.1%**
Property & equipment	**975,110**	1,072,552	**-9.1%**
Right of use assets	-	10,777	
Other noncurrent assets	**23,258**	25,590	**-9.1%**
Accounts payable & accrued expenses	**2,704,753**	2,365,479	**14.3%**
Provision for estimated liabilities	**718,925**	547,528	**31.3%**
R/E – Unappropriated	**367,717**	338,836	**8.5%**

The Group total assets recorded at ₱8.018 billion as of December 31, 2020, improved by ₱608.9 million from March 31, 2020. Total equity amounted to ₱4.513 billion and ₱4.485 billion as of December 31, 2020 and March 31, 2020, respectively.

Cash and cash equivalents increased by ₱758 million (25.7%) from ₱2.945 billion in fiscal year 2020 ending March 31, 2020 due mainly to lower inventory and property, plant and equipment – net for the nine month period. In addition, accounts payable and provision for estimated liabilities increased by ₱ 581.6 million and income after tax by ₱28.9 million.

Accounts receivable increased by ₱115.2 million (8.0%) due to extended collection due date.

Inventories decreased by ₱286.5 million (17.3%) due to late arrival of imported merchandise and raw materials.

Other current assets higher by ₱155.3 million (169.1%) due mainly to creditable withholding taxes for the period not applied to income tax payment.

Property, plant and equipment – net for the nine month period reduced by ₱97.4 million due mainly to amortization and depreciation expense amounted to ₱184.4 million while total purchases for machineries and equipment amounted to ₱76 million. Right of use assets were fully depreciated as of December 2020.

Accounts payable and accrued expenses increased by ₱339.3 million (14.3%) due to trade accounts payable to related parties ₱116.2 million, product promotion expense ₱171.9 million and VAT payable ₱47.7 million.

Provision for estimated liabilities increase of ₱169.8 million was due mainly for price risk and overhead expenses.

Retained earnings – unappropriated increased by ₱28.9 million (8.5%) despite the pandemic due to continued effort of the management and its employees to generate sales and reduce operating cost during the period.

NINE MONTHS ENDED DECEMBER 31, 2019 vs. 2018

RESULTS OF OPERATION

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

Accounts	Dec 2019 (Unaudited)	Dec 2018 (Unaudited)	Difference (%)
Sales	**9,905,031**	8,981,454	**10.3%**
Cost of Sales	**7,524,425**	7,005,737	**7.4%**
Gross profit	**2,380,606**	1,650,337	**44.2%**
Selling expenses	**1,408,963**	**1,135,367**	**24.1%**
General & administrative expense	**762,604**	**739,519**	**3.1%**
Other income – net	**25,472**	31,366	**-18.8%**
Income before tax	**234,511**	132,196	77.4%
Income tax expense	77,578	64,813	**19.7%**
Income after tax	**156,933**	67,383	**132.9%**

The total sales for the nine months of FY 2019 amounted to ₱9.905 billion, increased by ₱923.6 million (10.3%) from ₱8.656 billion posted in the same period last year. This was mainly due to the improved retail sale of new local model of Refrigerator products especially its inverter model.

Cost of sales increased due to increase in depreciation expense caused by Refrigerator investment of vacuum forming and R600; Manufacturing Overhead increase in product development cost and manpower labor expenses due to 5% General Salary Increase.

Gross profit increased by 44.2% due to increase in sales and decrease in cost of sales ratio by 4.9% compared to last year.

Selling expenses increased in amount by ₱273.6 million compared last year mainly to achieve sales plan.

General administrative expenses increased by ₱23 million (3.12%) mainly due to decrease of various fixed expenses.

Net non-operating income decreased by ₱5.9 million (18.79%) mainly due to Forex loss amounted to 10.2 million while interest earned from bank is favorable versus last year.

The Group's net income before tax and net income after tax increased by ₱102.3 million (77.4%) and ₱89.6 million (132.9%) respectively due to 4.62% increase in sales amount, lower selling expenses by 30.9% versus last year.

