Panasonic

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

PMPC ANNUAL STOCKHOLDERS' MEETING

JUNE 16, 2017

I. NOTICE OF STOCKHOLDERS' MEETING

II. INFORMATION STATEMENT (SEC FORM 20-IS)

III. MANAGEMENT REPORT (ANNEX "A")

- OPERATIONAL AND FINANCIAL REPORT
- MANAGEMENT ANALYSIS OR PLANS OF OPERATION
- CHAIRMAN & PRESIDENT'S REPORT
- CERTIFICATION OF INDEPENDENT DIRECTORS

IV. AUDITED FINANCIAL STATEMENTS FOR FY 2016 ENDED MARCH 31, 2017 (ANNEX "B")

V. UNAUDITED QUARTERLY REPORT AS OF DECEMBER 31, 2016 (ANNEX "C")

PANASONIC MANUFACTURING PHILIPPINES CORPORATION
ORTIGAS AVENUE EXTENSION, BARRIO MAPANDAN,
BARANGAY SAN ISIDRO, TAYTAY, RIZAL

NOTICE OF STOCKHOLDERS' MEETING

Notice is hereby given that the 2017 Annual Stockholders' Meeting of **PANASONIC MANUFACTURING PHILIPPINES CORPORATION,** will be held at the Auditorium Building, Panasonic Manufacturing Philippines Corporation, Ortigas Avenue Extension, Barrio Mapandan, Barangay San Isidro, Taytay, Rizal on June 16, 2017 at 5:00 P.M.

The Agenda of the meeting is as follows:

1. National Anthem
2. Call to Order
3. Establishment of the Quorum
4. Approval of Minutes of 2016 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 2016 Annual Stockholders' Meeting
8. Election of new members of the Board of Directors
9. Appointment of External Auditors
10. Other Business
11. Adjournment

The Board of Directors has fixed the close of business on June 02, 2017 as record date for the determination of stockholders entitled to notice and to vote at said Annual Meeting.

Stockholders who will not be able to attend the meeting may designate their respective proxies and send the proxy forms to the Office of the Corporate Secretary not later than June 13, 2017.

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

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

Taytay, Rizal, May 15, 2017.

MAMERTO Z. MONDRAGON
Corporate Secretary

COVER SHEET
for
DEFINITIVE INFORMATION 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, San Isidro, Taytay, Rizal

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

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
446	June 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
Mr. Marlon M. Molano	marlon.molano@ph.panasonic.com	635-2260 to 65	(+63) 0917 500 1261

Contact Person's Address

Ortigas Avenue Extension, San Isidro, Taytay, Rizal

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 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 1901

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

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

   Date : **June 16, 2017 (Friday)**
   Time : **5:00 P.M.**
   Place : **Auditorium Building**
   PMPC Taytay, Rizal

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

   May 26, 2017

- In case of Proxy solicitations:

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

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

a.

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

Only Class "A" shares are listed

b. Number of Shares Outstanding as of March 31, 2017

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 March 31, 2017 - **NONE**

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

✓ yes _____ no

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

As of April 30, 2017, a total of 84,723,432 Class "A" shares are listed in Philippine Stock Exchange.

INFORMATION STATEMENT

A. GENERAL INFORMATION

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

Date:	June 16, 2017 (Friday)
Time:	5:00 P.M.
Place:	PMPC Auditorium Building Ortigas Avenue Extension Taytay, Rizal

Complete mailing address of principal office:

Panasonic Manufacturing Philippines Corporation
Ortigas Avenue Extension, San Isidro
Taytay, Rizal 1901

The Information Statement and the proxy form are first to be sent to security holders on or before May 26, 2017.

2. Dissenters' Right of Appraisal

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

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

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

The directors and executive officers do not have any substantial interest, direct or indirect, in any matter to be acted upon in the stockholders' meeting, other than election to office.

The registrant has not received any written information from anyone that intends to oppose any action to be taken by the registrant at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

4. Voting Securities and Principal Holders Thereof

a. As of April 30, 2017, the Company's outstanding numbers of shares are as follows:

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

b. Record date for which are entitled to vote

All stockholders of record as of June 2, 2017 shall be entitled to vote at the Annual Stockholders' Meeting. Notice to stockholders shall be sent out thru courier on or before May 26, 2017.

c. Election of Directors

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

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

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

Owners of record of more than 5% of the voting securities as of April 30, 2017:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Ownership and Relationship with Record Owner	Citizenship	No. of Shares	Percentage
Common "B"	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 Panasonic Manufacturing Philippines are to be voted and has authorized Mr. Shinichi Hayashi – Chairman of the Board to vote on the shares.

e. Security Ownership of Management and Directors

The following are the number of shares of which Company's stock owned of record by the Chairman, Directors and Officers, and nominees for election as director, as of April 30, 2017.

Title of Class	Name of Beneficial Owner	Amount of Beneficial Ownership (Php)	Nature of Beneficial Ownership	Citizenship	Percent
Common "B"	Shinichi Hayashi	1	Direct	Japanese	NIL
Common "B"	Yoshiyuki Takahashi	1	Direct	Japanese	NIL
Common "B"	Hiroshi Yamada	1	Direct	Japanese	NIL
Common "B"	Masaru Toyota	1	Direct	Japanese	NIL
Common "B"	Hiroyuki Tagishi	1	Direct	Japanese	NIL
Common "B"	Eiji Fukumori	1	Direct	Japanese	NIL.
Common "A"	Koji Takatori	1	Direct	Filipino	NIL
Common "A"	Emiliano Volante	9,879	Direct	Filipino	NIL
Common "A"	Elizabeth Gildore	1,000	Direct	Filipino	.0024
Common "A"	Atty. Mamerto Mondragon	85,360	Direct	Filipino	.0202

The aggregate number of shares owned of record by all or key officers and directors as a group as of April 30, 2017 is 96,246 shares or approximately 0.02% of the Company's outstanding capital stock.

f. Voting Trust Holders of 5% or More

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

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

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

5. Directors and Executive Officers

a. Final list of Nominees for Election

Name	Office/Position	Citizenship	Age
Shinichi Hayashi	Chairman / President	Japanese	53
Yoshiyuki Takahashi	Executive Director / Treasurer	Japanese	55
Hiroshi Yamada	Executive Director	Japanese	55
Masaru Toyota	Executive Director / VP - PPH	Japanese	59
Hiroyuki Tagishi	Director	Japanese	56
Eiji Fukumori	Director	Japanese	58
Koji Takatori	Director	Japanese	52
Emiliano S. Volante	Independent Director	Filipino	73
Elizabeth Gildore	Independent Director	Filipino	59
Mamerto Z. Mondragon	Corporate Secretary	Filipino	73

Directors and Executive Officers / (Nominees)

Shinichi Hayashi, Japanese, 53, was elected to the Board and appointed as the President on January 6, 2016. He is the Chairman of the Board since January 22, 2016. Before his transfer to the Company, he was a former Managing Director of Panasonic Corporation ("PC") Malaysian subsidiary, Panasonic Management Malaysia Sdn hd ("PMAM") - Panasonic Asia Pacific Procurement Management Center from January - December 2015. Prior to PMAM, he was assigned to Material Purchasing Center, Procurement Company, PC, as Director (Jan - Dec 2013). He was the General Manager of PC's Procurement Company's Centralized Purchasing Group, Deice Procurement Center (Jan - Dec 2012). He was the Director of PC's Global Sourcing Center, Corporate Procurement Division (April - Dec 2011). He was the President of Matsushita Techno Trading Co., Ltd. ("MTT"), a subsidiary of PC from April 2006 - May 2011. He graduated from the University of Dosisha, Japan with a Bachelor's Degree in Commerce.

Yoshiyuki Takahashi, Japanese, 55, was elected as Director and appointed as the Vice - Chairman, Treasurer and Executive Director for Finance and Administration Department on June 22, 2015. He is the Chairman of Remuneration & Risk Management Committees and a member of the Audit, Nomination 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.

Hiroshi Yamada, Japanese, 55, was elected as PMPC - Executive Director since February 01, 2014. 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.

Masaru Toyota, Japanese, 59, was elected as a Executive Director and Vice- President of PPH Sales & Marketing Division last April 23, 2014. Prior to his assignment to PMPC, he was the Vice-President of Panasonic Corporation - Japan (PC) Panamanian subsidiary, Panasonic Marketing Latin America from January 2012 to April 2014. He is a former General Manager for PC's Latin America Administration Group, Corporate Management Division for Latin America from June to December 2011. He was assigned as Councilor to Overseas Marketing Group, PC's AVC Networks Company from July 2009 to June 2011. He was the Vice-President of PC's Russian subsidiary, Panasonic Russia Ltd. from April 2004 to May 2011. He graduated from Otaru University.

Eiji Fukumori, Japanese, 58, was elected to the Board on April 1, 2016. He is currently the General Director of PC's Vietnamese subsidiary, Panasonic Vietnam Co., Ltd. ("PV") since June 2013. He was assigned to Global Marketing Division, Appliances Company (Apr - May 2013). He was a former Group Manager of PC's Global Marketing Group, Global Consumer Marketing Division from Jan. 2012 - Mar 2013. He was assigned to Planning Group, Corporate Management Division for Europe as the Group Manager (Apr - Dec 2011). He was the Deputy Managing Director - Sales & Marketing of PC's French subsidiary, Panasonic France S.A. ("PFS") from April 2006 - March 2011. He graduated from Kobe University of Commerce in Hyogo, Japan with a Degree in Commerce & Economics.

Koji Takatori, Japanese, 52, was elected to the Board on April 1, 2016. He is currently the Chief of PC's Appliances Company's Accounting Center from October 2014. He was a former CFO of PC's American subsidiary, Panasonic AVC Networks Company America ("PAVCA"), Finance Department from Aug. 2009 - Sept. 2014. Prior to PAVCA, he was the Councilor for PC HQ's Accounting Group from April 2007 - July 2009. He graduated from Dosisha University in Kyoto, Japan with a Degree in Commerce.

Hiroyuki Tagishi, Japanese, 56, was elected to the Board on April 1, 2016. Presently, he is the Leader of PC's Appliances Company ("AP") for AP Asia Project since October 2014. Prior to PC's AP, he was the Business Unit Executive of PC's AP for Beauty and Living Business Unit from Jan. - Dec. 2012 and was promoted to Director from Jan. 2013. He was assigned to Product Planning Department, Beauty Business Division of Panasonic Electric Work Co., Ltd. ("PEW"), an affiliated Company of PC as a Councilor from Oct. 2008 - Dec. 2011. He graduated from Kobe University in Hyogo, Japan with a Degree in Engineering.

Independent Directors

Emiliano S. Volante, Filipino, 73, was elected as Director on October 2010. He is the Chairman of Audit and Corporate Governance Committees. He is a member of the Compensation/Remuneration Committee. He was a former Financial Consultant for Expresslane Brokerage Corporation from 2003 - 2010. He was also a former Internal Audit Manager of PMPC from 2000-2002. He graduated from Far Eastern University with a Degree in Commerce.

Elizabeth Gildore, Filipino, 59, was elected as Director on May 4, 2015. She is a member of the Nomination, Remuneration and Corporate Governance 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.

Corporate Secretary

Atty. Mamerto Z. Mondragon, Filipino, 73, has been the corporate secretary of the Company since 1968 and its Subsidiary since 1984. He is also the Corporate Secretary of Panasonic Precision Devices Philippines Corporation (PPRDPH) since 2000. He is a graduate of the University of the East with a Bachelor Degree of Law.

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

b. Independent Directors

The independent directors of the Company are as follows:

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

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

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

Ms. Elizabeth Gildore was nominated by Ms. Imelda Garcia. Ms. Gildore and Garcia are not related to each other.

Executive Officers

POSITION	NAME	AGE	CITIZENSHIP
Chairman & President	Shinichi Hayashi	53	Japanese
Vice - Chairman, Treasurer & Executive Director	Yoshiyuki Takahashi	55	Japanese
Executive Director	Hiroshi Yamada	55	Japanese
Executive Director & Vice-President PPH Division	Masaru Toyota	59	Japanese
Corporate Secretary	Mamerto Mondragon	73	Filipino

Nomination Committee

Chairman	Yoshiyuki Takahashi	Treasurer & Executive Director
Member	Emiliano Volante	Independent Director
Member	Elizabeth Gildore	Independent Director

Compensation/Remuneration Committee

Chairman	Yoshiyuki Takahashi	Treasurer & Executive Director
Member	Elzabeth Gildore	Independent Director
Member	Emiliano Volante	Independent Director

Audit Committee

Chairman	Emiliano Volante	Independent Director
Member	Yoshiyuki Takahashi	Treasurer & Executive Director
Member	Elizabeth Gildore	Independent Director

Risk Management Committee

Chairman	Yoshiyuki Takahashi	Treasurer & Executive Director
Member	Emiliano Volante	Independent Director
Member	Elizabeth Gildore	Independent Director

Corporate Governance Committee

Chairman	Emiliano Volante	Independent Director
Member	Yoshiyuki Takahashi	Treasurer & Executive Director
Member	Elizabeth Gildore	Independent Director

Term of Office

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

d. Significant Employee

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

e. Family relationship

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

f. Certain Relationship and Related Transactions

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

g. Involvement in Certain Legal Proceedings

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

6. Compensation of Directors and Executive Officers

The aggregate annual compensation during the last two fiscal years and to be paid in ensuing fiscal year 2017 of the Company's Chief Executive Officer and four others most highly compensated executive officers and all other officers and directors as a group are as follows:

Chief Executive Officer and four other most highly compensated executive officers:

	Compensation	Bonuses	Others	Total
FY 2017***	Php32,922,221	Php 8,400,000	Php330,000	Php41,652,221
FY 2016**	31,831,342	8,125,908	330,000	40,287,250
FY 2015	36,038,275	13,133,245	1,198,404	50,369,924

***Refers to Messrs. Shinichi Hayashi, Yoshiyuki Takahashi, Hiroshi Yamada, Masaru Toyota, Tsutomo Todo*
****Estimated amount*

All officers and directors as a group unnamed:

	Compensation	Bonuses	Others	Total
FY 2017*	Php 47,784,856	Php10,670,000	Php980,000	Php59,434,856
FY 2016	46,358,935	11,860,905	974,118	59,193,958
FY 2015	52,379,345	17,860,460	2,149,492	72,389,297

**Estimated amount*
For ensuing year 2017, no significant change is anticipated in the compensation of Directors and Officers.

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

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

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

7. Independent Public Accountants

The Company, upon the recommendation of the Audit Committee of the Board of Directors composed of Emiliano Volante as Chairman and 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 2016 ended March 31, 2017 and will submit such engagement to its stockholders for ratification. SGV was also the external auditor of the Company for fiscal years 2015, 2014 and 2013.

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

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

It is expected that Management will make the recommendation for the appointment of the external auditor for fiscal year 2016 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.

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.

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)				
		2017		2016		2015
Annual Audit	P	**2.5**	P	2.0		1.7
Audit - Related		-		-		-
Total	P	**2.5**	P	2.0	P	1.7

II. Tax Fees

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

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

8. Compensation Plans

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

C. ISSUANCE AND EXCHANGE OF SECURITIES

9. Authorization or issuance of Securities other than for Exchange

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

10. Modification or Exchange of Securities

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

11. Financial and Other Information

The Audited Financial Statements of the Company as of March 31, 2017, FY 2016 interim report (SEC Form 17-Q) as of December 31, 2016 and other data related financial information are attached hereto as Annexes "A"and "B" respectively.

12. Mergers, Consolidations, Acquisitions and Similar Matters

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

13. Acquisition or Disposition of Property

There are no matters or actions to be taken up in the meeting with respect to acquisition or disposition of any property.

14. Restatement of Accounts

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

D. OTHER MATTERS

15. Action with Respect to Reports

Financial Statements and Management Report - Management shall report on the significant business transactions undertaken by Management and the financial targets and achievements for the fiscal year 2016 (Annex "A"). Attached as Annexes "B" and "C" are the Audited Annual Financial Statements for the period ending March 31, 2017 and unadited interim report as of December 31, 2016 of the Company are reflected in the accompanying Annual Report to Stockholders.

16. Matters Not required to be Submitted

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

17. Amendment of Charter, Bylaws or other Documents

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

18. Other Proposed Actions

a) Approval of Minutes of the Previous Annual Stockholders' Meeting - Minutes of the Annual Stockholders' Meeting dated June 17, 2016 will be submitted for the approval of the shareholders. Among the matters included in the Minutes of the June 17, 2017 meeting are the following:

1. Approval of the Minutes of the Previous Annual Stockholders' Meeting
2. President's Annual and Financial Reports
3. Approval of the fiscal year 2016 Management Annual Report
4. Election of the Board of Directors, including the two (2) Independent Directors
5. Appointment of External Auditor

Copies of the same will be made available at the annual stockholders' meeting on June 16, 2017 for any stockholder desiring to review the same.

The Board of Directors recommends that the stockholders Approve the minutes of the last annual stockholders' meeting held on June 17, 2016.

b) Ratification of All Acts, Resolutions and Proceedings of the Board and Management since 2016 Annual Meeting. For transparency and good corporate practice, the acts of Management are presented for approval of the stockholders, to wit:

Date Filed	Item Reported
04/01/2016	Election of Messrs. Hiroyuki Tagishi, Eiji Fukumori & Koji Takatori as new members of the Board effective April 1, 2016 Resignation of Messrs. Yoichi Takemoto, Terumitsu Morimoto & Tadashi Nakamura as Directors effective April 1, 2016
05/04/2016	Approval of Audited Financial Statements for FY 2015 ending March 31, 2016
05/10/2016	Authority to do business transactions with Rizal Commercial Banking Corporation (RCBC) and authorized signatories: Marlon Molano Yoshiyuki Takahashi Sinichi Hayashi
05/18/2016	Ratification of Minutes dated May 10, 2016

05/23/2016	Authority to avail and use of RCBC - Bancnet EGOV Online Facility and to avail RCBC AcessOne Corporate (AOC) RCBC authorized system administrators: Roda Borja Imelda Garcia
06/17/2016	Ratification of the Minutes of June 19, 2016 President's Annual and Financial Reporting Ratification of the Annual Reports and Acts of the Board Election of Directors for year 2016 - 2017 Regular Directors: 1. Mr. Shinichi Hayashi 2. Mr. Yoshiyuki Takahashi 3. Mr. Hiroshi Yamada 4. Mr. Masaru Toyota 5. Mr. Hiroyuki Tagishi 6. Mr. Eiji Fukumori 7. Mr. Koji Takatori Independent Directors: 1. Mr. Emiliano Volante 2. Ms. Elizabeth Gildore Appointment of Sycip, Gorres, Velayo & Co. as the Co.'s external auditor for fiscal year 2016 - 2017
06/17/2016	Election of Corporate Officers & Chairman/Members of Various Board Committees for FY 2016 - 2017 Mr. Shinichi Hayashi — President & Chairman Mr. Yoshiyuki Takahashi — Vice-Chairman of the Board Executive Director & Treasurer Mr. Hiroshi Yamada — Executive Director Mr. Masaru Toyota — Executiv Director &Vice - President PPH Atty. Mamerto Mondragon — Corporate Secretary Election of Chairmen and Members of the Various Board Committees for Fiscal Year 2016 - 2017 Audit Committee: Chairman — Mr. Emiliano Volante Member — Ms. Elizabeth Gildore Member — Mr. Yoshiyuki Takahashi

	Nomination Committee: Chairman — Mr. Yoshiyuki Takahashi Member — Ms. Elizabeth Gildore Member — Mr. Emiliano Volante Compensation/Remuneration Committee: Chairman — Mr. Yoshiyuki Takahashi Member — Mr. Emiliano Volante Member — Ms. Elizabeth Gildore Risk Management Committee: Chairman — Mr. Yoshiyuki Takahashi Member — Mr. Emiliano Volante Member — Ms. Elizabeth Gildore Corporate Governance Committee: Chairman — Mr. Emiliano Volante Member — Ms. Elizabeth Gildore Member — Mr. Yoshiyuki Takahashi
06/26/2016	Authority to sign the Surety Bond application in relation to the Solar Energy System installation project for Jollibee by Mr. Ikuyoshi Fukui
10/20/2016	Authorization of Mr. Shinichi Hayashi, President to sign Deeds of Sale
12/08/2016	Authorization of Mr. Shinichi Hayashi to sign contract / agreement relative to the Company's application for Ecozone Power Management Inc (EPMI)
12/15/2016	Authority to transfer System Sales Office to its principal office address at Ortigas Avenue Extension, Taytay, Rizal from Makati City
12/16/2016	Authorization of Mr. Shinichi Hayashi, President to sign Deeds of Sale
03/02/2017	Authority to sell one (1) share of Valley Golf & Country Club Inc. to Mr. Alfonso L. Gallora
03/23/2017	Authorization of Mr. Jaworski Nieva of Airspeed International Corportion to represent PMPC in processing the application of Import Commodity Clearance (ICC)
03/27/2017	Authority of Mr. Marlon Molano to apply and secure building permit from the City Government of Taytay for the construction of finished goods warehouse Designation of RCBC new authorized password and system administrators

	Authority to close Peso account with Wealth Bank - Cebu Branch RCBC Peso account - Sta. Rosa Branch, Citibank Peso and Dollar account - Makati Branch To deposit checks with Acronym name to Security Bank Corporation • PMPC • Panasonic • Panasonic Mfg. Phils. Corp.
03/31/2017	Presentation of List of Nominees for Members of 2017 - 2018 Board of Directors Declaration of regular cash dividend - 20% and 50% special dividend to all stockholders as of April 18, 2017 and payable on May 10, 2017 Write - off negative trade accounts receivable balances as of March 31, 2017 which were not claimed within the prescriptive period of two (2) years Write - off of trade accounts receivable deemed uncollectible after reasonable collection efforts have been taken Reversal of last year appropriated retained earning and set - up of new appropriated retained earnings for the year 2017

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.

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

19. Voting Procedures

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

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

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

UNDERTAKING

THE COMPANY UNDERTAKES TO PROVIDE WITHOUT CHARGE TO EACH PERSON SOLICITED, UPON WRITTEN REQUEST, A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17- A. REQUEST SHOULD BE SENT TO: PMPC OFFICE OF THE CORPORATE SECRETARY AT 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 May 23, 2017.

MARLON M. MOLANO
Finance Assistant Director

YOSHIYUKI TAKAHASHI
Executive Director & Treasurer

OPERATIONAL AND FINANCIAL INFORMATION

Market for Issuer's Common Equity and Related Stockholder Matters

❑ MARKET INFORMATION

Common shares outstanding as of April 30, 2017 were:

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

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

The following table shows the market prices in Philippine pesos of the Parent Company's Class A shares listed in the Philippine Stock Exchange for fiscal years 2016 and 2015 and the first quarter of year 2017:

Period	2016		2015	
	High	Low	High	Low
Jan - Mar	5.04	3.90	4.47	4.00
Apr - Jun	5.00	4.04	4.47	3.82
Jul - Sept	5.24	4.23	4.00	3.50
Oct - Dec	5.45	4.23	4.42	3.81

	2017	
	High	Low
Jan - Mar	7.50	4.94
April 30	7.36	6.20

❑ DIVIDENDS

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

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

Declaration Date	Cash Dividend	Record Date	Payment Date
2017			
March 31, 2017	**70%**	**April 18, 2017**	**May 10, 2017**
2016			
March 22, 2016	20%	April 7, 2016	April 26, 2016
2015			
March 19, 2015	10%	April 7, 2015	May 4, 2015
2014			
March 20, 2014	10%	April 10, 2014	May 8, 2014

❑ HOLDERS

As of April 30, 2017, there were 446 holders of the Company's common shares. The following table sets forth the top 20 shareholders.

Rank / Name of Holder	Number of Shares	Percentage of Ownership
1. Panasonic Corporation (Japanese)	337,994,588	79.96 %
2. PCD Nominee Corporation (Filipino)	37,296,621	8.82 %
3. PMPC Employees Retirement Plan	21,586,360	5.11 %
4. Pan Malayan Management & Investment	4,606,076	1.09%
5. Jesus V. Del Rosario Foundation, Inc.	3,876,083	0.92%
6. Vergon Realty Investment Corporation	3,389,453	0.80 %
7. J.B. Realty and Development Corporation	1,778,915	0.42 %
8. So Sa Gee	855,716	0.20 %
9. David S. Lim	656,393	0.16 %
10. Efren M. Sangalang	603,156	0.14 %
11. Wellington James So Lim	595,905	0.14%
12. Edward Steven So Lim	587,141	0.14%
13. Vicente L. Co	577,245	0.14 %
14. Jenny So Lim	518,179	0.12%
15. Jason S. Lim	500,000	0.12%
Jonathan Joseph Lim	500,000	0.12%
Vicente S. Lim	500,000	0.12%
Susan L. Tan	500,000	0.12%
16. Rodolfo P. Tagle	354,192	0.08%
17. Falek Enterprises, Inc.	298,106	0.07%
18. Jaime Agabin	252,995	0.06%
19. So Ki Lin	252,995	0.06%
20. Vladimir Co	248,164	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 2016	FY 2015	FY 2014
1. Rate of Sales Increase	CY Sales – LY Sales ---------- X 100% LY Sales	**22.8%**	21.0%	1.8%
2. Rate of Profit Increase	CY Profit After Tax – LY Profit After Tax ---------- x 100% LY Profit After Tax	**113.5%**	54.4%	0.3%
3. Rate of Profit on Sales	Profit After Tax ---------- x 100% Total Sales	**5.4%**	3.1%	2.4%
4. Current Ratio	Current Assets ---------- Current Liabilities	**2.8**	3.3	3.7
5. Dividend Ratio to Capital	Dividend ---------- x 100% Average Capital	**70%**	20%	10%

(a) Rate of Sales Increase - This measures the sales growth versus the same period last year. Sales increased by 22.8%. Such was achieved due to improved domestic market and stable inflation.

(b) Rate of Profit Increase - This measures the increase in profit after tax versus the same period last year. Rate of profit for the year increased by 113.5% due mainly to achievement of sales and the Company's effort to improve profitability.

(c) Rate of Profit on Sales - This measures the percentage of profit after tax versus net sales for the period. Rate of profit increased to 5.4%vs. 3.1% last year due to lower cost of sales ratio by 2.5% and higher sales achievement.

(d) Current Ratio - This measures the liquidity of the Company and its ability to pay off current liabilities. Current ratio as of March 31, 2017 decreased to 2.8:1 versus 3.3:1 of last year.

(e) Dividend Ratio to Capital - This measures the dividend payout ratio versus capital for the period. The Group declared 70% and 10% cash dividend for the fiscal year 2016 and 2015, 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 Audited Financial Statements as of and for the years ended March 31, 2017, 2016 and 2015.

This discussion summarizes the significant factors affecting the consolidated operating results, financial condition, liquidity and cash flows of the Group for the fiscal year 2016 ended March 31, 2017. The following discussion should be read in conjunction with the attached audited consolidated financial statements of the Company as of and for the year ended March 31, 2017 (Annex "B").

Fiscal Year 2016 vs. 2015

Financial Positions

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

Accounts	March 31, 2017	March 31, 2016	Difference (%)
Cash and cash equivalent	**3,586,650**	3,292,423	**8.9%**
Receivables	**1,021,726**	993,452	**2.8%**
Inventories	**1,010,963**	692,094	**46.1%**
Other current assets	**72,957**	32,734	**122.9%**
Investment properties	**48,350**	53,579	**-9.8%**
Property & equipment	**770,581**	752,800	**2.4%**
Other assets	**23,083**	26,360	**-12.4%**
Accounts payable & accrued expenses	**2,036,315**	1,510,804	**34.8%**
Provision for estimated liabilities	**366,597**	466,229	**-21.4%**
Stockholders'equity	**4,269,805**	3,991,496	**7.0%**

The Group continues to maintain its strong financial position with total assets amounting to P6.678 billion and P5.987 billion as of March 31, 2017 & 2016, respectively while total equity amounted to P4.270 billion and P3.991 billion as of the same period.

Current ratio decreased at 2.8:1 as of March 31, 2017 compared to 3.3:1 as of March 31, 2016 due to increase in accounts payable and accrued expenses.

Total current assets increased by P681.6 million (13.6%) due mainly to increase in Cash by P294.2 million (8.9%) and accounts receivable by 28.3 million brought by 22.8% increase in sales mostly dometic sales. In addition, inventory increased by P318.9 million (46.1%) and other current assets by P40.2 million (122.9%).

Property, plant and equipment decreased by P17.8million (net) (2.4%) due to retirement and disposal of phased out & defective assets. Capital expenditures amounted to P172 million during the year as the Group continues to upgrade its factory facilities, machinery and equipment to improve productivity. Total capital goods retirement / disposal amounted to P96.1 million.

Other non-current assets decreased by P3.3 million (12.4%) due to utilization of advances for software depreciation cost for the period and deposits by P1.3 million.

Trade accounts payable increased by P233.3 million due to high volume sales requirement for the last quarter of fiscal year 2016 and first quarter of 2017. Cash dividend payable also increased by P211.4 million due to additional 50% special dividend. Moreover, advancs from customers increased by P162.6 million.

Provision for estimated liabilities decreased by P99.6 million (21.4%) due P100 million fund contribution to PMPC's Retirement Plan.

Appropriated retained earnings for plant expansion increased by P235 million for continuous factory development and IT facilities and change of accounting system to SAP.

Results of Operation

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

Accounts	FY 2016	FY 2015	Difference (%)
Sales	**9,974,277**	8,124,341	**22.8%**
Cost of sales	**7,506,888**	6,320,824	**18.8%**
Gross profit	**2,467,389**	1,803,517	**36.8%**
Selling expenses	**1,042,798**	756,704	**37.8%**
General administrative	**892,767**	826,891	**8.0%**
Other income - net	**135,386**	179,772	**-24.7%**
Income before tax	**667,210**	399,693	**66.9%**
Income tax expense	**131,376**	148,718	**-11.7%**
Income after tax	**535,835**	250,975	**113.5%**

Consolidated sales for FY 2016 ended March 31, 2017 increased by ₱1,850 million (22.8%) This was mainly due to high sales achievement of Consumer products. Local and imported appliances are making good in the market with the Company's inverter models ad sell out activities.

With good sales result, Cost of sales and gross profit increased by 18.8% and 36.8% respectively versus last year.

Selling expenses increased by ₱286 million (37.8%) due to increase in freight cost by ₱106.8 million and advertising by ₱112 million. Sales promotion and warranty cost also incresed by ₱95.7 million and ₱11.9 million respectively.

General administrative expenses increased ₱65.9 million (8.0%) mainly due to increase in technical assistance and brand license fee by ₱32.7 million and ₱22.5 million respectively due to increase in sales amount for the period.

Other income - net decreased by ₱44.4 million (24.7%) against 2016 mainly due to recovery of allowance for credit and impairment losses by ₱53.7 million last year. On the other hand, bank interest earned from time deposits increased by ₱19.9 million.

Net income before tax increased by ₱267.5 million (66.9%) due mainly to 22.8% increase in sales achievement versus last year.

Income tax expense decreased by ₱17.3 million (11.7%) due to decrease in temporary differences for the period.

Fiscal Year 2015 vs. 2014

Financial Positions

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

Accounts	March 31, 2016	March 31, 2015	Difference (%)
Cash and cash equivalent	**3,292,423**	2,822,927	**16.6%**
Receivables	**993,452**	811,799	**22.4%**
Inventories	**692,094**	714,234	**-3.1%**
Other current assets	**32,734**	60,237	**-45.7%**
Property & equipment	**752,800**	811,335	**-7.2%**
Deferred tax assets	**140,974**	149,948	**-6.0%**
Other assets	**26,360**	27,997	**-5.8%**
Accounts payable & accrued expenses	**1,510,804**	1,200,504	**25.8%**
Provision for estimated liabilities	**278,731**	159,176	**75.1%**
Retirement liability	**187,498**	281,603	**-33.4%**
Stockholders'equity	**3,991,497**	3,804,128	**4.9%**

The Group continues to maintain its strong financial position with total assets amounting to P5.987 billion and P5.455 billion as of March 31, 2016 & 2015, respectively while total equity amounted to P3.991 billion and P3.804 billion as of the same period.

Current ratio decreased at 3.3:1 as of March 31, 2016 compared to 3.7:1 as of March 31, 2015 due to increase in accounts payable and accrues expenses.

Total current assets increased by P601.5 million (13.6%) due mainly to increase in Cash by P470.0 million (16.6%) and accounts receivable by P181.7 million brought by 21% increased in sales. On the other hand, other current assets decreased by P27.5 million (45.7%) due to reduction of allowance for impairment losses.

Property, plant and equipment decreased by P58.5 million (net) (7.2%) due to retirement and disposal of phased out & defective assets. Capital expenditures amounted to P91.8 million during the year as the Group continues to upgrade its factory facilities, machinery and equipment to improve productivity.

Deferred tax assets increased by P9.0 million (6.0%) due to decrease in retirement liability of the Company as per actuarial valuation computation.

Other non-current assets decreased by P1.6 million (5.8%) due to utilization of advances for software depreciation cost for the period.

Accounts payable and accrued expenses increased by P310.3 million (25.8%) mainly due to high volume sales requiremet for the last quarter of fiscal year 2015.

Provision for estimated liabilities increased by P119.6 million (75.1%) due to warranty expense. Finance lease liability decrease due to yearly depreciation cost.

Retirement liability decreased by P94.1 million due to fund contribution amounting to P100.0 million for the period. Income tax liability and technical assistance fee increased due to increase in sales achievement.

Appropriated retained earnings for plant expansion increased by P175.0 million for continuous factory development and IT facilities and change of accounting system to SAP.

Results of Operation

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

Accounts	**FY 2015**	FY 2014	**Difference (%)**
Sales	**8,124,341**	6,713,425	**21.0%**
Cost of sales	**6,320,824**	5,271,770	**19.9%**
Gross profit	**1,803,517**	1,441,655	**25.1%**
Selling expenses	**756,704**	720,634	**5.0%**
General administrative	**826,891**	621,027	**33.2%**
Other income - net	**179,772**	116,954	**53.7%**
Income before tax	**399,693**	216,948	**84.2%**
Income tax expense	**148,718**	54,373	**173.5%**
Income after tax	**250,975**	162,576	**54.4%**

Consolidated sales for FY 2015 ended March 31, 2016 increased by ₱1,411 million (21.0%) This was mainly due to high sales achievement of Consumer products. Local and imported appliances are making good in the market with the Company's inverter models ad sell out activities.

With good sales result, Cost of sales and gross profit increased by 19.9% and 25.1% respectively versus last year.

Selling expenses increased by ₱36.1 million (5.0%) due to increase in freight cost by ₱57.4 million and advertising by ₱49.1 million. On the other hand, sales promotion cost decreased by ₱87.3 million

General administrative expenses increased ₱205.9 million (33.2%) mainly due to increase in provision for other estimated liabilities amounting to ₱97.9 million for inventory write-down due to increase in slow moving products at the end of this year. In addition, technical assistance and brand license fee by ₱21.2 million and ₱7.2 million respectively. Salaries and wages also increased by ₱38.6 million.

Other income - net increased by ₱62.8 million against 2015 mainly due to recovery of allowance for credit and impairment losses by ₱53.7 million. In addition, bank interest earned from time deposits also increased by ₱9.4 million.

Net income before tax and ncome tax increased by ₱182.8 million (84.2%) and ₱94.4million (173.5%) respectively mainly due to 21.0% increase in sales achievement.

Fiscal Year 2014 vs. 2013

Financial Positions

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

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

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

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

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

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

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

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

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

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

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

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

Results of Operation

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

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

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

sales reduction last year due to typhoon Yolanda.

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

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

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

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

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

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

- **Known Trends**

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

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

- **Events that will trigger direct or contingent financial obligation**
  In the normal course of business, the Group has various commitments and contingent liabilities that are not presented in the accompanying financial statements.