FINANCIAL POSITIONS

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

Accounts	**Dec 2019 (Unaudited)**	March 2019 (Audited)	**Difference (%)**
Cash and cash equivalents	**3,284,635**	2,831,509	**16.00%**
Receivables	**1,571,628**	1,667,305	**-5.74%**
Inventories	**1,316,313**	1,637,439	**-19.61%**
Other current assets	**196,071**	127,904	**53.30%**
Property & equipment	**1,032,021**	969,014	**6.50%**
Right of use assets	**36,107**	-	-
Other noncurrent assets	**31,036**	31,324	**8.88%**
Accounts payable & accrued expenses	**2,336,318**	2,354,706	**-0.78%**
Provision for estimated liabilities	**577,150**	506,323	**13.99%**
R/E – Unappropriated	**419,234**	351,505	**19.27%**

The Group continues to maintain its strong financial position with total assets amounting to ₱7.6 billion and ₱7.4 billion as of December 31, 2019 and March 31, 2019 respectively. Total equity amounted to ₱4.581 billion in December 31, 2019 and ₱4.513 billion as of March 31, 2019.

Cash and cash equivalents increased by ₱453.1 million (16%) from ₱2.831 billion in fiscal year 2019 ending March 31, 2019 mainly due to decreased in account receivable by ₱95 million, inventory by ₱ 321 million and total liabilities by ₱18.4million.

Accounts receivable decreased by ₱95 million (-5.74%) due to improvement and good collection efficiency.

Inventories decreased by ₱321.1 million (-19.61%) mainly due to good production that translated to a high sales of Air conditioners especially on its export sales.

Net increased on other current assets by ₱68.2 million (53.3%) mainly due to creditable withholding taxes for the period.

Net increased on property, plant and equipment by ₱63.01 million due to the continuous factory renovation and upgrade of factory facilities, machineries and equipment. Total purchases for the period amounted to ₱151.6 million while total amortization of depreciation expense for the period amounted to ₱167.7 million.

Net Right of use assets valued at ₱36.1 million. Accumulated Depreciation is valued at ₱10.9 million.

Net decreased on accounts payable and accrued expenses by ₱18.4 million (-.78%) mainly due to decreased in trade and non-trade payable.

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

Retained earnings – unappropriated increased by ₱67.7 million (19.27%) mainly due high net income generated during the period.

CASHFLOWS

A brief summary of cash flow movement is shown below

(In thousands pesos)	**Dec 2020**	Dec 2019
1. Net cash provided by operating activities	**917,414**	794,030
2. Net cash provided by (used) in investing activities	**(87,070)**	(250,793)
3. Net cash used in financing activities	**(72,294)**	(90,112)

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:

(In thousands pesos)	**Dec 2020**	Dec 2019
Additions to property and equipment - net	**(76,016)**	(251,551)
Additions to other assets	**2,332**	758

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

(In thousands pesos)	**Dec 2020**	Dec 2019
Cash dividends paid	**(63,307)**	(88,736)

RETAINED EARNINGS

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

The appropriated retained earnings pertain to the appropriation for plant expansion and modernization and upgrade of factory facilities and equipment of the Parent Company.

OTHER MATTERS

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

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

b. There were no known events, trends, and demands, commitments or uncertainties that might affect or might have a material impact on the Company's liquidity or cash flows within the next twelve (12) months, except those stated in Management's Discussion and Analysis of Financial Conditions and Results of Operations.

c. There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets since the last annual balance sheet date.

d. There were no material off-balance sheet transactions, arrangements, obligations and other relationship of the Parent Company with unconsolidated entities or other persons created during the reporting period.

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

f. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operation.

g. There were no significant elements of income or loss that did not arise from the Company's continuing operations.

h. There were no seasonal aspects that have had a material effect on the Company's financial condition or results of operations.

The COVID-19 pandemic had impact to the Group's operation for the first quarter. However, the Group is determined to realize a better scenario and to regain momentum, not only on sales growth but a positive operating profit.

The Group is continuously assessing and monitoring the impact to its financial position, performance and cash flows. The Group will continue to monitor the situation.

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, 2021.

PANASONIC MANUFACTURING PHILIPPINES CORPORATION

By:

MASATOSHI SASAKI
President and Chairman

MARIA VIRGINIA AREVALO
Compliance Officer

PANASONIC MANUFACTURING PHILIPPINES COPORATION AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2020 (Unaudited) and March 31, 2020 (Audited)
And for the Nine Months ended December 31, 2019 and 2018 (Unaudited)

PANASONIC MANUFACTURING PHILIPPINES CORP. & SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In Thousand Pesos)