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

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

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

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

- **Capital expenditures**

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

- **Significant Elements of Income or Loss**

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

- **Seasonal Aspects**

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

CASHFLOWS

A brief summary of cash flow movement is shown below

(In thousands)	2017	2016	2015
Net cash provided by operating activities	549,257	625,758	187,048
Net cash used in investing activities	(168,546)	(95,868)	(180,087)
Net cash used in financing activities	(86,864)	(46,400)	(45,781)

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

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

In thousands	2017	2016	2015
Proceeds from sale of PPE	2,522	87	286
Acquisitions of property, plant and equipment	(171,955)	(90,680)	(199,240)
Acquisitions of investment properties	-	(4,940)	(625)
Acquisition of software	(445)	(294)	(1,630)
Decrease (increase) in other assets	1,332	(41)	21,122
Total	(168,546)	(95,868)	(180,087)

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

In thousands	2017	2016	2015
Cash dividends paid	(84,544)	(42,272)	(42,272)
Finance lease liabilities paid	(2,321)	(4,128)	(3,509)
Total	(86,864)	(46,400)	(45,781)

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

RETAINED EARNINGS

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

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

CORPORATE GOVERNANCE

Financial Reporting 2017

The corporate governance practices of Panasonic Manufacturing Philippines Corp. (PMPC) has remarkably improve from its inception in the past. 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. PMPC, being a public corporation and, complies with the corporate governance requirements of Security and Exchange Commission (SEC) and Philippine Stocks Exchange (PSE) specifically, the SEC's Revised Code of Corporate Governance, and the PSE Corporate Governance Guidelines.

PMPC's current internal governance framework embodies all the principles needed to ensure that the company's businesses are managed and supervised in a manner consistent with good corporate governance, including the necessary checks and balances. Currently, the focus of the company is to benchmark its corporate governance practices consistent with the ASEAN Corporate Governance practices. PMPC will continue to strive to achieve beyond mere compliance and promote sound ethical corporate culture which is guided by principles of accountability, integrity, fairness, legal and transparent behavior.

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.

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 has two independent directors who were selected by Nomination Committee on the basis of 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.

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 2016 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. Our directors keep abreast with the latest developments relevant with their duties and responsibilities to ensure good corporate governance practices.

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. 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, Nomination Committee and Compensation Committee have their respective charters approved by the Board. Charters delineate the objectives of the committees, define its functions, composition and procedures. These charters were prepared and benchmarked consistent with SEC's Corporate Governance. Every PMPC committee has at least one independent director. The Board convenes regular meeting on a monthly basis and special meetings may be called for as needed.

Audit Committee

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. The Audit 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).

As for Internal Audit function, the Audit Committee reviewed and approved the Internal Audit performance report in 2016, internal audit plan for 2015, 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 Corporate Governance Committee is appointed by the Board of Directors 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 committee to recommend to the Board of Directors candidates for election or appointment to the Board of Directors. The Corporate Governance Committee is composed of three members, one of whom is an independent director.

Risk Management 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. The Risk Management Committee is composed of three members, one of whom is an independent director.

Compensation Committee

The purpose and authority of the Compensation Committee is to establish policies with respect to the compensation of the Company's officers including, (1) evaluation and approval of the officer's compensation plan, and (2) preparation of annual report on executive compensation for inclusion in the Company's proxy statement. The Compensation Committee is composed of three members, one of whom is an independent director.

Nomination Committee

The purpose and authority of the Nomination Committee is to ensure that the Board of Directors is made up of individuals of proven integrity and competence, and that each possess the ability and resolve to effectively oversee the company. It also reviews and evaluates the qualifications of all persons nominated to positions in PMPC which require approval of the Board. The Nomination Committee is composed of three members, one of whom is an Independent director.

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 understand 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 ensuring that at all times:

- 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.

Related Party Transaction

PMPC in the normal course of business transacts with related parties, particularly, its affiliates as defined in the company's policy on related party transaction. The company is exercising extensive effort to ensure that all significant related party transactions with related parties are done at arm's length. The transaction with related parties involve the supply of raw materials, service and management consulting. Significant related party transaction is prospectively reviewed by the Board Audit Committee or by management committee, depending on materiality prior to implementation. PMPC discloses significant related party relationships and transactions in PMPC's financial statements based on Philippine Accounting Standards (PAS) No. 24 requirements.

Internal Audit

Our Internal Audit unit is an independent body that evaluates the effectiveness of the company's internal controls, governance processes, and risk management. It ensures that operating and business units adhere to internal processes and procedures and to regulatory and legal requirements. Internal Audit reports directly to the Board through its Audit Committee. Its audit activities conform to the International Standards for the Professional Practice of Internal Auditing.

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.

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 in the course of any business dealing.

Insider Trading. It is the policy of the Company to oppose the unauthorized disclosure of any nonpublic information acquired in the work-place 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.

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.

Measure to fully comply with Corporate Governance

In 2016, PMPC substantially complied with its Manual on Corporate Governance, the provisions of the 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 practices.

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. He

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.

No Material Deviation

The Company has established Internal Control 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 2016.

Plans to improve Corporate Governance

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 to reflect global principles and internationally recognized good practices in corporate governance applicable to public listed corporations.

Annex "A"

A. Message to Stockholders
B. Certificate of Qualification of Independent Director

Message to Shareholders

In fiscal year 2016 ending March 31, 2017, we confronted our challenges without fear along with our commitment to build a stronger foundation for further growth by carrying out various initiatives and activities successfully along with our management slogan, "Ride the new wave--Be No. 1". Guided by our corporate fundamentals, we focused on availing of the opportunities for our growth engine products, such as local and imported refrigerators, room air conditioners, and local and imported washing machines. And I am proud to report that our efforts yielded tremendous accomplishments for PMPC in fiscal year 2016, as we successfully posted a total sales of 9.9 billion pesos or 123% of our sales achievement of 8.1 billion pesos in fiscal year 2015.

It is very encouraging to note that the sales of all our locally-produced consumer appliances recorded double digit growths in fiscal year 2016. Compared to our performance in fiscal year 2015, refrigerators achieved 134% with the high acceptance in the market of our locally produced direct cool inverter refrigerators. Consequently, freezers achieved 114%; window-type air conditioners realized 123%; washing machines secured 129%; and electric fan posted 110% sales performance in fiscal year 2016.

Similarly, the sales of imported consumer goods registered a 137% performance against fiscal year 2015 due partly to the increase in the demand for higher capacity refrigerators and washing machines, split type air conditioners, and LED TV sets.

On the other hand, the 99% export sales achievement of our window-type air conditioners versus fiscal year 2015 could be attributed to the impact brought about by the changing market conditions overseas, complicated by various disruptions globally.

Moreover, during the course of fiscal year 2016, we carried out various activities to strengthen our B2B operations, which resulted in a rewarding performance, posting 147% versus fiscal year 2015 with all the products under B2B achieving two-digit growth. Compared also to fiscal year 2015, system sales products achieved 150%; eco solutions products (solar panels, V-fan, and lighting), 177%; and cold chain products (showcase chillers and commercial microwaves), 125%.

Indeed, we accomplished much in fiscal year 2016 as manifested by our high sales performance in almost all product categories that led our company to register a profit after tax of 536 million pesos, which is more than double of our performance posted in fiscal year 2015. And once again, we were able to prove that working together as a solid team is of great importance in realizing our corporate objectives.

On September 14, 2017, we will be celebrating our Company's 50th anniversary, marking the first golden years of Panasonic solid partnership with Philippine society. PMPC has come a long way since the start of the joint venture operation in 1967, innovating, re-inventing, transforming, and devoting its business activities to the progress and development of society and the well-being of the people.

Our Panasonic Founder, Konosuke Matsushita, professed, "The true mission of an enterprise is to render the economy and the lives of human beings richer and more plentifully endowed day by day, thereby making the society prosperous, peaceful, and happy." This continues to resonate with us at PMPC. And indeed, with humbleness in spirit, one of my sincere commitments upon becoming your Company's president in January last year is to make PMPC a continuously high performing company... a company that always takes prompt and responsible action in responding to customer needs and changes in the market.

Our resolution then to become No. 1 in the industry will continue to be carried out in fiscal year 2017 and beyond. This is indeed one of the greatest gifts we can offer our stockholders, and one of the noblest gifts we can offer our end-users, customers, business partners, and society.

Finally, on behalf of the members of the board, I would like to express my utmost gratitude to all our stockholders for the continued trust and confidence in us. Rest assured that we will redouble our efforts to realize our growth targets so as to serve our customers and business partners even better by confronting and overcoming the challenges that come our way. And in conveying also my appreciation to our PMPC management team and employees, I enjoin all the members of our PMPC Family to hold on to our corporate fundamentals, always mindful of our Panasonic mission to serve society. We are truly proud of our accomplishments in fiscal year 2016, and we take this as our motivation as we look forward to a continuing growth in 2017, the 50th anniversary of PMPC; in 2018, the 100th anniversary of the founding of Panasonic Corporation; and beyond.

PMPC, our Company... our pride!

SHINICHI HAYASHI
President / Chairman of the Board

COVER SHEET

SEC FORM 17-C

2 3 0 2 2
S.E.C. Registration Number

PANASONIC MANUFACTURING
PHILIPPINES CORPORATION

(Company's Full Name)

ORTIGAS AVENUE EXTENSION BARRIO
MAPANDAN BARANGAY SAN ISIDRO

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

ATTY. MAMERTO Z. MONDRAGON
Contact Person

818 77-39
Company Telephone Number

0 3 3 1
Month Day
Fiscal Year

FORM TYPE

3rd Friday of June
Month Day
Annual Meeting

CERTIFICATION OF INDEPENDENT DIRECTOR
Secondary License Type, if Applicable

MS. ELIZABETH P. GILDORE

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

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

1. **May 22, 2017**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number – **23022**
3. BIR Tax Identification No. **000-099-692**

4. **Panasonic Manufacturing Philippines Corporation**
   Exact name of issuer as specified in its charter

5. **Philippines**
   Province, Country or other jurisdiction of Incorporation
6. [ ] (SEC Use Only)
   Industry Classification Code:

7. **Ortigas Avenue Extension, Taytay, Rizal**
   Address of principal office
   1901
   Postal Code

8. **(632) 635-22-60 to 65 / (632) 284-22-92**
   Issuer's telephone number, including area code

9. Not Applicable
   Former name or former address, if changed since last report

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common shares, P1.00 par value	
Class A	84,723,432

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

ITEM 4. CERTIFICATION OF INDEPENDENT DIRECTOR

SIGNATURES

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

PANASONIC MANUFACTURING PHILIPPINES CORPORATION
Issuer

By:

Date: **May 22, 2017**

ATTY. MAMERTO Z. MONDRAGON
Corporate Secretary

CERTIFICATION OF INDEPENDENT DIRECTORS

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

1. I am the independent director of PANASONIC MANUFACTURING PHILIPPINES CORPORATION.

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

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

3. I possess all the qualification and none of the disqualifications to serve as an independent Director of PANASONIC MANUFACTURING PHILIPPINES CORPORATION, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.

5. I shall inform the corporate secretary of PANASONIC MANUFACTURING PHILIPPINES CORPORATION of my changes in the abovementioned information within five (5) days from its occurrence.

Done, this 22nd day of May 2017 at Taytay, Rizal.

ELIZABETH P. GILDORE
Affiant

SUBSCRIBED AND SWORN to before me on this 23 MAY 2017 day of May 2017 at MAKATI CITY, affiant personally appeared before me and exhibited to me her Passport No. EC0672098 issued on March 26, 2014 at DFA Manila, Metro Manila, bearing her photograph and signature.

Doc. No. 466
Page No. 94
Book No. L
Series of 2017.

SOLFIA S. ARBOLADURA
Notary Public for Makati City until 12.31.2017
Roll No. 39714/ Appointment No. M-92
IBP Lifetime No. 04082/ 05.15.03/ Mla II
PTR No. 5998557/ Manila/ 01.03.2017
2/F Raha Sulayman Bldg., 108 Benavidez St.,
Legaspi Village, Makati City
MCLE Compliance No. V-0022554/ 06.28.2016

COVER SHEET

SEC FORM 17-C

2 3 0 2 2
S.E.C. Registration Number

PANASONIC MANUFACTURING
PHILIPPINES CORPORATION

(Company's Full Name)

ORTIGAS AVENUE EXTENSION BARRIO
MAPANDAN BARANGAY SAN ISIDRO

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

ATTY. MAMERTO Z. MONDRAGON
Contact Person

818 77-39
Company Telephone Number

0 3 3 1
Month Day
Fiscal Year

FORM TYPE

3rd Friday of June
Month Day
Annual Meeting

CERTIFICATION OF INDEPENDENT DIRECTOR
Secondary License Type, if Applicable
MR. EMILIANO S. VOLANTE

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

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

1. **May 22, 2017**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number – **23022**
3. BIR Tax Identification No. **000-099-692**

4. **Panasonic Manufacturing Philippines Corporation**
   Exact name of issuer as specified in its charter

5. **Philippines**
   Province, Country or other jurisdiction of Incorporation
6. [ ] (SEC Use Only)
   Industry Classification Code:

7. **Ortigas Avenue Extension, Taytay, Rizal**
   Address of principal office
   1901
   Postal Code

8. **(632) 635-22-60 to 65 / (632) 284-22-92**
   Issuer's telephone number, including area code

9. Not Applicable
   Former name or former address, if changed since last report

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common shares, P1.00 par value	
Class A	84,723,432

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

ITEM 4. CERTIFICATION OF INDEPENDENT DIRECTOR

SIGNATURES

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

PANASONIC MANUFACTURING PHILIPPINES CORPORATION
Issuer

By:

Date: **May 22, 2017**

ATTY. MAMERTO Z. MONDRAGON
Corporate Secretary

CERTIFICATION OF INDEPENDENT DIRECTORS

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

1. I am the independent director of PANASONIC MANUFACTURING PHILIPPINES CORPORATION.

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

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

3. I possess all the qualifications and none of the disqualifications to serve as an independent Director of PANASONIC MANUFACTURING PHILIPPINES CORPORATION, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.

5. I shall inform the corporate secretary of PANASONIC MANUFACTURING PHILIPPINES CORPORATION of my changes in the abovementioned information within five (5) days from its occurrence.

Done, this 22nd day of May 2017 at Taytay, Rizal.

EMILIANO S. VOLANTE
Affiant

SUBSCRIBED AND SWORN to before me on this 23 MAY 2017 day of May 2017 at MAKATI CITY affiant personally appeared before me and exhibited to me his Voter's ID No. 7402-0604A-F2044ESV10000-7, issued on _____ at _____, Metro Manila, bearing his photograph and signature.

Doc. No. 465
Page No. 93
Book No. L
Series of 2017

SOLFIA S. ARBOLADURA
Notary Public for Makati City until 12.31.2017
Roll No. 39714/ Appointment No. M-92
IBP Lifetime No. 04882/ 05.15.03/ Mla II
PTR No. 5098557/ Manila/ 01.03.2017
2/F Raha Sulayman Bldg., 108 Benavidez St.,
Legaspi Village, Makati City
MCLE Compliance No. V-0022554/ 06.28.2016

Annex "B"

Audited Consolidated Financial Statements for Fiscal Year 2016 ending March 31, 2017

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, 2017, 2016 and 2015, 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:

SHINICHI HAYASHI
Chairman & President

YOSHIYUKI TAKAHASHI
Vice – Chairman & Executive Director

HIROSHI YAMADA
Executive Director

Signed on this 9th day of May, 2017

SUBSCRIBED AND SWORN to before me this MAY 23 2017 affiants exhibiting to me their passport numbers as follows:

NAMES	PASSPORT NO.	DATE ISSUED	PLACE ISSUED
Shinichi Hayashi	TH9641280	July 08, 2009	Japan
Yoshiyuki Takahashi	TZ1094063	December 15, 2015	Japan
Hiroshi Yamada	TH5907844	May 09, 2008	Japan

ATTY. JOHN KENNETH T. MORENO
NOTARY PUBLIC
Roll No. 35640
IBP No. 1010752 - 05 Nov. 2015
PTR No. 6926227 - 3 Jan. 2017
MCLE No. V-17886-30 March 2016
Appt. No. 16-04 - Dec. 2015
Until Dec. 31, 2017
For Antipolo City, Taytay, Cainta
Province of Rizal

Doc. No. 430
Page No. 86
Book No. XXXII
Series of 2017

Panasonic Manufacturing Philippines Corporation and Subsidiary

Consolidated Financial Statements
March 31, 2017 and 2016
and Years Ended March 31, 2017, 2016
and 2015

and

Independent Auditor's Report

SGV
Building a better working world

SGV
Building a better working world

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

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Panasonic Manufacturing Philippines Corporation

Opinion

We have audited the accompanying 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, 2017 and 2016, 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, 2017, 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, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended March 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audit 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 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. The estimate of provision for other estimated liabilities involves inherent uncertainty regarding the outcome of the claim arising from interpretations and applications of statutes applicable to the Group.

The relevant accounting policy and a discussion of significant judgment and estimates for provisions and contingencies are included in Notes 2 and 3 to the consolidated financial statements. The amount of provisions recognized in the consolidated statement of financial position 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 actual claims. We also tested the mathematical accuracy of management's calculation of warranty claims. We involved our internal specialist in the evaluation of management's assessment on whether any provision for contingencies should be recognized, and the estimation of such amount. We discussed the status of the claims with management and obtained correspondences with the regulatory bodies and opinions from the external legal counsel. We evaluated the position of the Group by considering the statutes 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, 2017, 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, 2017 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 Aris C. Malantic.

SYCIP GORRES VELAYO & CO.

Aris C. Malantic
Partner
CPA Certificate No. 90190
SEC Accreditation No. 0326-AR-3 (Group A),
May 1, 2015, valid until April 30, 2018
Tax Identification No. 152-884-691
BIR Accreditation No. 08-001998-54-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 5908720, January 3, 2017, Makati City

May 9, 2017

PANASONIC MANUFACTURING PHILIPPINES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31	
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱3,586,649,954**	₱3,292,423,211
Receivables (Note 5)	**1,021,726,443**	993,452,273
Inventories (Note 6)	**1,010,963,594**	692,093,806
Other current assets (Note 9)	**72,956,741**	32,733,517
Total Current Assets	**5,692,296,732**	5,010,702,807
Noncurrent Assets		
Property, plant and equipment (Note 7)	**770,581,457**	752,799,843
Investment properties (Note 8)	**48,350,017**	53,579,081
Deferred tax assets - net (Note 24)	**140,974,388**	140,974,388
Other noncurrent assets (Note 9)	**25,423,812**	28,700,835
Total Noncurrent Assets	**985,329,674**	976,054,147
	₱6,677,626,406	₱5,986,756,954
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 10)	**₱2,036,314,912**	₱1,510,803,593
Income tax payable	**2,152,750**	13,151,466
Finance lease liability (Note 21)	**2,305,343**	2,752,606
Total Current Liabilities	**2,040,773,005**	1,526,707,665
Noncurrent Liabilities		
Finance lease liability (Note 21)	**450,503**	2,323,846
Other liabilities (Note 11)	**366,597,316**	466,228,980
Total Noncurrent Liabilities	**367,047,819**	468,552,826
	2,407,820,824	1,995,260,491
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 income (Notes 9 and 11)	**(71,836,545)**	(110,213,735)
Retained earnings (Note 13)		
Appropriated	**3,427,400,000**	3,192,400,000
Unappropriated	**416,088,354**	412,656,717
	4,199,149,591	3,922,340,764
Non-controlling Interest	**70,655,991**	69,155,699
Total Equity	**4,269,805,582**	3,991,496,463
	₱6,677,626,406	₱5,986,756,954

See accompanying Notes to Consolidated Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended March 31		
	2017	2016	2015
NET SALES (Note 27)	**₱9,974,276,992**	₱8,124,341,497	₱6,713,425,158
COST OF GOODS SOLD (Notes 14 and 27)	**(7,506,888,098)**	(6,320,824,228)	(5,271,770,181)
GROSS PROFIT	**2,467,388,894**	1,803,517,269	1,441,654,977
SELLING EXPENSES (Notes 15 and 27)	**(1,042,798,286)**	(756,704,251)	(720,633,598)
GENERAL AND ADMINISTRATIVE EXPENSES (Notes 16 and 27)	**(892,766,738)**	(826,891,390)	(621,027,078)
OTHER INCOME - net (Notes 20 and 27)	**135,386,222**	179,771,845	116,953,963
INCOME BEFORE INCOME TAX	**667,210,092**	399,693,473	216,948,264
PROVISION FOR INCOME TAX (Notes 23 and 24)	**(131,375,549)**	(148,718,002)	(54,372,759)
NET INCOME	**535,834,543**	250,975,471	162,575,505
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)	**38,377,190**	20,937,278	(71,905,631)
TOTAL COMPREHENSIVE INCOME	**₱574,211,733**	₱271,912,749	₱90,669,874
Net income (loss) attributable to:			
Equity holders of the Parent Company (Note 26)	**₱534,334,251**	₱254,111,531	₱164,644,760
Non-controlling interest	**1,500,292**	(3,136,060)	(2,069,255)
	₱535,834,543	₱250,975,471	₱162,575,505
Total comprehensive income (loss) attributable to:			
Equity holders of the Parent Company	**₱572,711,441**	₱275,048,809	₱92,739,129
Non-controlling interest	**1,500,292**	(3,136,060)	(2,069,255)
	₱574,211,733	₱271,912,749	₱90,669,874
Basic/diluted earnings per share (Note 26)	**₱1.26**	₱0.60	₱0.39

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 AFS Investments** (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, 2016	**₱422,718,020**	**₱4,779,762**	**₱1,380,968**	**(₱111,594,703)**	**₱3,192,400,000**	**₱412,656,717**	**₱3,922,340,764**	**₱69,155,699**	**₱3,991,496,463**
Total comprehensive income	**–**	**–**	**–**	**38,377,190**	**–**	**534,334,251**	**572,711,441**	**1,500,292**	**574,211,733**
Reversals of appropriation (Note 13)	**–**	**–**	**–**	**–**	**(196,381,804)**	**196,381,804**	**–**	**–**	**–**
Appropriations (Note 13)	**–**	**–**	**–**	**–**	**431,381,804**	**(431,381,804)**	**–**	**–**	**–**
Cash dividends (Note 13)	**–**	**–**	**–**	**–**	**–**	**(295,902,614)**	**(295,902,614)**	**–**	**(295,902,614)**
Balances at March 31, 2017	**₱422,718,020**	**₱4,779,762**	**₱1,380,968**	**(₱73,217,513)**	**₱3,427,400,000**	**₱416,088,354**	**₱4,199,149,591**	**₱70,655,991**	**₱4,269,805,582**
Balances at April 1, 2015	₱422,718,020	₱4,779,762	₱1,380,968	(₱132,531,981)	₱3,017,400,000	₱418,088,790	₱3,731,835,559	₱72,291,759	₱3,804,127,318
Total comprehensive income	–	–	–	20,937,278	–	254,111,531	275,048,809	(3,136,060)	271,912,749
Reversals of appropriation (Note 13)	–	–	–	–	(71,300,000)	71,300,000	–	–	–
Appropriations (Note 13)	–	–	–	–	246,300,000	(246,300,000)	–	–	–
Cash dividends (Note 13)	–	–	–	–	–	(84,543,604)	(84,543,604)	–	(84,543,604)
Balances at March 31, 2016	₱422,718,020	₱4,779,762	₱1,380,968	(₱111,594,703)	₱3,192,400,000	₱412,656,717	₱3,922,340,764	₱69,155,699	₱3,991,496,463
Balances at April 1, 2014	₱422,718,020	₱4,779,762	₱1,380,968	(₱60,626,350)	₱2,917,400,000	₱395,715,832	₱3,681,368,232	₱74,361,014	₱3,755,729,246
Total comprehensive income	–	–	–	(71,905,631)	–	164,644,760	92,739,129	(2,069,255)	90,669,874
Reversals of appropriation (Note 13)	–	–	–	–	(210,900,000)	210,900,000	–	–	–
Appropriations (Note 13)	–	–	–	–	310,900,000	(310,900,000)	–	–	–
Cash dividends (Note 13)	–	–	–	–	–	(42,271,802)	(42,271,802)	–	(42,271,802)
Balances at March 31, 2015	₱422,718,020	₱4,779,762	₱1,380,968	(₱132,531,981)	₱3,017,400,000	₱418,088,790	₱3,731,835,559	₱72,291,759	₱3,804,127,318

See accompanying Notes to Consolidated Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended March 31		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱667,210,092**	₱399,693,473	₱216,948,264
Adjustments for:			
Depreciation and amortization (Note 18)	**158,481,381**	157,267,627	191,562,596
Provision for warranty claims and estimated liabilities (Note 11)	**126,130,974**	164,137,525	49,405,324
Interest income (Notes 4 and 20)	**(55,478,130)**	(35,586,781)	(26,249,465)
Retirement and other long-term employee benefits expense (Note 17)	**33,777,726**	37,664,915	27,610,534
Provision for inventory losses (Notes 14 and 16)	**23,221,273**	48,640,089	106,197,519
Provision for (recovery from) credit and impairment losses (Notes 5, 16 and 20)	**(1,793,902)**	(47,708,307)	3,700,000
Unrealized foreign currency exchange (gain) loss (Notes 4, 5 and 10)	**(827,877)**	14,867,471	(349,273)
Loss (gain) on disposal/ retirement of property, plant and equipment and software (Note 20)	**789,590**	(9,564)	573,543
Operating income before changes in working capital	**951,511,127**	738,966,448	569,399,042
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Inventories	**(342,091,061)**	(26,499,998)	(268,395,091)
Receivables	**(25,059,349)**	(193,337,519)	30,145,866
Other current assets	**(45,761,480)**	204,702,495	(6,932,508)
Increase (decrease) in:			
Accounts payable and accrued expenses	**298,260,573**	274,049,179	(62,910,047)
Other liabilities	**(102,167,580)**	(44,581,849)	(39,276,763)
Net cash generated from operations	**734,692,230**	953,298,756	222,030,499
Income taxes paid	**(136,836,009)**	(258,765,971)	(59,810,469)
Contributions to the retirement fund (Note 11)	**(100,000,000)**	(100,000,000)	–
Other retirement liability and long-term employee benefits paid (Note 11)	**(2,548,227)**	(1,860,440)	(1,326,502)
Interest received from bank deposits	**53,948,930**	33,085,981	26,154,465
Net cash provided by operating activities	**549,256,924**	625,758,326	187,047,993
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in other assets	**1,332,082**	(41,022)	21,122,034
Acquisitions of:			
Property, plant and equipment (Notes 7 and 29)	**(171,955,223)**	(90,679,664)	(199,240,248)
Software (Note 9)	**(445,536)**	(294,643)	(1,630,489)
Investment properties (Note 8)	–	(4,940,000)	(625,000)
Proceeds from disposal of property, plant and equipment (Note 7)	**2,522,179**	87,349	286,256
Net cash used in investing activities	**(168,546,498)**	(95,867,980)	(180,087,447)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash dividends paid (Note 13)	**(84,543,604)**	(42,271,802)	(42,271,802)
Finance lease liabilities paid (Note 21)	**(2,320,606)**	(4,128,131)	(3,509,390)
Cash used in financing activities	**(86,864,210)**	(46,399,933)	(45,781,192)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (Note 4)	**380,527**	(13,994,068)	663,665
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**294,226,743**	469,496,345	(38,156,981)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**3,292,423,211**	2,822,926,866	2,861,083,847
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱3,586,649,954**	₱3,292,423,211	₱2,822,926,866

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 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 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.

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 available-for-sale (AFS) financial assets 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 (PFRS).

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.

Changes in Accounting Policies and Disclosures
The Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after April 1, 2016. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise indicated.

Amendments to Philippine Accounting Standards (PAS) 1, *Presentation of Financial Statements*, *Disclosure Initiative*
The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:

- That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
- That specific line items in the statement of income and other comprehensive income and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

The amendments do not have any impact to the Group.

Amendments to PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets*, *Clarification of Acceptable Methods of Depreciation and Amortization*
The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

These amendments are applied prospectively and do not have any impact to the Group, since the Group has not used a revenue-based method to depreciate or amortize its property, plant and equipment and intangible assets.

Annual Improvements to PFRS (2012-2014 cycle)
The Annual Improvements to PFRS (2012-2014 cycle) are effective for annual periods beginning on or after April 1, 2016 and are not expected to have a material impact on the Group, unless otherwise stated. They include:

Amendments to PAS 19, *Employee Benefits*, *Discount Rate: Regional Market Issue*
This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

The following amendments to PFRS and PAS are effective for annual periods beginning April 1, 2016 but are not applicable to the Group:

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28, *Investments in Associates and Joint Ventures*, *Investment Entities: Applying the Consolidation Exception*
- Amendments to PFRS 11, *Joint Arrangements*, *Accounting for Acquisitions of Interests in Joint Operations*
- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*
- Amendments to PAS 27, *Separate Financial Statements*, *Equity Method in Separate Financial Statements*
- *Annual Improvements to PFRS (2012-2014 cycle)*
    - Amendments to PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations, Changes in Methods of Disposal*
    - Amendments to PFRS 7, *Financial Instruments: Disclosures, Servicing Contracts*
    - Amendments to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
    - Amendments to PAS 34, *Interim Financial Reporting*, *Disclosure of Information 'Elsewhere in the Interim Financial Report'*

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

Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date, the date that an asset is delivered to or by the Group. Settlement date accounting refers to (a) the recognition of an asset on the day it is received by the Group, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the Group.

Initial recognition and classification of financial instruments

All financial instruments are initially measured at fair value. Except for financial instruments carried at fair value through profit or loss (FVPL), the initial measurement of financial instruments includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS investments and loans and receivables. Financial liabilities are classified into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

The Group has no financial assets and liabilities at FVPL and HTM investments as of March 31, 2017 and 2016.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

AFS investments

AFS investments are non-derivative financial assets that are designated as such or do not qualify to be classified or designated as FVPL, HTM or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

When an AFS investment is disposed of, the cumulative gain or loss previously recognized under other comprehensive income is recognized in current operations. The losses arising from impairment of such investments are recognized as 'Provision for impairment losses' in profit or loss.

AFS investments are classified as current assets when it is expected to be sold or realized within twelve months after the reporting date or within the normal operating cycle, whichever is longer.

The Group's AFS investments include investments in equity shares (see Notes 9 and 28).

Loans and receivables
Loans and receivables include non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market and for which the Group has no intention of trading. After initial recognition, loans and receivables are subsequently stated at their amortized cost, reduced by accumulated credit losses, if any.

Loans and receivables are included in current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets. Classified as loans and receivables, are the Group's cash and cash equivalents, receivables and other noncurrent assets.

Other financial liabilities
This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings. The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

Other financial liabilities are classified as current liabilities when it is expected to be settled within twelve months from the reporting date or the Group does not have an unconditional right to defer settlement for at least twelve months from reporting date.

Included in this category are the Group's accounts payable and accrued expenses.

'Day 1' difference
Where the transaction price in a non-active market is different from the fair value based on 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 profit or loss unless it qualifies for recognition as some other type of asset. In cases where variables used are made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss 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.

Impairment of Financial Assets
The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial asset is deemed to be impaired if, and only if, there is objective criteria of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence includes observable data that comes to the attention

of the Group about loss events such as, but not limited to, significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, probability that the borrower will enter bankruptcy or other financial reorganization.

Loans and receivables
The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and collectively for financial assets that are not individually significant. If there is an objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics such as industry, past due status and term.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Group. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance for impairment losses account.

If a future write-off is later recovered, the recovery is recognized in profit or loss under 'Other income - net' account. Any subsequent reversal of an impairment loss is recognized in profit or loss as reversal of allowance for doubtful accounts, to the extent that the carrying value of the asset does not exceed its amortized cost at reversal date.

AFS investments
In case of equity instruments classified as AFS investments, objective evidence would include a significant or prolonged decline in the fair value of the investments below its cost. The determination of what is significant and prolonged is subject to judgment. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. The Group treats 'significant' generally as 20% or more and 'prolonged' as greater than 12 months for quoted equity securities. When there is evidence of impairment, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized under profit or loss, is transferred from other comprehensive income to profit or loss. Impairment losses on equity investments are not

reversed through current operations. Increases in fair value after impairment are recognized as other comprehensive income.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement 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, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Derecognition of Financial Instruments
Financial assets
A financial asset or, where applicable, a part of a financial asset or a part of a group of similar financial assets is derecognized when:

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

Where the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liability
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

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 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.

Investment Properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and amortization and any impairment in value. Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged to operations in the period in which the costs are incurred.

Depreciation and amortization is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the investment properties but not to exceed:

	Years
Building	25
Building improvements	5-25

Investment properties are derecognized when either they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Investment properties consist of properties that are held to earn rentals or for capital appreciation or both, and those that are not occupied by entities in the Group.

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 property, plant and equipment, investment properties and software 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 determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date whether the fulfillment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset.

A reassessment is made only after inception of the lease if one of the following applies:

a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
b) A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

The Parent Company as a lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Finance leases, which transfer to the Parent Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against profit or loss.

The Parent Company as a lessor
Leases where the Parent Company retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as income in profit or loss on a straight-line basis over the lease term.

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 PAS 39 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 acquiree 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

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured regardless of when payment is being made. Revenue is measured at the fair value of the consideration received net of discounts, sales taxes and duties. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements.

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

Sale of goods
Revenue from sale of goods is recognized when significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of goods. Revenue from sale of goods is measured at the fair value of the considerations received or receivable, net of returns and allowances, trade discounts and volume rebates which include estimated discounts.

Service income
Service income is recognized when the related qualifying services have been rendered by the Parent Company.

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.

Sale of scrap
Income from sale of scrap is recognized when the significant risk and rewards of ownership of the scrap have passed to the buyer and the amount of revenue can be measured reliably.

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.

Retirement expense is recognized as expense 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.

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. 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. 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.

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 assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities, and the deferred taxes relate to the same taxable entity and the same taxation authority.

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 27.

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 under 'Financing costs and other charges' account 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 percentage of sales. 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 Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective in fiscal year 2018
Amendments to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments do not have any impact on the Group's financial position and results of operation. The Group will include the required disclosures in its 2018 consolidated financial statements.

Amendments to PAS 7, *Statement of Cash Flows*, *Disclosure Initiative*
The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted. Application of amendments will result in additional disclosures in the 2018 consolidated financial statements of the Group.

Amendments to PAS 12, *Income Taxes*, *Recognition of Deferred Tax Assets for Unrealized Losses*
The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted. These amendments are not expected to have any impact on the Group.

Effective in fiscal year 2019
Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*
The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted. These amendments are not expected to have any impact on the Group.

Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*
The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9. The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

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

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Group is currently assessing the impact of PFRS 15 and plans to adopt the new standard on the required effective date.

PFRS 9, *Financial Instruments*
PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting and on the amount of its credit losses. The Group is currently assessing the impact of adopting this standard.

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

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

Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. These amendments are not expected to have any impact on the Group.

Effective in fiscal year 2020
PFRS 16, *Leases*
Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

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

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

Deferred effectivity
Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or 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 postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. 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:

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.

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. *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, 2017 and 2016 amounted to ₱1.0 billion and ₱692.2 million, respectively (see Note 6). The amount of write-down of inventories included under cost of goods sold amounted to ₱23.2 million, ₱48.6 million and ₱106.2 million in 2017, 2016 and 2015, respectively (see Note 14).

b. *Allowance for credit losses on receivables*

The Group reviews its receivable portfolio to assess impairment. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of receivables before the decrease can be

identified with an individual receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the customer's payment behavior and known market factors. Recovery from credit losses on receivables amounted to ₱1.8 million and ₱1.3 million in 2017 and 2015, respectively (see Note 20). Provision for credit losses on receivables amounted to ₱7.3 million in 2016 (see Note 17).

The main considerations for impairment assessment include whether any payments are overdue or if there are any known difficulties in the cash flows of the counterparties (e.g., debt restructuring and declaration of bankruptcy). The Group assesses impairment into two areas: individually assessed allowances and collectively assessed allowances.

The Group determines allowance for each significant receivable on an individual basis. Among the items that the Group considers in assessing impairment is the inability to collect from the counterparty based on the contractual terms of the receivables. Receivables included in the specific assessment are the accounts that have been endorsed to the legal department and nonmoving accounts receivable.