	(Unaudited) December 31, 2020	(Audited) March 31, 2020
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱3,703,400**	₱2,945,350
Receivables - net (Notes 5)	**1,555,279**	1,440,043
Inventories - net (Note 6)	**1,367,504**	1,654,053
Other current assets (Note 8)	**247,175**	91,858
Total Current Assets	**6,873,358**	6,131,304
Non-current Assets		
Property, plant and equipment - net (Note 7)	**975,110**	1,072,553
Right of use Assets - net	**-**	10,777
Deferred tax assets – net	**146,143**	168,745
Other assets – net (Note 8)	**23,258**	25,590
Total Non-current Assets	**1,144,511**	1,277,665
	₱8,017,869	₱7,408,968
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 9)	**₱2,704,753**	₱2,365,479
Income tax payable	**81,582**	-
Other current liabilities (Note 10)	**81,074**	79,473
Finance lease liability	**-**	8,987
Total Current Liabilities	**2,867,409**	2,453,939
Noncurrent Liability		
Provisions for estimated liabilities (Note 10)	**515,259**	345,463
Retirement liability (Note 10)	**122,592**	122,592
Finance lease liability	**31**	1,722
Total Noncurrent Liabilities	**637,882**	469,777
	3,505,291	2,923,716
Stockholders' Equity		
Equity attributable to equity holders of the parent		
Capital stock - ₱1 par value (Note 11)	**422,718**	422,718
Additional paid-in capital	**4,780**	4,780
Other comprehensive income	**(148,547)**	(146,240)
Retained earnings (Note 12)		
Appropriated	**3,792,400**	3,792,400
Unappropriated	**367,717**	338,836
	4,439,068	4,412,494
Non-controlling interest	**73,510**	72,758
Total Stockholders' Equity	**4,512,578**	4,485,252
	₱8,017,869	₱7,408,968

See accompanying Notes to Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORP. & SUBDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED DECEMBER 31, 2020 & 2019
(In Thousand Pesos except Earnings per Common Share Amount)

	UNAUDITED			
	Apr-Dec 2020	Apr-Dec 2019	**Oct-Dec 2020**	Oct-Dec 2019
NET SALES	**₱8,047,338**	₱9,905,031	**₱3,163,643**	₱3,164,229
COST OF GOODS SOLD (Note 13)	**(6,005,255)**	(7,524,425)	**(2,346,081)**	(2,386,151)
GROSS PROFIT	**2,042,083**	2,380,606	**817,562**	778,078
SELLING EXPENSES (Note 14)	**(1,144,380)**	(1,408,963)	**(504,772)**	(496,330)
GENERAL AND ADMINISTRATIVE EXPENSES (Note 15)	**(699,654)**	(762,604)	**(237,127)**	(251,788)
INCOME FROM OPERATIONS	**198,049**	209,039	**75,663**	29,960
OTHER INCOME – Net (Note 17)	**(4,009)**	25,472	**6,054**	11,512
INCOME BEFORE INCOME TAX	**193,640**	234,511	**81,717**	41,472
PROVISION FOR INCOME TAX	**80,652**	77,578	**19,960**	23,150
NET INCOME FOR THE PERIOD	**₱112,988**	₱156,933	**₱61,757**	₱18,322
OTHER COMPREHENSIVE INCOME				
TOTAL COMPREHENSIVE INCOME	**₱112,988**	₱ 156,933	**₱ 61,757**	₱ 18,322
Attributable to:				
Equity holders of the parent	**₱112,236**	₱156,465	**₱61,601**	₱18,197
Minority interest	**752**	468	**156**	125
Earnings Per Share (Note 19)	**₱0.27**	₱0.37	**₱0.15**	₱0.04

See accompanying Notes to Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORP. & SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Nine Months Ended December 31, 2020, 2019 & 2018

(In thousand pesos)

	DECEMBER (UNAUDITED)		
	2020	2019	2018
CAPITAL STOCK (Note 11)	**₱422,718**	₱422,718	₱422,718
ADDITIONAL PAID-IN CAPITAL	**4,780**	4,780	4,780
Net Unrealized Gain on AFS	**626**	3,825	1,381
Re-measurement Loss on Retirement Liability	**(149,173)**	(84,755)	(16,007)
RETAINED EARNINGS (Note 12)			
Appropriated:			
Balance at beginning of period	**3,792,400**	3,742,400	3,692,400
Appropriations			
Reversals			
Balance at end of period	**3,792,400**	3,742,400	3,692,400
Unappropriated:			
Balance at beginning of period	**318,788**	351,505	413,836
Total comprehensive income	**112,236**	156,465	66,541
Reversals	-	-	-
Appropriations	-	-	-
Cash dividends	**(63,307)**	(88,736)	(157,124)
Balance at end of period	**367,717**	419,234	324,198
	4,439,068	4,508,202	4,429,470
Minority interest	**73,510**	72,837	72,362
Total Stockholders' Equity	**₱4,512,578**	₱ 4,581,039	₱4,501,832

See accompanying Notes to Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORP. & SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Nine Months Ended December 31, 2020 and 2019

(In thousand pesos)

	DECEMBER (UNAUDITED)	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱193,640**	₱234,511
Adjustments for:		
Depreciation and amortization (Note 18)	**185,183**	179,166
Interest income (Note 17)	**(10,789)**	(44,005)
Net movement for estimated liabilities	**121,398**	(36,373)
Operating income before working capital changes	**539,433**	333,302
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	**(116,157)**	95,678
Inventories	**286,549**	321,126
Other current assets	**(155,317)**	(68,167)
Increase (decrease) in:		
Accounts payable and accrued expenses	**432,771**	145,663
Net cash generated in operations	**987,278**	827,602
Income taxes paid	**(80,653)**	(77,578)
Interests received	**10,789**	44,005
Net cash provided by (used in) operating activities	**917,414**	794,030
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment –net	**(76,016)**	(251,551)
Decrease (increase) in Lease Property	**(11,697)**	(36,107)
Decrease (increase) in Lease Liability	**(1,689)**	36,576
Decrease (increase) in other assets	**2,322**	289
Net cash used in investing activities	**(87,070)**	(250,793)
CASH FLOW FROM FINANCING ACTIVITIES		
Cash dividends paid	**(63,307)**	(88,736)
Finance lease liabilities paid	**(8,987)**	(1,376)
Cash used in financing activities	**(72,294)**	(90,112)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**758,050**	453,126
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**2,945,350**	2,831,509
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱3,703,400**	₱ 3,284,635

See accompanying Notes to Financial Statements.

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

1. Corporate Information

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

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

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

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation
The accompanying unaudited consolidated interim financial statements of the Parent Company and the Subsidiary (collectively referred to as the "Group") as of and for the period ended September 30, 2020 has been prepared on a historical cost basis, except for financial assets which are measured at fair value and inventories at lower of cost or net realizable value (NRV). 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 accounting policies adopted are consistent with those of the previous years. The adoption of the new and amended standards and interpretations effective April 1, 2019 did not have any impact on the consolidated financial statements of the Group unless otherwise indicated.

Effective in fiscal year 2020

- Amendments to PFRS 3, *Definition of a Business*
  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after April 1, 2020, with earlier application permitted.

  These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*
  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after April 1, 2020, with earlier application permitted.

Effective beginning on or after September 1, 2020

- Amendments to PFRS 16, COVID-19-*related Rent Concessions*
  The amendments provide relief to lessees from applying PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if its meets all of the following criteria:
  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before September 30, 2021; and
  - There is no substantive change to other terms and condition of the lease.

A lessee that apply this practical expedient will account for any change in lease payments resulting from COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after September1, 2020. Early adoption is permitted.

Effective in fiscal year 2023

- PFRS 17, *Insurance Contracts*
  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

  The core of PFRS 17 is the general model, supplemented by:
  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

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

3. Summary of Significant Accounting and Financial Reporting Policies

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

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

4. Cash and Cash Equivalents

This account consists of: (in thousand)

	(Unaudited) December 2020	(Audited) March 2020
Cash on banks	**₱1,199,268**	₱634,292
Cash equivalents	**2,504,132**	2,311,058
	₱3,703,400	₱2,945,350

5. Receivables

This account consists of: (in thousands)

	(Unaudited) December 2020	(Audited) March 2020
Trade		
Domestic	**₱1,371,670**	₱1,219,746
Export	**51,175**	108,537
Non-trade		
Related parties	**13,359**	63,801
Third parties	**2,383**	3,024
Employees	**7,239**	14,468
Others	**116,170**	34,794
	1,561,996	1,444,370
Less allowance for doubtful accounts	**6,717**	4,328
	₱1,555,279	₱1,440,043

6. Inventories

This account consists of: (in thousands)

	(Unaudited) December 2020	(Audited) March 2020
At NRV:		
Finished goods and merchandise	-	₱1,313
At cost:		
Finished goods and merchandise	**₱823,343**	1,001,547
Raw materials	**492,457**	602,944
Goods in-process	**17,722**	14,435
Supplies	**33,983**	33,814
	1,367,504	1,652,740
	₱1,367,504	₱1,654,053