For collective assessment, allowances are assessed for receivables that are not individually significant and for individually significant receivables where there is no objective evidence yet of individual impairment. Impairment losses are estimated by taking into consideration the age of the receivables, past collection experience and other factors that may affect collectability.

The carrying value of receivables amounted to ₱1.0 billion and ₱993.5 million as of March 31, 2017 and 2016, respectively (see Note 5).

c. *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 retirement liability of the Group under defined benefit plan amounted to ₱28.4 million and ₱152.2 million as of March 31, 2017 and 2016, respectively (see Note 11).

d. *Provisions for estimated liabilities*
Provision for warranty is recognized for expected warranty claims on products sold, based on percentages of sales which range from 0.1% to 0.3%. The Group calculates these percentages based on past experience of 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.

Provisions for estimated liabilities amounted to ₱302.7 million and ₱278.7 million as of March 31, 2017 and 2016, respectively (see Note 11).

e. Discounts

The Group estimates various types of discounts based on actual historical availments. These discounts amounted to ₱63.1 million and ₱44.7 million as of March 31, 2017 and 2016, respectively. This is presented net against 'Trade receivables' in the statement of financial position.

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 ₱141.0 million as of March 31, 2017 and 2016. The Parent Company did not recognize deferred tax asset on other temporary differences as of March 31, 2017 and 2016 since management believes that the benefit from such asset will not be realized in the future (see Note 24).

4. Cash and Cash Equivalents

This account consists of:

	2017	2016
Cash in banks	**₱364,149,954**	₱534,515,869
Cash equivalents	**3,222,500,000**	2,757,907,342
	₱3,586,649,954	₱3,292,423,211

Cash in banks earned annual interest ranging from 0.5% to 1.0% in 2017, 2016 and 2015.

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 0.5% to 2.0% in 2017, 0.5% to 1.8% in 2016, and 0.7% to 1.4% in 2015.

Interest income from cash in banks and cash equivalents amounted to ₱55.5 million, ₱35.6 million, and ₱26.2 million in 2017, 2016 and 2015, respectively (see Note 20). Unrealized foreign exchange gain resulting from translation of foreign currency-denominated cash in banks into Philippine peso amounted to ₱0.4 million and ₱0.7 million in 2017 and 2015, respectively, and unrealized foreign exchange loss resulting from translation of foreign currency-denominated cash in banks into Philippine peso amounted to ₱14.0 million in 2016 (see Note 20).

5. Receivables

This account consists of:

	2017	2016
Trade		
Domestic	**₱833,486,838**	₱757,418,759
Export (Note 22)	**117,143,052**	180,301,491
Non-trade		
Related parties (Note 22)	**61,607,029**	58,943,600
Third parties	**32,644,604**	31,681,947
Employees	**2,852,812**	1,711,840
Others	**1,765,808**	8,614,329
	1,049,500,143	1,038,671,966
Less allowance for credit losses	**27,773,700**	45,219,693
	₱1,021,726,443	₱993,452,273

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 allowance for credit losses on trade receivables in 2017 and 2016 follow:

	2017	2016
Balances at beginning of year	**₱45,219,693**	₱37,928,000
Provision for (recovery from) credit losses (Notes 16 and 20)	**(1,793,902)**	7,291,693
Write-off	**(15,652,091)**	–
Balances at end of year	**₱27,773,700**	₱45,219,693
Collective	**₱27,434,385**	₱29,567,602
Specific	**339,315**	15,652,091
	₱27,773,700	₱45,219,693

As of March 31, 2017 and 2016, the aging analysis of trade and non-trade receivables that are past due but not individually impaired follows:

	2017					
	Neither Past Due nor Individually Impaired	Past Due but not Individually Impaired			Individually Impaired	Total
		1-30 days	31-60 days	Over 60 days		
Trade						
Domestic	**₱807,128,501**	**₱12,584,365**	**₱5,394,648**	**₱8,040,009**	**₱339,315**	**₱833,486,838**
Export	**117,143,052**	–	–	–	–	**117,143,052**
Non-trade	**98,870,253**	–	–	–	–	**98,870,253**
Total	**₱1,023,141,806**	**₱12,584,365**	**₱5,394,648**	**₱8,040,009**	**₱339,315**	**₱1,049,500,143**

	2016					
	Neither Past Due nor Individually Impaired	Past Due but not Individually Impaired				
		1-30 days	31-60 days	Over 60 days	Individually Impaired	Total
Trade						
Domestic	₱716,148,239	₱21,012,623	₱1,537,932	₱3,067,874	₱15,652,091	₱757,418,759
Export	180,301,491	–	–	–	–	180,301,491
Non-trade	100,951,716	–	–	–	–	100,951,716
Total	₱997,401,446	₱21,012,623	₱1,537,932	₱3,067,874	₱15,652,091	₱1,038,671,966

Unrealized foreign exchange loss on translation of receivables amounted to ₱0.1 million and ₱6.9 million in 2017 and 2016, respectively, and unrealized foreign exchange gains on translation of receivables amounted to ₱1.3 million in 2015 (see Note 20).

6. Inventories

This account consists of:

	2017	2016
At NRV:		
Finished goods and merchandise	**₱85,702,770**	₱29,112,985
Raw materials	**5,838,086**	3,946,501
	91,540,856	33,059,486
At cost:		
Finished goods and merchandise	**607,138,102**	409,505,209
Raw materials	**295,191,782**	227,514,565
Goods in process	**12,284,449**	18,688,984
Supplies	**4,808,405**	3,325,562
	919,422,738	659,034,320
	₱1,010,963,594	₱692,093,806

The related cost of inventories recorded at NRV amounted to ₱142.5 million and ₱140.4 million as of March 31, 2017 and 2016, respectively. The amount of write-down of inventories included under cost of goods sold amounted to ₱23.2 million, ₱48.6 million and ₱106.2 million in 2017, 2016 and 2015, respectively (see Note 14). The amount of inventories recognized in cost of goods sold during the year amounted to ₱7.5 billion, ₱6.3 billion and ₱5.3 billion in 2017, 2016 and 2015, respectively (see Note 14).

7. Property, Plant and Equipment

The rollforward of this account follows:

	2017						
	Land and Land Improvements	**Factory Machinery, Equipment and Tools**	**Buildings and Improvements**	**Office Furniture, Fixtures and Equipment**	**Transportation Equipment**	**Construction in Progress**	**Total**
Cost							
Balances at beginning of year	**₱236,029,162**	**₱1,421,590,544**	**₱758,443,322**	**₱152,586,386**	**₱114,891,485**	**₱28,779,183**	**₱2,712,320,082**
Acquisitions	**–**	**44,135,982**	**7,184,454**	**12,480,241**	**19,294,180**	**88,860,366**	**171,955,223**
Retirements/disposals	**–**	**(77,179,925)**	**(3,986,846)**	**(3,659,134)**	**(11,237,151)**	**–**	**(96,063,056)**
Reclassification	**–**	**68,082,429**	**17,845,051**	**44,960**	**–**	**(85,972,440)**	**–**
Balances at end of year	**236,029,162**	**1,456,629,030**	**779,485,981**	**161,452,453**	**122,948,514**	**31,667,109**	**2,788,212,249**
Accumulated depreciation and amortization							
Balances at beginning of year	**2,851,295**	**1,247,420,645**	**482,644,558**	**143,852,823**	**82,750,918**	**–**	**1,959,520,239**
Depreciation and amortization (Note 18)	**–**	**90,438,102**	**33,457,804**	**10,196,082**	**16,769,852**	**–**	**150,861,840**
Retirements/disposals	**–**	**(77,008,867)**	**(1,632,113)**	**(3,667,513)**	**(10,442,794)**	**–**	**(92,751,287)**
Balances at end of year	**2,851,295**	**1,260,849,880**	**514,470,249**	**150,381,392**	**89,077,976**	**–**	**2,017,630,792**
Net book value	**₱233,177,867**	**₱195,779,150**	**₱265,015,732**	**₱11,071,061**	**₱33,870,538**	**₱31,667,109**	**₱770,581,457**

	2016						
	Land and Land Improvements	Factory Machinery, Equipment and Tools	Buildings and Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Construction in Progress	Total
Cost							
Balances at beginning of year	₱236,029,162	₱1,415,060,420	₱752,985,414	₱161,250,790	₱96,413,865	₱4,525,381	₱2,666,265,032
Acquisitions (Note 29)	–	19,963,547	967,908	6,982,398	19,132,165	44,726,646	91,772,664
Retirements/disposals	–	(25,721,660)	(3,694,607)	(15,646,802)	(654,545)	–	(45,717,614)
Reclassification	–	12,288,237	8,184,607	–	–	(20,472,844)	–
Balances at end of year	236,029,162	1,421,590,544	758,443,322	152,586,386	114,891,485	28,779,183	2,712,320,082
Accumulated depreciation and amortization							
Balances at beginning of year	2,851,295	1,180,562,614	453,339,293	148,069,426	70,106,943	–	1,854,929,571
Depreciation and amortization (Note 18)	–	92,579,691	32,999,872	11,352,416	13,298,518	–	150,230,497
Retirements/disposals	–	(25,721,660)	(3,694,607)	(15,569,019)	(654,543)	–	(45,639,829)
Balances at end of year	2,851,295	1,247,420,645	482,644,558	143,852,823	82,750,918	–	1,959,520,239
Net book value	₱233,177,867	₱174,169,899	₱275,798,764	₱8,733,563	₱32,140,567	₱28,779,183	₱752,799,843

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, 2017, the Group's construction in progress pertains to the improvements of factory machinery and equipment in its Washing Machine Department. As of March 31, 2016, the Group's construction in progress pertains to the improvements of factory machinery and equipment in its Air Conditioner Department and Refrigerator Department building.

The Parent Company entered into a finance lease agreement for the vehicles of its executives. The carrying value of those leased vehicles, included under transportation equipment, amounted to ₱2.4 million and ₱5.0 million as of March 31, 2017 and 2016, respectively (see Note 21).

Loss on disposal and retirement of property, plant and equipment amounted to ₱0.8 million and ₱0.6 million in 2017 and 2015, respectively, while gain on disposal and retirement of property, plant and equipment amounted to ₱9,564 in 2016 (see Note 20). Considerations received from the disposal and retirement of property, plant and equipment amounted to ₱2.5 million, ₱0.1 million and ₱0.3 million in 2017, 2016 and 2015, respectively.

The costs of fully depreciated property, plant and equipment that are still in use amounted to ₱1.5 billion as of March 31, 2017 and 2016.

8. Investment Properties

The Group's investment properties pertain to the Parent Company's building and building improvements under lease agreement with Panasonic Precision Devices Philippines Corporation (PPRDPH) (see Note 21).

The rollforward of this account follows:

	2017		
	Building	**Building Improvements**	**Total**
Cost			
Balances at beginning and end of year	**₱115,251,594**	**₱121,187,923**	**₱236,439,517**
Accumulated depreciation			
Balances at beginning of year	**66,731,096**	**116,129,340**	**182,860,436**
Depreciation (Note 18)	**4,610,064**	**619,000**	**5,229,064**
Balances at end of year	**71,341,160**	**116,748,340**	**188,089,500**
Net book value	**₱43,910,434**	**₱4,439,583**	**₱48,350,017**

	2016		
	Building	Building Improvements	Total
Cost			
Balances at beginning of year	₱115,251,594	₱116,247,923	₱231,499,517
Acquisitions	–	4,940,000	4,940,000
Balances at the end of year	115,251,594	121,187,923	236,439,517
Accumulated depreciation			
Balances at beginning of year	62,121,032	115,675,006	177,796,038
Depreciation (Note 18)	4,610,064	454,334	5,064,398
Balances at end of year	66,731,096	116,129,340	182,860,436
Net book value	₱48,520,498	₱5,058,583	₱53,579,081

The fair value of investment properties is determined using the Sales Comparison Approach. Under the Sales Comparison Approach, a property's fair value is estimated by considering the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. The property being valued is compared with sales of similar properties that have been transacted in the open market. Listings and offerings may also be considered. The last appraisal of the Parent Company's investment properties was as of March 31, 2015.

The aggregate fair value of the investment properties amounted to ₱84.2 million as of March 31, 2017 and 2016.

Rent income recognized under 'Other income - net' amounted to ₱25.0 million, ₱27.7 million and ₱26.7 million in 2017, 2016 and 2015, respectively (see Notes 20 and 22).

Direct operating expenses recognized under 'General and administrative' expenses arising from investment properties that generated rental income amounted to ₱8.0 million, ₱7.3 million and ₱7.9 million in 2017, 2016 and 2015, respectively.

9. Other Current Assets and Other Noncurrent Assets

Other current assets consist of the following:

	2017	2016
Advances to suppliers	**₱39,699,558**	₱–
Prepaid expenses	**30,502,799**	24,288,445
Tax credit certificates (TCCs)	**3,459,909**	3,459,909
Creditable withholding taxes (CWTs)	**2,438,115**	7,976,371
Advances to employees	**356,360**	508,792
	76,456,741	36,233,517
Less allowance for impairment losses	**3,500,000**	3,500,000
	₱72,956,741	₱32,733,517

Other noncurrent assets consist of the following:

	2017	2016
Deposits	**₱15,182,345**	₱16,518,326
Deferred input VAT	**7,333,160**	7,329,261
Available-for-sale investments	**2,341,458**	2,341,458
Software	**566,849**	2,511,790
	₱25,423,812	₱28,700,835

AFS investments include quoted equity shares. The changes in fair value recognized in other comprehensive income amounted to nil in 2017, 2016 and 2015.

The fair value changes in quoted AFS investments are recorded as 'Net unrealized gains (losses) on AFS investments', a component of other comprehensive income under the 'Equity' section of the consolidated statement of financial position amounting to ₱1.4 million as of March 31, 2017 and 2016.

Dividend income earned from AFS investments amounted to nil in 2016, 2015 and 2014.

Movement in allowance for impairment losses is as follows:

	2017	2016
Balances at beginning of year	**₱3,500,000**	₱58,500,000
Recovery (Note 20)	**–**	(55,000,000)
	₱3,500,000	₱3,500,000

The allowance for impairment losses primarily relates to CWTs and TCCs that management assessed will not be fully utilized based on its estimate of future taxable income.

The composition and movements of software follow:

	2017	2016
Cost		
Balances at beginning of year	**₱110,031,822**	₱109,737,179
Additions	**445,536**	294,643
Balances at end of year	**110,477,358**	110,031,822
Accumulated amortization		
Balances at beginning of year	**107,520,032**	105,547,300
Amortization (Note 18)	**2,390,477**	1,972,732
Balances at end of year	**109,910,509**	107,520,032
Net book value	**₱566,849**	₱2,511,790

Loss on retirement of software in 2015 amounted to ₱12,145 (see Note 20).

10. Accounts Payable and Accrued Expenses

Accounts payable consist of:

	2017	2016
Trade payable		
Related parties (Note 22)	**₱400,559,002**	₱325,868,334
Third parties	**348,833,529**	244,800,933
Non-trade payable		
Related parties (Note 22)	**101,338,667**	80,776,268
Accrued expenses		
Third parties	**798,895,831**	680,345,575
Related parties (Note 22)	**16,430,765**	12,506,830
Others		
Dividends payable (Notes 13 and 22)	**295,919,916**	84,543,604
Advances from customers	**62,101,639**	69,635,626
Output VAT - net	**12,235,563**	12,326,423
	₱2,036,314,912	₱1,510,803,593

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

Accrued expenses to third parties consist of:

	2017	2016
Advertising expenses and sales promotions	**₱377,376,000**	₱345,587,001
Suppliers	**316,706,107**	269,688,517
Salaries and other employee benefits	**31,972,625**	31,833,296
Freight expenses	**18,308,643**	21,950,546
Others	**54,532,456**	11,286,215
	₱798,895,831	₱680,345,575

Other accrued expenses include withholding taxes, professional services fees and accruals for utilities.

Unrealized foreign exchange gain on translation of payables amounted to ₱0.6 million and ₱6.0 million in 2017 and 2016, respectively and unrealized foreign exchange loss on translation of payables amounted to ₱1.7 million 2015 (see Note 20).

11. Other liabilities

This account consists of:

	2017	2016
Provisions	**₱302,694,670**	₱278,731,276
Retirement liability	**39,278,614**	164,402,583
Other long-term employee benefits	**24,624,032**	23,095,121
	₱366,597,316	₱466,228,980

Provisions
The rollforward of this account follows:

	2017		
	Warranty Claims	**Others**	**Total**
Balances at beginning of year	**₱84,990,276**	**₱193,741,000**	**₱278,731,276**
Provisions (Notes 15 and 16)	**71,419,594**	**54,711,380**	**126,130,974**
Claims/usage/reclassifications	**(51,557,570)**	**(50,610,010)**	**(102,167,580)**
Balances at end of year	**₱104,852,300**	**₱197,842,370**	**₱302,694,670**

	2016		
	Warranty Claims	Others	Total
Balances at beginning of year	₱57,834,600	₱101,341,000	₱159,175,600
Provisions (Notes 15 and 16)	59,477,000	104,660,525	164,137,525
Claims/usage/reclassifications	(32,321,324)	(12,260,525)	(44,581,849)
Balances at end of year	₱84,990,276	₱193,741,000	₱278,731,276

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:

	2017	2016
Retirement liability under defined benefit plan	**₱28,408,279**	₱152,203,017
Others	**10,870,335**	12,199,566
	₱39,278,614	₱164,402,583

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:

	2017	2016
Discount rate		
Beginning	**5.0%**	4.6%
Ending	**5.1%**	5.0%
Salary increase rate		
Beginning	**5.0%**	5.0%
Ending	**5.0%**	5.0%
Average expected future service years	**8.3**	8.9

Changes in retirement liability under defined plan in 2017 and 2016 are as follows:

	2017		
	Present value of defined benefit obligation	**Fair value of plan assets**	**Net defined benefit liability**
Balances at beginning of year	**₱438,481,616**	**(₱286,278,599)**	**₱152,203,017**
Net benefit cost in statement of comprehensive income (Note 17)			
Current service cost	**22,084,640**	**–**	**22,084,640**
Net interest cost	**21,924,081**	**(14,313,930)**	**7,610,151**
	44,008,721	**(14,313,930)**	**29,694,791**
	482,490,337	**(300,592,529)**	**181,897,808**
Actual Contributions	**–**	**(100,000,000)**	**(100,000,000)**
Benefits paid	**(9,382,046)**	**9,382,046**	**–**
Remeasurements in other comprehensive income			
Experience adjustments	**3,641,109**	**–**	**3,641,109**
Actuarial changes arising from changes in financial assumptions	**(3,765,073)**	**–**	**(3,765,073)**
Return on plan assets	**–**	**(53,365,565)**	**(53,365,565)**
	(123,964)	**(53,365,565)**	**(53,489,529)**
Balances at end of year	**₱472,984,327**	**(₱444,576,048)**	**₱28,408,279**

	2016		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Balances at beginning of year	₱427,618,684	(₱182,100,374)	₱245,518,310
Net benefit cost in statement of comprehensive income (Note 17)			
Current service cost	21,828,820	–	21,828,820
Net interest cost	19,670,459	(8,376,617)	11,293,842
	41,499,279	(8,376,617)	33,122,662
	469,117,963	(190,476,991)	278,640,972
Actual Contributions	–	(100,000,000)	(100,000,000)
Benefits paid	(20,243,671)	20,243,671	–
Remeasurements in other comprehensive income			
Experience adjustments	4,901,522	–	4,901,522
Actuarial changes arising from changes in financial assumptions	(15,294,198)	–	(15,294,198)
Return on plan assets	–	(16,045,279)	(16,045,279)
	(10,392,676)	(16,045,279)	(26,437,955)
Balances at end of year	₱438,481,616	(₱286,278,599)	₱152,203,017

Changes in other retirement liability in 2017 and 2016 are as follows:

	Present value of defined benefit obligation	
	2017	2016
Balances at beginning of year	**₱12,199,566**	₱13,569,663
Net benefit cost in statement of comprehensive income (Note 17)		
Current service cost	**840,350**	905,098
Net interest cost	**609,978**	624,205
	1,450,328	1,529,303
	13,649,894	15,098,966
Benefits paid	**(1,444,531)**	(620,195)
Remeasurements in other comprehensive income		
Experience adjustments	**(1,290,960)**	(2,088,108)
Actuarial changes arising from changes in financial assumptions	**(44,068)**	(191,097)
	(1,335,028)	(2,279,205)
Balances at end of year	**₱10,870,335**	₱12,199,566

Other long-term employee benefits

Other long-term employee benefits pertain to accumulated sick leaves and vacation leaves. Based on the 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:

	2017	2016
Discount rate		
Beginning	**4.9%**	4.5%
Ending	**5.0%**	4.9%
Salary increase rate		
Beginning	**5.0%**	5.0%
Ending	**5.0%**	5.0%
Average expected future service years	**8.3**	8.9
Average accumulated sick leaves	**35.5**	38.8
Average accumulated vacation leaves	**8.9**	8.4

Other long-term employee benefits incurred in 2017, 2016 and 2015 amounted to ₱2.6 million, ₱3.0 million and ₱2.8 million presented under 'Salaries, wages and employee benefits' in the 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, 2017.

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, 2017 and 2016, assuming all other assumptions were held constant:

	Increase/ (decrease)	**2017**	2016
Discount rates	(+1.0%)	**₱448,056,424**	₱415,044,082
	(-1.0%)	**524,012,646**	490,849,740
Future salary increases	(+1.0%)	**523,651,486**	490,447,438
	(-1.0%)	**447,698,922**	414,721,318

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

	2017	2016
Less than 1 year	**₱41,059,591**	₱23,057,505
More than 1 years to 5 years	**171,006,061**	152,461,412
More than 5 years to 10 years	**415,966,451**	384,177,276
More than 10 years to 15 years	**322,496,446**	349,123,406
More than 15 years to 20 years	**122,805,897**	148,120,885

The average duration of the defined benefit obligation at the end of the reporting period is 9.6 years. The Parent Company expects to contribute ₱38.8 million to the defined benefit plan in 2018.

The major categories of plan assets as a percentage of the fair value of the total plan assets are as follows:

	2017	2016
Cash and cash equivalents	**24.0%**	3.4%
Loans and receivables	**12.7%**	19.6%
Investments	**63.3%**	77.0%
Total	**100%**	100.0%

12. Capital Stock

Details of capital stock as of March 31, 2017 and 2016 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, 2017 and 2016, 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 March 31, 2017 and 2016 the total number of shares registered under the SRC is 84,723,432 shares being held by 448 stockholders.

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, 2017 and 2016:

	2017	2016
Capital stock	**₱422,718,020**	₱422,718,020
Additional paid-in capital	**4,779,762**	4,779,762
Other comprehensive income	**(71,836,545)**	(110,213,735)
Retained earnings		
Appropriated	**3,427,400,000**	3,192,400,000
Unappropriated	**416,088,354**	412,656,717
	₱4,199,149,591	₱3,922,340,764

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 ₱296.0 million, ₱84.5 million and ₱42.3 million in 2017, 2016 and 2015, 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, 2017, 2016 and 2015, 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, 2017 and 2016 amounted to ₱210.4 million and ₱267.6 million, respectively.

In 2017 and 2016, the consolidated retained earnings include the retained earnings of PERC amounting to ₱42.4 million which are not available for dividend declaration.

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

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

d. On March 19, 2015, the Parent Company's BOD authorized and directed the reversal of the appropriated retained earnings amounting to ₱210.9 million and set up of new appropriated retained earnings amounting to ₱310.9 million. The ₱210.9 million appropriation has been utilized for various projects of the Parent Company relating to the completion of buildings and machines, replacement and upgrading of old machines, molds and dies, plans to change the Parent Company's Information Technology (IT) System and other future projects of the Parent Company.

The ₱310.9 million additional appropriations represent appropriations for future projects and for activities intended to boost the business-to-business (B2B) sales as growth engine. These projects are expected to be completed starting 2016 onwards.

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

	2017	2016	2015
March 31, 2017, 70.0% cash dividends to stockholders of record as of April 18, 2017 payable on May 10, 2017 (₱0.70 per share)	**₱295,902,614**	₱–	₱–
March 22, 2016, 20.0% cash dividends to stockholders of record as of April 7, 2016 payable on April 26, 2016 (₱0.20 per share)	–	84,543,604	–
March 19, 2015, 10.0% cash dividends to stockholders of record as of April 7, 2015 paid on May 4, 2015 (₱0.10 per share)	–	–	42,271,802
	₱295,902,614	₱84,543,604	₱42,271,802

14. Cost of Goods Sold

This account consists of:

	2017	2016	2015
Direct materials	**₱4,002,637,500**	₱3,302,021,488	₱2,902,251,432
Direct labor (Note 17)	**158,298,436**	131,510,624	106,370,509
Manufacturing overhead:			
Indirect labor (Note 17)	**173,742,023**	150,422,231	139,097,739
Depreciation and amortization (Note 18)	**124,331,449**	126,607,179	160,353,615
Electricity, gas and water	**41,606,217**	34,770,245	37,180,432
Repairs and maintenance	**30,467,946**	35,265,985	27,395,817
Research and development	**23,147,498**	48,950,506	15,784,789
Indirect materials	**22,228,502**	17,898,010	18,363,720
Supplies	**15,628,382**	11,442,945	13,330,000
Travel	**13,643,115**	12,025,035	11,772,484
Insurance	**8,640,286**	8,161,089	8,139,019
Taxes and dues	**3,687,502**	3,375,083	5,028,450
Provision for inventory write-down (Note 6)	**2,272,167**	2,719,803	43,291,331
Others (Note 19)	**22,948,933**	13,951,454	6,574,856
Total manufacturing overhead	**482,344,020**	465,589,565	486,312,252
Total manufacturing costs	**4,643,279,956**	3,899,121,677	3,494,934,193
Goods in process (Note 6):			
Beginning of year	**18,688,984**	7,604,847	4,388,285
End of year	**(12,284,449)**	(18,688,984)	(7,604,847)
Cost of goods manufactured	**4,649,684,491**	3,888,037,540	3,491,717,631
Finished goods and merchandise (Note 6):			
Beginning of year	**438,618,194**	451,686,900	410,403,248
Purchases	**3,090,481,585**	2,373,606,696	1,758,430,014
Provision for inventory write-down	**20,944,700**	46,111,286	62,906,188
End of year	**(692,840,872)**	(438,618,194)	(451,686,900)
	₱7,506,888,098	₱6,320,824,228	₱5,271,770,181

15. Selling Expenses

This account consists of:

	2017	2016	2015
Freight	**₱424,713,447**	₱317,953,857	₱260,561,578
Sales promotions	**395,657,236**	283,615,405	370,894,037
Advertising and commissions	**151,008,009**	95,657,989	46,558,642
Provision for warranty claims (Note 11)	**71,419,594**	59,477,000	42,619,341
	₱1,042,798,286	₱756,704,251	₱720,633,598

16. General and Administrative Expenses

This account consists of:

	2017	2016	2015
Salaries, wages and employees benefits (Note 17)	**₱293,874,887**	₱292,478,416	₱228,903,729
Technical assistance fees (Note 22)	**171,371,146**	138,719,105	117,537,813
Brand license fees (Note 22)	**66,162,508**	43,686,057	36,502,094
Provision for other estimated liabilities (Note 11)	**54,711,380**	104,660,525	6,785,983
Repairs and maintenance	**42,153,841**	22,294,157	26,198,110
Depreciation and amortization (Note 18)	**34,149,932**	30,660,448	31,208,981
Taxes and dues	**33,894,449**	28,169,316	23,968,002
Travel	**30,942,233**	30,670,689	29,945,467
Outsourcing	**29,398,293**	14,519,146	10,507,410
Rent (Note 21)	**23,031,643**	21,641,538	14,882,001
Communication	**18,739,760**	13,933,728	13,841,820
Insurance	**13,757,171**	5,940,825	15,363,618
Allocated costs	**12,269,915**	9,656,692	7,054,032
Freight and storage	**9,508,697**	7,883,691	6,625,270
Supplies	**9,259,797**	8,681,130	7,679,192
Electricity, gas and water	**7,118,685**	8,565,628	8,459,973
Provision for credit losses (Note 5)	**–**	7,291,693	–
Provision for impairment losses	**–**	–	5,000,000
Others (Note 19)	**42,422,401**	37,438,606	30,563,583
	₱892,766,738	₱826,891,390	₱621,027,078

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

17. Salaries, Wages and Employee Benefits

This account consists of:

	2017	2016	2015
Compensation	**₱500,263,756**	₱429,754,194	₱362,722,590
Other employee benefits (Note 11)	**94,506,471**	110,005,112	84,038,853
Net retirement benefit expense (Note 11)	**31,145,119**	34,651,965	27,610,534
	₱625,915,346	₱574,411,271	₱474,371,977

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

	2017	2016	2015
Cost of goods sold (Note 14)	**₱332,040,459**	₱281,932,855	₱245,468,248
General and administrative expenses (Note 16)	**293,874,887**	292,478,416	228,903,729
	₱625,915,346	₱574,411,271	₱474,371,977

18. Depreciation and Amortization

Details of depreciation and amortization follow:

	2017	2016	2015
Property, plant and equipment (Note 7)	**₱150,861,840**	₱150,230,497	₱183,883,449
Investment properties (Note 8)	**5,229,064**	5,064,398	4,662,147
Software (Note 9)	**2,390,477**	1,972,732	3,017,000
	₱158,481,381	₱157,267,627	₱191,562,596
Cost of goods sold (Note 14)	**₱124,331,449**	₱126,607,179	₱160,353,615
General and administrative expenses (Note 16)	**34,149,932**	30,660,448	31,208,981
	₱158,481,381	₱157,267,627	₱191,562,596

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:

	2017	2016	2015
General and administrative expenses (Note 16)	**₱61,808**	₱198,446	₱123,914
Cost of goods sold (Note 14)	**–**	15,283	–
	₱61,808	₱213,729	₱123,914

20. Other Income - net

This account consists of:

	2017	2016	2015
Interest income (Note 4)	**₱55,478,130**	₱35,586,781	₱26,249,465
Service income (Note 22)	**43,382,598**	55,455,991	56,070,948
Rent income (Notes 8 and 22)	**24,961,148**	27,741,133	26,702,604
Foreign currency exchange gain (loss) (Notes 4, 5 and 10)	**(15,141,954)**	(16,322,862)	939,040
Income from scrap sales	**10,771,195**	7,068,299	5,978,218
Recovery of allowance for credit and impairment losses (Notes 5 and 9)	**1,793,902**	55,000,000	1,300,000
Gain (loss) on disposal/ retirement of property, plant and equipment and software (Notes 7 and 9)	**(789,590)**	9,564	(573,543)
Miscellaneous	**14,930,793**	15,232,939	287,231
	₱135,386,222	₱179,771,845	₱116,953,963

21. Lease Agreements

Finance lease - as lessee
The Parent Company leases certain motor vehicles with terms of three years. At the end of the lease term, the title to the property passes to the Parent Company. The Parent Company is required to pay the monthly principal and interest amounts specified in the lease agreements.

Total principal and interest payments amounted to ₱2.3 million, ₱4.1 million, and ₱3.5 million in 2017, 2016 and 2015, respectively.

The future minimum lease payable as of March 31 under these lease agreements follow:

	2017		2016	
	Minimum payments	**Present value of payments**	Minimum payments	Present value of payments
Within one year	**₱2,484,194**	**₱2,305,343**	₱3,188,669	₱2,752,606
After one year but not more than five years	**469,762**	**450,503**	2,521,955	2,323,846
Total minimum lease payments	**2,953,956**	**2,755,846**	5,710,624	5,076,452
Less amounts representing finance charges	**(198,110)**	**–**	(634,172)	–
Present value of minimum lease payments	**₱2,755,846**	**₱2,755,846**	₱5,076,452	₱5,076,452

Operating lease - as lessor
The Parent Company has an operating lease agreement on its building and building improvements with PPRDPH. In 2016, the contract for a period of two (2) years commencing March 1, 2014 to February 29, 2016 has been extended for additional two (2) years commencing on March 1, 2016 to February 28, 2018 and shall automatically be renewed unless terminated by either party upon servicing of at least three (3) years (see Note 22).

The future minimum lease receivables under this non-cancellable operating lease follow:

	2017	2016
Within one year	**₱18,748,657**	₱25,368,473
After one year but not more than five years	**–**	18,748,657
	₱18,748,657	₱44,117,130

Operating lease - as lessee
The Parent Company entered into cancellable operating leases of condominium units for its officers ranging from 1 year to 5 years renewable under certain terms and conditions. In 2017, 2016 and 2015, total rental expense from the lease of condominium units amounted to ₱23.0 million, ₱21.6 million and ₱14.9 million, respectively (see Note 16).

22. 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:

- Panasonic Appliances
- Panasonic Appliances Cold Chain (Thailand) Co., Ltd.
- Panasonic Asia Pacific Pte. Ltd.
- Panasonic Australia Pty, Ltd.
- Panasonic AVC Networks Kuala Lumpur Malaysia Sdn. Bhd.
- Panasonic Commercial Equipment Systems Co., Ltd.
- Panasonic Consumer Marketing Asia Pacific
- Panasonic Corporation
- Panasonic Eco Solutions Asia Pacific
- Panasonic Ecology Systems
- Panasonic Ecology Systems (Hong Kong)
- Panasonic Ecology Systems (Thailand)
- Panasonic Factory Solutions Asia Pacific
- Panasonic Hong Kong Co. Ltd.
- Panasonic Industrial Devices Automation Control Sales Asia Pacific
- Panasonic Industrial Devices Materials Singapore Pte. Ltd.
- Panasonic Industrial Devices Sales (M) Sdn. Bhd.
- Panasonic Logistics Asia Pacific
- Panasonic Malaysia Sdn. Bhd.
- Panasonic Management Malaysia Sdn. Bhd.
- Panasonic Manufacturing Ayuthaya Co., Ltd.
- Panasonic Manufacturing Indonesia Eco System Division
- Panasonic Manufacturing U.K. Ltd.
- Panasonic New Zealand Ltd.
- Panasonic Precision Devices Philippines Corporation
- Panasonic Procurement (China) Co., Ltd.
- Panasonic Procurement Asia Pacific
- Panasonic Procurement Malaysia Sdn. Bhd.
- Panasonic Singapore
- Panasonic System Networks Co., Ltd.
- Panasonic System Solutions Asia Pacific
- Panasonic Systems Asia Pacific
- Panasonic Systems Communications Company of Asia Pacific
- Panasonic Taiwan Co., Ltd.
- PT. Panasonic Gobel Energy Indonesia
- PT. Panasonic Manufacturing Indonesia

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.