7. Property, Plant and Equipment

This account consists of (Php1,000):

As of December 31, 2020	Land and Improvements	Factory Machinery, Equipment and Tools	Building and Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Construction in Progress	Right of Use of Assets	Total
Cost								
Balance at beginning of period	P236,029	₱2,020,870	P1,223,511	P184,017	₱141,320	P10,443	₱25,740	P3,841,930
Acquisitions		21,039	6,144	4,062	7,001	37,770	-	76,016
Retirements/disposals		(6,718)	-	(169)	(7,264)	-	-	(14,151)
Reclassification		19,099	-	-	-	(19,158)	-	(59)
Balances at end of period	**236,029**	**2,054,290**	**1,229,655**	**187,910**	**141,057**	**29,056**	**25,740**	**3,903,736**
Accumulated Depreciation And Amortization								
Balance at beginning of period	P2,851	P1,620,874	P834,806	P168,368	P116,740	-	P14,963	P2,758,602
Depreciation (Note 18)		116,147	39,539	9,109	7,937		10,777	183,509
Retirements/disposals		(6,118)	-	(109)	(7,258)	-	-	(13,485)
Reclassification		-	-	-	-	-	-	-
Balances at end of period	**2,851**	**1,730,902**	**874,345**	**177,368**	**117,420**	-	**25,740**	**2,928,626**
Net Book Value								
(Unaudited) December 2020	**₱233,178**	**₱350,365**	**₱367,565**	**₱12,670**	**₱23,822**	**₱29,056**	**₱0**	**₱975,110**
(Audited) March 2020	P233,178	P399,997	P388,705	P15,649	P24,580	P10,443	P10,777	P1,083,329

8. Other Current Assets and Other Assets

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

	December 2020	March 2020
Other current assets		
Creditable withholding taxes (CWTs)	**₱196,859**	₱33,887
Prepaid expenses	**40,860**	39,227
Advances to suppliers and employees	**9,496**	10,831
Tax credit certificate (TCC)	**3,460**	11,413
	250,675	95,358
Less: Allowance for probable loss	**3,500**	3,500
	₱247,175	₱91,858

	December 2020	March 2020
Other assets		
Deposits	**₱18,192**	₱19,115
Deferred input VAT	**1,598**	2,253
Financial assets at FVOCI	**1,586**	1,586
Software	**1,882**	2,636
	₱23,258	₱25,590

The composition and movements of Intangible Assets - software follow:

	December 2020	March 2020
Cost		
Balances at beginning of year	**₱110,099**	₱108,992
Additions	**-**	1,458
Retirement	**-**	(351)
Balances at end of year	**110,099**	110,099
Accumulated amortization		
Balances at beginning of year	**107,464**	106,520
Amortization (Note 18)	**753**	1,295
Retirement	**-**	(351)
Balances at end of year	**108,217**	107,464
Net book value	**₱1,882**	₱2,635

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.

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

Accounts payable consists of:

	December 2020	March 2020
Trade payable		
Related parties	**₱325,503**	₱209,302
Third parties	**306,771**	317,128
Non-trade payable		
Related parties	**20,864**	111,920
Third parties	**3,821**	7,164
Accrued expense		
Third parties	**1,920,818**	1,659,084
Related parties	**32,821**	19,923
Others		
Advances from customers	**46,460**	40,954
Dividends payable	**-**	3
Output VAT	**47,695**	-
	₱2,704,753	₱2,365,479

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:

	December 2020	March 2020
Accrued advertising expenses and sales promotions	**₱1,193,847**	₱1,038,747
Payable to suppliers	**710,413**	587,586
Accrued freight expenses	**6,656**	6,360
Salaries and other employee benefits	**9,902**	26,392
	₱1,920,818	₱1,659,084

10. Retirement and Other Liabilities

This account consists of:

	December 2020	March 2020
Current		
Other liabilities		
Provisions for estimated liabilities	₱81,074	₱79,473
Noncurrent		
Retirement liability	122,592	122,592
Other liabilities		
Provisions for estimated liabilities	₱492,417	₱323,575
Other long-term employee benefits	22,842	21,888
	637,851	468,055
	₱718,925	₱547,528

Provisions for estimated liabilities
Current and noncurrent portion of this account follows:

	December 2020	March 2020
Current		
Warranty claims	₱81,074	₱79,473
Noncurrent		
Warranty claims	22,287	21,846
Others	470,130	301,729
	492,417	323,575
	₱573,491	₱403,048

The roll-forward of this account follows:

	December 2020		
	Warranty Claims	Others	Total
Balances at beginning of year	₱101,319	₱301,729	₱403,048
Provisions	34,311	3,165	37,476
Claims/usage/reclassifications	(32,270)	165,237	132,967
Balances at end of year	₱103,360	₱470,131	₱573,491

	March 2020		
	Warranty Claims	Others	Total
Balances at beginning of year	₱100,990	₱284,232	₱385,222
Provisions	67,831	(42,712)	25,119
Claims/usage/reclassifications	(67,502)	60,209	(7,293)
Balances at end of year	₱101,319	₱301,729	₱403,048

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.

11. Capital Stock

Details of capital stock follow:

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

a. The Class A shares of stock can be issued to Philippine nationals only, while the Class B shares of stock can be issued to either Philippine or foreign nationals. As of September 30, 2020, all Class B shares are issued to foreign nationals only. The Group's Class A shares of stock are listed in the Philippine Stock Exchange.

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

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

As of December 30, 2020, the total number of shares registered under the SRC is 84,723,432 shares being held by 453 stockholders.

The Parent Company declared cash dividends amounting to ₱63.3 million and ₱88.7 million in the first quarter of fiscal year 2020 and 2019, respectively.

12. Retained Earnings

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

The retained earnings inherited from NPPI before the effectivity of the merger amounting to ₱64.7 million are included in the consolidated statement of financial position under "unappropriated retained earnings". Such is not available for distribution to stockholders in the form of cash or property dividends. Based on the SEC guidelines and after considering this adjustment, the retained earnings available for dividend declaration as of March 31, 2020 and 2019 amounted to ₱77.8 million and ₱119.5 million, respectively.

In 2020 and 2019, the consolidated retained earnings include the retained earnings of PERC amounting to ₱42.4 million, respectively which are not available for dividend declaration.

b. On April 14, 2020 the Parent Company's BOD authorized and directed the reversal of the appropriated retained earnings amounting to ₱798.8 million. On the same date, the BOD authorized the appropriation of retained earnings amounting to ₱848.8 million, having a total of appropriated retained earnings amounting to ₱3.8 billion of which ₱3.2 billion represents the reinstatement of the previous appropriations for in-plant production of plastic and metal parts, the Group's change of IT System and other future projects of the Parent Company, while the additional ₱530.0 million appropriations represents appropriations for expansion of warehouses to cope with business growth and the replacement and upgrading of old machines, molds and dies and other expected undertakings to expand production including target increase in B2B sales volume. Several projects of the Parent Company that were expected to be completed in 2020 were delayed. These projects are expected to be completed by 2030.

c. On March 29, 2019, the Parent Company's BOD authorized and directed the reversal of the appropriated retained earnings amounting to ₱724.6 million. On the same date, the BOD authorized the appropriation of retained earnings amounting to ₱774.6 million, having a total of ₱3.7 billion of which ₱3.3 billion represents the reinstatement of the previous appropriations for in-plant production of plastic and metal parts, Group's change of IT System and other future projects of the Parent Company while the additional ₱382.8 million appropriations represents appropriations for expansion of warehouses to cope with business growth and the replacement and upgrading of old machines, molds and dies and other expected undertakings to expand production including target increase in B2B sales volume. These projects are expected to be completed by 2024.

d. On March 31, 2018, the Parent Company's BOD authorized and directed the reversal of the appropriated retained earnings amounting ₱417.6 million. From the total appropriations of ₱3.7 billion as of March 31, 2018, ₱3.0 billion represents the reinstatement of the previous appropriations for in-plant production of plastic and metal parts, Group's change of IT System and other future projects of the Parent Company. The remaining ₱682.6 million additional appropriations represents appropriations for replacement and upgrading of old machines, molds and dies and other future projects and activities intended to boost B2B sales as growth engine. These projects are expected to be completed by 2024.

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

14.98% cash dividend on May 7, 2020 to stockholders of record as of May 21, 2020 and paid on May 29, 2020 (₱0.1498 per share).

20.99% cash dividend on April 22, 2019 to stockholders of record as of May 7, 2019 and paid on May 24, 2019 (₱0.2099 per share).

37.1% cash dividend on April 11, 2018 to stockholders of record as of April 25, 2018 and paid on May 11, 2018 (₱0.3717 per share).

f. No subsequent event after December 31, 2020.