	2017		
	Nature, terms and conditions	**Amount/ Volume**	**Outstanding Balance**
Ultimate Parent Company			
Non-trade receivables	Related to promo support, 30-day term, non-interest bearing, unsecured	**(₱1,027,098)**	**₱608,710**
	Related to expenses incurred in Corporate Social Responsibility activities, 30-day term, non-interest bearing, unsecured	**(920,942)**	**729,109**
Trade payable	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	**(1,934,625)**	**490,698**
Non-trade payables	Related to brand license fees payable equivalent to 1.0% of the sales price of the products bearing the brand "KDK" and "Panasonic", non-interest bearing, payable semi-annually, unsecured	**12,872,179**	**32,556,935**
	Related to technical assistance fees payable equivalent to 3.0% of selected products, non-interest bearing, payable semi-annually, unsecured	**7,690,220**	**68,781,732**
Dividends payable	Dividends declared by the Parent Company	**168,997,294**	**236,596,212**
Accrued expenses	Related to compensation and welfare expenses of certain employees, payable quarterly, non-interest bearing, unsecured	**539,108**	**7,330,523**
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	**615,778**	**1,474,107**
	Accrued expenses related to export sales of the ACD (e.g. sales promo, after sales service)	**(603,255)**	**1,292,199**
	Related to certain expenses paid in behalf of the Company, 30-day term, non-interest bearing, unsecured	**1,551,316**	**1,551,316**
	Related to training fees incurred, non-interest bearing, unsecured	**(586,420)**	**–**
Technical assistance fees	Related to technical assistance fees incurred equivalent to 3.0% of selected products	**171,371,146**	**–**
Brand license fees	Related to brand license fees incurred equivalent to 1.0% of the sales price of the products bearing the brand "KDK" and "Panasonic"	**66,162,508**	**–**
Affiliates			
Trade receivables	Sale of airconditioner units products, 30-day term, non-interest bearing, unsecured, no impairment	**(63,158,439)**	**117,143,052**
Non-trade receivables	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	**8,156,585**	**8,156,585**

(Forward)

		2017	
	Nature, terms and conditions	**Amount/ Volume**	**Outstanding Balance**
	Related to electricity consumption charged by the Parent Company to a lessee-affiliate, 30-day term, non-interest bearing, unsecured, no impairment	**(₱3,671,627)**	**₱–**
	Related to promo support, 30-day term, non-interest bearing, unsecured, no impairment	**10,742,536**	**48,635,409**
	Related to commission income, 30-day term, non-interest bearing, unsecured	**(7,619,083)**	**–**
	Related to certain expenses paid in behalf of affiliates, 30-day term, non-interest bearing, unsecured, no impairment	**(2,996,942)**	**3,477,216**
Trade payable	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	**76,625,293**	**400,068,304**
Accrued expenses	Related to expenses payable for management fee, 30-day term, non-interest bearing, unsecured	**(2,375,212)**	**–**
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	**292,561**	**292,561**
	Accrued expenses related to product development cost of Aircon	**4,490,059**	**4,490,059**
Rent income	Related to rental income on investment properties, 30-day term, non-interest bearing, unsecured, no impairment	**24,961,148**	**–**
Service income	Related to service income earned from rendering services in the form of general advice and assistance fees	**43,382,598**	**–**

		2016	
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
Ultimate Parent Company			
Non-trade receivables	Related to promo support, 30-day term, non-interest bearing, unsecured	(₱3,256,075)	₱1,635,808
	Related to expenses incurred in Corporate Social Responsibility activities, 30-day term, non-interest bearing, unsecured	1,254,258	1,650,051
Trade payable	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	2,102,890	2,425,323
Non-trade payables	Related to brand license fees payable equivalent to 1.0% of the sales price of the products bearing the brand "KDK" and "Panasonic", non-interest bearing, payable semi-annually, unsecured	4,493,351	19,684,756
	Related to technical assistance fees payable equivalent to 3.0% of selected products, non-interest bearing, payable semi-annually, unsecured	12,978,597	61,091,512
Dividends payable	Dividends declared by the Parent Company	33,799,460	67,598,918

(Forward)

		2016	
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
Accrued expenses	Related to compensation and welfare expenses of certain employees, payable quarterly, non-interest bearing, unsecured	₱1,499,766	₱6,791,415
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	(2,978,514)	858,329
	Accrued expenses related to export sales of the ACD (e.g. sales promo, after sales service)	437,813	1,895,454
	Related to certain expenses paid in behalf of the Company, 30-day term, non-interest bearing, unsecured	(579,447)	–
	Related to training fees incurred, non-interest bearing, unsecured	81,513	586,420
Technical assistance fees	Related to technical assistance fees incurred equivalent to 3.0% of selected products	138,719,105	–
Brand license fees	Related to brand license fees incurred equivalent to 1.0% of the sales price of the products bearing the brand "KDK" and "Panasonic"	43,686,057	–
Affiliates			
Trade receivables	Sale of airconditioner units products, 30-day term, non-interest bearing, unsecured, no impairment	57,393,536	180,301,491
Non-trade receivables	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	(5,582,031)	–
	Related to electricity consumption charged by the Parent Company to a lessee-affiliate, 30-day term, non-interest bearing, unsecured, no impairment	(2,059,079)	3,671,627
	Related to promo support, 30-day term, non-interest bearing, unsecured, no impairment	30,553,993	37,892,873
	Related to commission income, 30-day term, non-interest bearing, unsecured	7,619,083	7,619,083
	Related to certain expenses paid in behalf of affiliates, 30-day term, non-interest bearing, unsecured, no impairment	1,504,021	6,474,158
Trade payable	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	103,768,778	323,443,011
Accrued expenses	Related to expenses payable for management fee, 30-day term, non-interest bearing, unsecured	1,968,803	2,375,212
	Related to allocated costs charged to the Company for certain services, 30-day term, non-interest bearing, unsecured	(4,789,888)	–
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	–	–

(Forward)

	2016		
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
	Accrued expenses related to product development cost of Aircon	₱–	₱–
Rent income	Related to rental income on investment properties, 30-day term, non-interest bearing, unsecured, no impairment	27,741,133	–
Service income	Related to service income earned from rendering services in the form of general advice and assistance fees	55,455,991	–

	2015		
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
Ultimate Parent Company			
Non-trade receivables	Related to promo support, 30-day term, non-interest bearing, unsecured	₱548,670	₱4,891,883
	Related to expenses incurred in Corporate Social Responsibility activities, 30-day term, non-interest bearing, unsecured	395,793	395,793
Trade payable	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	(1,625,619)	322,433
Non-trade payables	Related to brand license fees payable equivalent to 1.0% of the sales price of the products bearing the brand "KDK" and "Panasonic", non-interest bearing, payable semi-annually, unsecured	(5,620,870)	15,191,405
	Related to technical assistance fees payable equivalent to 3.0% of selected products, non-interest bearing, payable semi-annually, unsecured	3,438,987	48,112,915
Dividends payable	Dividends declared by the Parent Company	–	33,799,458
Accrued expenses	Related to compensation and welfare expenses of certain employees, payable quarterly, non-interest bearing, unsecured	(4,642,298)	5,291,649
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	2,389,113	3,836,843
	Accrued expenses related to export sales of the ACD (e.g. sales promo, after sales service)	(4,132,984)	1,457,641
	Related to certain expenses paid in behalf of the Company, 30-day term, non-interest bearing, unsecured	579,447	579,447
	Related to training fees incurred, non-interest bearing, unsecured	504,907	504,907
Technical assistance fees	Related to technical assistance fees incurred equivalent to 3.0% of selected products	117,537,813	–
Brand license fees	Related to brand license fees incurred equivalent to 1.0% of the sales price of the products bearing the brand "KDK" and "Panasonic"	36,502,094	–

(Forward)

	2015		
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
Affiliates			
Trade receivables	Sale of airconditioner units products, 30-day term, non-interest bearing, unsecured, no impairment	(₱32,337,165)	₱122,907,955
Non-trade receivables	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	(622,008)	5,582,031
	Related to electricity consumption charged by the Parent Company to a lessee-affiliate, 30-day term, non-interest bearing, unsecured, no impairment	(69,624)	5,730,706
	Related to promo support, 30-day term, non-interest bearing, unsecured, no impairment	4,322,268	7,338,880
	Related to commission income, 30-day term, non-interest bearing, unsecured	–	–
	Related to certain expenses paid in behalf of affiliates, 30-day term, non-interest bearing, unsecured, no impairment	4,383,293	4,970,137
Trade payable	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	30,157,464	219,674,233
Accrued expenses	Related to expenses payable for management fee, 30-day term, non-interest bearing, unsecured	111,324	406,409
	Related to allocated costs charged to the Company for certain services, 30-day term, non-interest bearing, unsecured	(1,027,906)	4,789,888
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	–	–
	Accrued expenses related to product development cost of Aircon	–	–
Rent income	Related to rental income on investment properties, 30-day term, non-interest bearing, unsecured, no impairment	26,702,604	–
Service income	Related to service income earned from rendering services in the form of general advice and assistance fees	56,070,948	–

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, 2017 and 2016 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 2017, 2016 and 2015, 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, 2017 and 2016, respectively. 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, 2017 and 2016, 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, ₱28.9 million and ₱26.8 million and ₱28.9 million and ₱25.6 million in 2017, 2016 and 2015, respectively. 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:

	2017	2016	2015
Short-term employee benefits	**₱59,193,958**	₱72,389,297	₱46,303,571
Post-employment benefits	**4,635,894**	5,237,935	3,740,807
	₱63,829,852	₱77,627,232	₱50,044,378

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 60.0% interest in the subsidiary of the Parent Company amounting to ₱58.3 million and 5.1% interest in the Parent Company amounting to ₱148.5 million and ₱105.8 million as of March 31, 2017 and 2016, respectively.

The fair value of the net plan assets of the fund by each classes as at the end of the reporting period are as follows:

	2017	2016
ASSETS		
Cash and cash equivalents	**₱106,493,130**	₱9,710,047
Loans and receivables	**56,459,479**	56,014,762
Investments	**281,623,439**	220,553,790
	₱444,576,048	₱286,278,599

As of March 31, 2017 and 2016, certain loans and receivables amounting to ₱56.5 million and ₱56.0 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 pertain to equity instruments which have quoted market

prices except for the investment in PERC amounting to ₱58.3 million and investment properties pertaining to a parcel of land held for capital appreciation amounting to ₱7.8 million.

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, 2017 and 2016.

23. 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.

24. Income Taxes

The provision for income tax consists of:

	2017	2016	2015
Current			
RCIT	**₱111,283,852**	₱135,656,305	₱43,963,563
Gross income tax (GIT)	**20,091,697**	13,061,697	10,409,196
	₱131,375,549	₱148,718,002	₱54,372,759

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:

	2017	2016	2015
Income tax at statutory income tax rate	**₱200,163,028**	₱119,908,042	₱65,084,479
Additions to (reductions in) income taxes resulting from:			
Income from PEZA registered activities	**(43,066,554)**	(21,231,574)	(14,741,500)
Non-deductible expenses (non-taxable income)	**(13,012,595)**	16,133,589	14,036,567
Income subjected to final tax	**(11,258,169)**	(8,617,431)	(7,874,839)
Movement in unrecognized deferred tax assets	**(1,450,161)**	42,525,376	(2,131,948)
	₱131,375,549	₱148,718,002	₱54,372,759

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

	2017	2016
Deferred tax assets:		
Provisions for estimated liabilities and other accruals	**₱61,259,897**	₱14,348,585
Unamortized past service cost	**43,906,684**	29,507,917
Allowance for inventory losses	**20,370,000**	30,353,679
Retirement liability	**19,170,794**	56,249,311
Allowance for credit and probable losses	**9,382,110**	14,615,908
Unrealized foreign currency exchange loss - net	**–**	4,460,241
	₱154,089,485	₱149,535,641
Deferred tax liabilities:		
Net book value of replacement and burned property, plant and equipment	**₱10,516,997**	₱8,561,253
Unrealized foreign currency exchange gain - net	**2,598,100**	–
	13,115,097	8,561,253
	₱140,974,388	₱140,974,388

The Group did not recognize deferred tax assets on temporary differences related to provisions for estimated liabilities and other accruals amounting to ₱24.1 million and ₱19.3 million as of March 31, 2017 and 2016, respectively.

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 ₱13.7 million and ₱16.0 million in 2017 and 2016, respectively.

As of March 31, 2017, the Group has no excess MCIT over RCIT and NOLCO that can be credited against regular corporate income tax.

25. 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.

26. 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:

	2017	2016	2015
Net income attributable to the equity holders of the Parent Company (a)	**₱534,334,251**	₱254,111,531	₱164,644,760
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)	**₱1.26**	₱0.60	₱0.39

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.

27. Reporting Segments

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

Products under each business segment are as follows:

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

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

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

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

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

	2017				
	GCMS	**SNC**	**Others**	**Adjustments/ Eliminations**	**Total**
Statement of Comprehensive Income					
Net sales	**₱9,313,903**	**₱512,848**	**₱147,526**	**₱–**	**₱9,974,277**
Cost of goods sold (Note 14)	**(6,921,889)**	**(414,769)**	**(170,230)**	**–**	**(7,506,888)**
Selling expenses (Note 15)	**(1,105,504)**	**(54,112)**	**116,818**	**–**	**(1,042,798)**
General and administrative expenses (Note 16)	**(756,381)**	**(43,646)**	**(92,740)**	**–**	**(892,767)**
Other income - net (Note 20)	**122,383**	**5,464**	**7,539**	**–**	**135,386**
	₱652,512	**₱5,785**	**₱8,913**	**₱–**	**₱667,210**
Statement of Financial Position					
Segment assets	**₱3,826,684**	**₱277,305**	**₱2,432,663**	**₱140,974[1]**	**₱6,677,626**
Segment liabilities	**2,007,333**	**86,193**	**312,142**	**2,153[2]**	**2,407,821**
Other Segment Information					
Capital expenditures[3] (Notes 7, 8 and 9)	**₱126,254**	**₱712**	**₱45,435**	**₱–**	**₱172,401**
Depreciation and amortization[4] (Note 18)	**109,070**	**2,798**	**46,613**	**–**	**158,481**
Interest income[5] (Note 20)	**–**	**–**	**55,478**	**–**	**55,478**

1. *Segment assets do not include deferred tax assets amounting to ₱141.0 million.*
2. *Segment liabilities do not include income tax payable amounting to ₱2.2 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.*

	2016				
	GCMS	SNC	Others	Adjustments/ Eliminations	Total
Statement of Comprehensive Income					
Net sales	₱7,657,396	₱356,722	₱110,223	₱–	₱8,124,341
Cost of goods sold (Note 14)	(5,905,040)	(293,464)	(122,320)	–	(6,320,824)
Selling expenses (Note 15)	(779,043)	(20,346)	42,685	–	(756,704)
General and administrative expenses (Note 16)	(747,885)	(44,918)	(34,088)	–	(826,891)
Other income - net (Note 20)	168,190	5,841	5,741	–	179,772
	₱393,618	₱3,835	₱2,241	₱–	₱399,694
Statement of Financial Position					
Segment assets	₱3,500,013	₱241,704	₱2,104,066	₱140,974[1]	₱5,986,757
Segment liabilities	1,686,927	66,206	228,976	13,151[2]	1,995,260
Other Segment Information					
Capital expenditures[3] (Notes 7, 8 and 9)	₱71,041	₱401	₱25,565	₱–	₱97,007
Depreciation and amortization[4] (Note 18)	108,235	2,777	46,256	–	157,268
Interest income[5] (Note 20)	–	–	35,587	–	35,587

1. *Segment assets do not include deferred tax assets amounting to ₱141.0 million.*
2. *Segment liabilities do not include income tax payable amounting to ₱13.2 million.*
3. *Capital expenditures include acquisition of property, plant and equipment, investment properties 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.*

	2015				
	GCMS	SNC	Others	Adjustments/ Eliminations	Total
Statement of Comprehensive Income					
Net sales	₱6,325,441	₱311,045	₱76,939	₱–	₱6,713,425
Cost of goods sold (Note 14)	(4,903,075)	(258,786)	(109,909)	–	(5,271,770)
Selling expenses (Note 15)	(676,736)	(21,419)	(22,479)	–	(720,634)
General and administrative expenses (Note 16)	(569,100)	(28,655)	(23,272)	–	(621,027)
Other income - net (Note 20)	53,532	930	62,492	–	116,954
	₱230,062	₱3,115	(₱16,229)	₱–	₱216,948
Statement of Financial Position					
Segment assets	₱2,963,836	₱217,303	₱2,123,435	₱149,948[1]	₱5,454,522
Segment liabilities	1,254,789	39,450	355,154	1,001[2]	1,650,394
Other Segment Information					
Capital expenditures[3] (Notes 8, 9 and 10)	₱85,946	₱7,594	₱112,729	₱–	₱206,269
Depreciation and amortization[4] (Note 18)	142,574	1,470	47,519	–	191,563
Interest income[5] (Note 20)	–	–	26,249	–	26,249

1. *Segment assets do not include deferred tax assets amounting to ₱150.0 million.*
2. *Segment liabilities do not include income tax payable amounting to ₱1.0 million.*
3. *Capital expenditures include acquisition of property, plant and equipment, investment properties 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 tables below show the revenue information of the Parent Company based on the location of the customer (in thousands):

	2017	2016	2015
Philippines	**₱9,099,559**	₱7,238,197	₱5,935,855
Hongkong	**841,527**	853,409	768,971
Africa	**33,191**	32,735	8,599
Total revenue	**₱9,974,277**	₱8,124,341	₱6,713,425

The Parent Company has two customers each representing 10.0% or more of the Parent Company's total revenue amounting to ₱2.9 billion in 2017 and ₱1.9 billion in 2016.

28. 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 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.