13. Cost of Goods Sold

This account consists of: (in thousand pesos)

	December (Unaudited) 2020	2019
Material costs	**₱3,002,673**	₱ 3,526,407
Direct labor (Note 16)	**178,670**	180,404
Manufacturing overhead:		
Depreciation and amortization (Note 18)	**152,842**	146,709
Indirect labor (Note 16)	**136,194**	139,701
Product and development cost	**71,137**	66,842
Electricity, gas and water	**34,141**	48,663
Traveling	**26,345**	10,616
Repairs and maintenance	**20,619**	28,324
Indirect materials	**17,754**	20,114
Outsourcing	**13,583**	14,053
Supplies	**12,033**	13,997
Insurance	**7,358**	8,787
Rent	**5,045**	2,433
Taxes and dues	**2,765**	3,304
Provision for obsolescence of materials	**1,372**	1,699
Others	**6,149**	9,682
Total manufacturing overhead	**507,337**	514,924
	3,688,680	4,221,735
Goods in process:		
Beginning of period	**14,435**	10,565
End of period	**(17,722)**	(2,020)
Cost of goods manufactured	**3,685,393**	4,230,280
Finished goods and merchandise:		
Beginning of period	**1,002,859**	1,101,361
Add purchases – net	**2,140,346**	3,119,488
End of period	**(823,343)**	(926,705)
	₱6,005,255	₱7,524,425

14. Selling Expenses

This account consists of: (in thousand pesos)

	December (Unaudited) 2020	2019
Selling		
Sales commission, promotion, and discounts	**₱813,339**	₱ 954,713
Freight	**265,557**	321,239
Advertising	**61,186**	118,980
Provision for warranty costs	**4,298**	14,031
	₱1,144,380	₱1,408,963

15. General and Administrative Expenses

This account consists of: (in thousand pesos)

	December (Unaudited)	
	2020	2019
General and Administrative		
Salaries, wages and employees'	**₱262,010**	₱ 250,499
Technical assistance fees	**127,928**	146,414
Brand license fees	**53,514**	69,258
Information processing expenses	**46,217**	56,138
Outsourcing	**37,721**	52,024
Taxes and dues	**36,389**	38,945
Depreciation and amortization (Note 18)	**32,341**	32,820
Insurance	**14,676**	14,945
Rent	**10,683**	11,138
Allocated Cost–Regional Headquarter	**10,249**	12,697
Traveling	**9,719**	28,772
Electricity, gas and water	**7,715**	4,907
Supplies	**5,988**	10,792
Repairs and maintenance	**5,361**	6,672
Communication	**3,803**	4,650
Provision for other estimated liabilities	**2,678**	2,782
Bad debts	**2,389**	(2,349)
Freight and storage	**2,358**	2,341
Others	**27,915**	19,159
	₱699,654	₱ 762,604

16. Personnel Expenses

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

	December (Unaudited)	
	2020	2019
Compensation	**430,291**	418,582
Retirement and severance	**24,687**	24,156
Other benefits	**36,179**	42,985
Other salaries (OJT)	**85,717**	84,882
	₱576,874	₱ 570,605

17. Other Income (Expenses)

This account consists of: (in thousand pesos)

	December (Unaudited)	
	2020	2019
Interest income	**₱10,789**	₱ 44,005
Foreign exchange losses – net	**(32,697)**	(27,653)
Scrap sales	**6,243**	8,213
Miscellaneous expense – net	**11,256**	907
	(₱4,409)	₱ 25,472

18. Depreciation and Amortization Expenses

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

	December (Unaudited)	
	2020	2019
Cost of goods sold (Note 13)	**₱152,842**	₱146,709
Operating expenses (Note 15)	**32,341**	32,821
	₱185,183	₱179,530

19. Earnings Per Share

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

	December (Unaudited)	
	2020	2019
Comprehensive net income after tax (a)	**₱112,988**	₱156,934
Weighted average number of common shares (b)	**422,718**	422,718
Earnings per share (a/b)	**₱0.27**	₱0.37

20. Reporting Segments

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

Products under each business segment are as follows:

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

System Solutions Group (SSG) - This segment includes office automation equipment such as telecommunication products, security system and projectors primarily related to selling for business consumers.

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

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

The Group's segment information for the periods ended December 31, 2020 and 2019 are as follows *(in thousands):*

Nine Months ended December 31, 2020 vs. 2019 (Unaudited)

2020

	Consumer	SSG	Others	Adjustments/ Eliminations	Total
Consolidated Statement of Comprehensive Income					
Net sales	₱7,732,840	₱112,795	₱201,703	₱–	₱8,047,338
Cost of goods sold (Note 13)	(5,804,424)	(97,281)	(103,550)	–	(6,005,255)
Selling expenses (Note 14)	(1,192,977)	(2,687)	51,284	–	(1,144,380)
General and administrative expenses (Note 15)	(631,632)	(18,843)	(49,179)	–	(699,654)
Other expense - net (Note 17)	(3,872)	(506)	(31)	–	(4,409)
Income before income tax	₱99,935	(₱6,522)	₱100,228	₱–	193,641
Provision for income tax					80,653
Net income					₱112,988

2019

	GCMS	SNC	Others	Adjustments/ Eliminations	Total
Consolidated Statement of Comprehensive Income					
Net sales	₱9,391,790	₱314,917	₱198,324	₱–	₱9,905,031
Cost of goods sold (Note 13)	(7,081,189)	(260,950)	(182,286)	–	(7,524,425)
Selling expenses (Note 14)	(1,415,821)	(13,902)	20,760	–	(1,408,963)
General and administrative expenses (Note 15)	(623,939)	(29,960)	(108,705)	–	(762,604)
Other income - net (Note 17)	25,409	132	(69)	–	25,472
Income before income tax	₱296,250	₱10,238	(₱71,977)	₱–	234,511
Provision for income tax					77,578
Net income					₱156,934

21. Subsequent Events

None

22. 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 31, 2020 and March 31, 2020, the foreign currency-denominated financial assets and financial liabilities in original currencies and their Philippine Peso (PHP) equivalents are as follows:

(in thousands)

	December 2020		
	USD	**JPY**	**Equivalents in PHP**
Financial assets			
Cash in banks and cash equivalents	**17,257**	**2,605**	**829,887**
Receivables – net	**1,187**	**-**	**57,000**
	18,444	**2,605**	**886,887**
Financial liabilities			
Accounts payable and accrued expenses	**5,463**	**13,701**	**268,675**

	March 2020		
	USD	JPY	Equivalents in PHP
Financial assets			
Cash in banks and cash equivalents	20,787	1,417	1,054,154
Receivables – net	2,517	5,107	129,993
	23,304	6,524	1,184,147
Financial liabilities			
Accounts payable and accrued expenses	11,320	188,430	663,947

Equity Price Risk
The Group's exposure to equity price pertains to its investments in quoted shares of the Parent Company which are classified as AFS investments in the consolidated statements of financial position. Equity price risk arises from the changes in the level of equity indices and the value of individual stocks traded in the stock exchange.

The effect on equity (as a result of a change in fair value of equity instruments held as financial assets at FVOCI and available-for-sale at December 31, 2020 and March 31, 2020 respectively) due to a reasonably possible change in equity indices is not material to the consolidated financial position of the Group.

Credit Risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss. With respect to credit risk arising from financial assets of the Group, which comprise of cash and cash equivalents, receivables, financial assets at FVOCI and other assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of the instrument.

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

As of December 31, 2020, the Group does not hold collateral or other credit enhancement for cash and cash equivalents, AFS investments, receivables and refundable Meralco deposits (included in other assets). Thus, carrying values represent maximum exposure to credit risk. The Group acquired credit insurance for its domestic trade receivables, which covers both fully secured and partially secured receivables. Other than for domestic trade receivables, the Group's maximum exposure to credit risk is equivalent to the carrying value of the Group's financial assets as of reporting dates.

Fair Value Measurement
The methods used by the Group in estimating the fair value of its assets and liabilities follow:

Cash and cash equivalents, receivables and other assets
Carrying amounts of cash in banks, cash equivalents and receivables maturing within twelve (12) months are assumed to approximate their fair values. This assumption is applied to liquid assets and the short-term elements of all other financial assets.

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

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

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

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

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

AGING OF ACCOUNTS RECEIVABLE
As of December 31, 2020

	Amount (Php 1,000)
Trade Receivables:	
Current Due	1,381,737
01 – 30 days	26,817
31 – 60 days	6,814
61 – 90 days	2,681
Over 90 days	4,797
	1,422,845
Less: Allowance for doubtful accounts	(6,717)
Total	**1,416,128**
Other Receivables:	
Receivable from affiliates	13,359
Third parties	2,383
Employees	7,239
Others	116,170
	139,151
Total	**1,555,279**