The tables below summarize the maturity profile of the financial assets and liabilities, based on the contractual undiscounted payments as of March 31:

	2017				
	Less than 30 days	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**Total**
Financial Assets					
Cash and cash equivalents	**₱846,839,192**	**₱2,744,719,196**	**₱–**	**₱–**	**₱3,591,558,388**
Receivables					
Trade					
Domestic	**833,486,838**	–	–	–	**833,486,838**
Export	**117,143,052**	–	–	–	**117,143,052**
Non-trade	**96,874,520**	**1,995,733**	–	–	**98,870,253**
	1,894,343,602	**2,746,714,929**	–	–	**4,641,058,531**
AFS investments	–	–	–	**2,341,458**	**2,341,458**
Other assets	**356,360**	–	–	**15,182,345**	**15,538,705**
	1,894,699,962	**2,746,714,929**	–	**17,523,803**	**4,658,938,694**
Financial Liabilities					
Accounts payable and accrued expenses*	**1,554,194,701**	**76,014,511**	**390,373,001**	–	**2,020,582,213**
Finance lease liability	**546,891**	**521,982**	**1,415,321**	**469,762**	**2,953,956**
	1,554,741,592	**76,536,493**	**391,788,322**	**469,762**	**2,023,536,169**
	₱339,958,370	**₱2,670,178,436**	**(₱391,788,322)**	**₱17,054,041**	**₱2,635,402,525**

**Excludes statutory liabilities amounting to ₱15,732,699.*

	2016				
	Less than 30 days	1 to 3 months	3 to 12 months	1 to 5 years	Total
Financial Assets					
Cash and cash equivalents	₱1,663,733,500	₱1,630,800,783	₱–	₱–	₱3,294,534,283
Receivables					
Trade					
Domestic	757,418,759	–	–	–	757,418,759
Export	180,301,491	–	–	–	180,301,491
Non-trade	95,587,642	3,903,043	750,869	710,162	100,951,716
	2,697,041,392	1,634,703,826	750,869	710,162	4,333,206,249
AFS investments	–	–	–	2,341,458	2,341,458
Other assets	508,792	–	–	16,518,326	17,027,118
	2,697,550,184	1,634,703,826	750,869	19,569,946	4,352,574,825
Financial Liabilities					
Accounts payable and accrued expenses	1,170,201,590	51,032,589	262,078,187	–	1,483,312,366
Finance lease liability	213,896	830,359	2,144,414	2,521,955	5,710,624
	1,170,415,486	51,862,948	264,222,601	2,521,955	1,489,022,990
	₱1,527,134,698	₱1,582,840,878	(₱263,471,732)	₱17,047,991	₱2,863,551,835

**Excludes statutory liabilities amounting to ₱27,491,227.*

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, 2017 and 2016, the foreign currency-denominated financial assets and financial liabilities in original currencies and their Philippine Peso (PHP) equivalents are as follows:

	2017		
	USD	**JPY**	**Equivalents in PHP**
Financial assets			
Cash and cash equivalents	**814,418**	**162,018,566**	**113,532,723**
Receivables	**2,648,991**	**3,835,336**	**134,593,927**
	3,463,409	**165,853,902**	**248,126,650**
Financial liabilities			
Accounts payable and accrued expenses	**11,477,278**	**4,916,523**	**577,905,812**

	2016		
	USD	JPY	Equivalents in PHP
Financial assets			
Cash and cash equivalents	9,109,577	70,122,401	448,435,411
Receivables	4,433,208	843,327	204,583,746
	13,542,785	70,965,728	653,019,157
Financial liabilities			
Accounts payable and accrued expenses	3,861,200	6,707,432	180,636,196

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
2017	**+8%**	**29,775,976**
	-8%	**(34,954,406)**
2016	+8%	(33,039,306)
	-8%	38,785,273

	Increase/ decrease in JPY rate	Effect on income before tax
2017	**+7%**	**(4,723,136)**
	-7%	**5,434,146**
2016	+7%	(1,723,984)
	-7%	1,983,509

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 AFS investments in the consolidated statements of financial position. Equity price risk arises from the changes in the level of equity indices and the value of individual stocks traded in the stock exchange.

The effect on equity (as a result of a change in fair value of equity instruments held as available-for-sale at March 31, 2017 and 2016) 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, AFS investments and other assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of the instrument.

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

As of March 31, 2016, 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. In 2017, 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, 2017.

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, 2017, the Group had one customer that owed it more than ₱150.0 million or 15% of the total trade receivables outstanding. As of March 31, 2016, the Group had no concentration of risks in its trade receivables.

As of March 31, 2017, the Group's maximum exposure to credit risk pertaining to domestic trade receivables follows:

Carrying Value	**Fair Value of Credit Enhancement**	**Maximum Exposure to Credit Risk**	**Financial Effect of Credit Enhancement**
₱805,713,138	₱538,198,770	₱267,514,368	₱538,198,770

The tables below summarize the credit quality of the Group's financial assets (gross of allowance for credit and impairment losses) as at March 31, 2017 and 2016:

	2017			
	Neither Past Due nor Individually Impaired		**Past Due or Individually Impaired**	
	High Grade	**Standard Grade**		**Total**
Cash and cash equivalents	**₱3,586,649,954**	**₱–**	**₱–**	**₱3,586,649,954**
Receivables				
Trade				
Domestic	**–**	**807,128,501**	**26,358,337**	**833,486,838**
Export	**117,143,052**	**–**	**–**	**117,143,052**
Non-trade	**66,225,649**	**32,644,604**	**–**	**98,870,253**
	183,368,701	**839,773,105**	**26,358,337**	**1,049,500,143**
AFS investments	**–**	**2,341,458**	**–**	**2,341,458**
Other assets	**15,538,705**	**–**	**–**	**15,538,705**
Total	**₱3,785,557,360**	**₱842,114,563**	**₱26,358,337**	**₱4,654,030,260**

	2016			
	Neither Past Due nor Individually Impaired		Past Due or Individually Impaired	
	High Grade	Standard Grade		Total
Cash and cash equivalents	₱3,292,423,211	₱–	₱–	₱3,292,423,211
Receivables				
Trade				
Domestic	–	716,148,239	41,270,520	757,418,759
Export	180,301,491	–	–	180,301,491
Non-trade	69,269,769	31,681,947	–	100,951,716
	249,571,260	747,830,186	41,270,520	1,038,671,966
AFS investments	–	2,341,458	–	2,341,458
Other assets	17,027,118	–	–	17,027,118
Total	₱3,559,021,589	₱750,171,644	₱41,270,520	₱4,350,463,753

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.

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

Other assets - pertains to deposits in refundable meralco deposits and advances to employees which are considered as “high grade” since collectibility of the refund is reasonably assured.

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

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

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

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

Accounts payable and accrued expenses
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.

The following tables summarize the carrying amount and fair values of the assets and liabilities, with carrying values not equal to fair value or whose fair values are required to be disclosed:

	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
2017					
Fair Value is Required to be Disclosed					
Investment properties	**₱48,350,017**	**₱–**	**₱–**	**₱84,169,667**	**₱84,169,667**
Finance lease liability	**₱2,755,846**	**₱–**	**₱–**	**₱2,953,955**	**₱2,953,955**

	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
2016					
Fair Value is Required to be Disclosed					
Investment properties	₱53,579,081	₱–	₱–	₱84,169,667	₱84,169,667
Finance lease liability	₱5,076,452	₱–	₱–	₱5,710,624	₱5,710,624

Description of significant unobservable inputs to valuation:

Account	**Valuation Technique**	**Significant Unobservable Inputs**
Investment properties	Sales Comparison Approach	Price per square meter, size, shape, location, time element and discount
Finance lease liability	Discounted cash flow method	7.4% - 7.8% risk premium rate

The significant unobservable inputs to valuation of investment properties pertain to:

Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of the lot size differences on land value.
Shape	Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.
Location	Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road.
Time element	An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investor's perceptions of the market over time. In which case, the current data is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.

Significant increases (decreases) in price per square meter and size of investment properties would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in discount would result in a significantly lower (higher) fair value of the properties.

29. Notes to Statements of Cash Flows

The Group's noncash investing and financing activities include the acquisition of vehicles under finance lease amounting to ₱1.0 million and ₱4.8 million in 2016 and 2015, respectively, classified under 'Property, plant and equipment' (see Notes 7 and 21).

30. 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 May 9, 2017.

Annex "C"

Unaudited Quarterly Report as of December 31, 2016

102132017002212

SECURITIES AND EXCHANGE COMMISSION

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

Barcode Page

The following document has been received:

Receiving Officer/Encoder : Fernando T. Fernandez
Receiving Branch : SEC Head Office
Receipt Date and Time : February 13, 2017 03:02:25 PM
Received From : Head Office

Company Representative

Doc Source

Company Information

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

Document Information

Document ID	102132017002212
Document Type	17-Q (FORM 11-Q:QUARTERLY REPORT/FS)
Document Code	17-Q
Period Covered	December 31, 2016
No. of Days Late	0
Department	CFD
Remarks	

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

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	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
448	June 17	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
Mr. Marlon M. Molano	marlon.molano@ph.panasonic.com	635-2260 to 65	(+63) 917 500 1261

Contact Person's Address

Ortigas Avenue Extension, San Isidro, Taytay, Rizal

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17- 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, 2016**

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, Barrio Mapandan**
San Isidro, Taytay, Rizal
Address of principal office

1901
Postal Code

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

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

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

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

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

Yes [**X**] No [ ]

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

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

12. Check whether the registrant:

(a) Has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 there under or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports):

Yes [**X**] No [ ]

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

Yes [**X**] No [ ]

PART I – FINANCIAL INFORMATION

Item I. Financial Statements

The Unaudited Consolidated Financial Statements of Panasonic Manufacturing Philippines Corporation (PMPC) and its subsidiary, Precision Electronics Realty Corporation (PERC), as of and for the period ended December 31, 2016 (with comparative figures as of March 31, 2016 and period ended December 31, 2015 & 2014) and selected Notes to Consolidated Financial Statements are on pages 14 to 32.

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

Key Performance Indicators

Name of Index	Calculation	FY 2016 Apr – Dec	FY 2015 Apr – Dec	FY 2014 Apr – Dec
1. Rate of Sales Increase	CY Sales – LY Sales ---------- x 100% LY Sales	**20.4%**	18.1%	6.2%
2. Rate of Profit Increase	CY Profit Before Tax – LY Profit Before Tax ---------- x 100% LY Profit Before Tax	**62.6%**	59.2%	26.5%
3. Rate of Profit on Sales	Profit Before Tax ---------- x 100% Total Sales	**5.5%**	4.1%	3.0%
4. Current Ratio	Current Assets ---------- Current Liabilities	**3.2:1 (12/31/2016)**	3.3:1 (12/31/2015)	3.4:1 (3/31/2015)
5. Dividend Ratio to Capital	Dividend ---------- x 100% Average Capital	**20.0%**	10.0%	10.0%

(a) Rate of Sales Increase - This measures the sales growth versus the same period last year. For the nine month period ended December 31, 2016, the Company registered 20.4% increase in sales to ₱7.7 billion from ₱6.4 billion of the same period last year. This is brought about by the improve retail sales and our better product quality and better promo scheme.

(b) Rate of Profit Increase - This measures the increase in profit before tax versus the same period last year. Rate of profit improved to 62.6% from last year mainly due to increase in sales amount.

(c) Rate of Profit on Sales - This measures the percentage of profit before tax versus total sales for the period. Rate of profit on sale registered at 5.5% and 4.1% for the nine month period ended December 31, 2016 and 2015 respectively. This was mainly due to the reduction on general and administrative expenses and increase on sales achievement.

(d) Current Ratio - This measures the liquidity of the Group and its ability to pay off current liabilities. The Company registered current ratio of 3.2:1 and 3.3:1 for December 31, 2016 and March 31, 2016 respectively.

(e) Dividend Ratio to Capital - This measures the dividend payout ratio versus capital for the period. The Group declared 20% and 10% cash dividend for 2016 & 2015 respectively.

RESULTS OF OPERATION

NINE MONTH ENDED DECEMBER 31, 2016 vs. 2015

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

(in thousands)

Accounts	DEC. 31, 2016	DEC. 31, 2015	Difference (%)
Sales	**7,669,463**	6,372,455	**20.4%**
Cost of sales	**5,556,001**	4,702,381	**18.2%**
Gross profit	**2,113,462**	1,670,074	**26.5%**
Selling expenses	**1,124,805**	936,990	**20.0%**
General administrative expenses	**620,153**	512,478	**21.0%**
Other income – net	**54,135**	39,306	**37.7%**
Income before tax	**422,639**	259,912	**62.6%**
Income tax expense	**90,127**	55,118	**63.5%**
Income after tax	**332,512**	204,794	**62.4%**

The total Company's sales for the nine months of FY 2016 was 20.4% of last year amounted to ₱ 7.669 billion from ₱ 6.373 billion posted in the same period last year. This was mainly due to high sales achievement of Consumer products and favorable retail sales of locally produced appliances particularly refrigerator and window airconditioners during its peak season (April – Jun & Oct – Dec).

With good sales results, cost of sales and gross profit improved by 18.2% and 26.5% respectively versus last year. Moreover, total selling expenses increased by ₱ 187.8 million (20.0%) due to freight cost by ₱ 143 million (59.7%) and advertising cost by ₱22.9 million for various promotion to achieve the Company's sales target for the period.

General and administrative expenses increase of ₱ 107.7 million (21.0%) due mainly to increase in technical assistance and brand license fee brought by 20.4% increase in sales. Also increase in salaries and wages was due to increase in production of finished goods for sales requirement.

Net non-operating income increased by ₱14.8 million (37.7%) due to interest income on time deposit by ₱ 20.6 million and other income of ₱ 2.0 million.

The Group's net income before tax for the nine months of fiscal year 2016 increased by 62.6% amounting to ₱ 162.7 million due mainly to 20.4% increase in sales achievement and non-operating miscellaneous income.

FINANCIAL POSITIONS

- **As of December 31, 2016 vs. March 31, 2016**

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

Accounts	Dec. 31, 2016	March 31, 2016	Difference (%)
Cash and cash equivalent	**3,544,071**	3,292,423	**7.6%**
Accounts receivables	**1,051,635**	993,452	**6.0%**
Inventories	**915,538**	692,094	**32.3%**
Other current assets	**72,616**	32,734	**121.8%**
Property & equipment	**728,399**	752,800	**-3.2%**
Investment property	**49,783**	53,579	**-7.1%**
Other assets	**25,911**	26,360	**-1.7%**
Accounts payable & accrued expenses	**1,694,836**	1,510,803	**13.9%**
Provision for estimated liabilities	**295,133**	278,731	**5.9%**
Retained earnings – unappropriated	**744,013**	412,657	**80.3%**

The Group continues to maintain its strong financial position with total assets amounting to ₱6.531 billion and ₱5.987 billion as of December 31, 2016 and March 31, 2016 respectively, while total equity increased to ₱4.324 billion from ₱3.991 billion in March 2016.

Cash and cash equivalents increased by ₱251.6 million (7.6%) from ₱3.292 billion in fiscal year 2015 ending March 31, 2016 mainly due to increase in sales, improved collection ratio, reduction on inventory level and net income for the period.

Accounts receivable increased by 6.0% amounting to ₱59.2 million due to increase in sales amount for the period by 20.4%.

Inventories increased by ₱223.4 million (32.3%) from ₱692.1 million last year ended March 31, 2016 due to imported merchandise in preparation for the summer season.

Other current assets increased by 121.8% amounted to ₱39.9 million mainly due to additional collection of creditable withholding taxes for the period amounting to ₱22.1 million and prepaid expenses of ₱9.3 million

Property and equipment decreased by ₱24.4 million (net). The total Company's additional purchases for the period amounted to ₱85.6 million for the renovation of its various building improvements of Refrigerator Department Building and warehouses to improve productivity of the Company.

Investment property decreased by ₱3.8 million (7.1%) mainly due to depreciation cost of the building (leased-out) incurred for the period.

Provisions for estimated liabilities increased by 5.9% amounting to ₱16.4 million due mainly to provision of expenses that are payable in the future.

Accounts payable and accrued expenses increased by ₱184.0 million due to advances received from various customers and sales promotion activities for the achievement of sales.

Retained earnings improved by ₱331.4 million (80.3%) due to 20.4% increase in sales achievement for the period.

RESULTS OF OPERATION

NINE MONTH ENDED DECEMBER 31, 2015 vs. 2014

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

(in thousands)

Accounts	DEC. 31, 2015	DEC. 31, 2014	Difference (%)
Sales	**6,372,455**	5,394,131	**18.1%**
Cost of sales	**4,702,381**	3,929,847	**19.7%**
Gross profit	**1,670,074**	1,464,284	**14.1%**
Selling expenses	**936,990**	897,648	**4.4%**
General administrative expenses	**512,478**	446,297	**14.8%**
Other income – net	**39,306**	42,929	**-8.4%**
Income before tax	**259,912**	163,268	**59.2%**
Income tax expense	**55,118**	36,853	**49.6%**
Income after tax	**204,794**	126,415	**62.0%**

Consolidated sales for FY 2015 ended December increased by 18.1%. This was mainly due to high sales achievement of Consumer products. Local and imported appliances are making good in the market with the Company's inverter models and sell out activities.

With good sales results, Cost of sales and gross profit increased by 19.7% and 14.1% respectively versus last year.

General administrative expenses increased by ₱66.2 million (14.8%) due mainly to increase in Technical assistance fee and Brand license fee by ₱8.1 million due to increase in sales amount achievement for the period. In addition, salaries also increased by ₱7.3 million.

Selling expenses increased by 4.4% amounting to ₱39.3 million due to increase in freight cost by ₱47.0 million brought by increase in sales and fuel cost increased coupled by the issue of Manila port congestion. On the other hand, advertising and sales promotion expenses decreased by ₱7.7 million.

Other income - net decreased by ₱3.6 million (8.4%) against 2014 mainly due to forex loss incurred for the period.

Income before tax increased by ₱96.6 million (59.2%) due to increase in sales achievement by 18.1%.

FINANCIAL POSITIONS

- **As of December 31, 2015 vs. March 31, 2015**

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

Accounts	Dec. 31, 2015	March 31, 2015	Difference (%)
Cash and cash equivalent	**3,248,662**	2,822,927	**15.1%**
Accounts receivables	**786,646**	811,799	**-3.1%**
Inventories	**608,001**	714,234	**-14.9%**
Other current assets	**76,910**	60,237	**27.7%**
Property & equipment	**749,631**	811,335	**-7.6%**
Investment property	**50,199**	53,703	**-6.5%**
Other assets	**26,653**	27,998	**-4.8%**
Accounts payable & accrued expenses	**1,197,359**	1,174,875	**1.9%**
Provision for estimated liabilities	**199,822**	159,176	**25.5%**
Technical assistance payable	**27,276**	48,113	**-43.3%**
Finance lease liability	**6,495**	8,112	**-20.0%**
Retained earnings	**3,645,550**	3,435,489	**6.0%**

The Group continues to maintain its strong financial position with total assets amounting to ₱5.699 billion and ₱5.455 billion as of December 31, 2015 and March 31, 2015 respectively, while total equity increased to ₱4.010 billion from ₱3.804 billion in 2014.

Cash and cash equivalents increased by ₱425.7 million (15.1%) from ₱2.823 billion in fiscal year 2014 ending March 31, 2015 mainly due to increase in sales, improved collection ratio, reduction on inventory level and net income for the period.

Accounts receivable decreased by 3.1% amounting to ₱25.1 million due to more efficient collection strategy and monitoring of accounts.

Inventories decreased by ₱106.2 million (14.9%) from ₱714.2 million last year ended March 31, 2015 due to strict inventory level management control in order to improve working capital.

Other current assets increased by 27.7% amounted to ₱16.7 million mainly due to additional collection of creditable withholding taxes for the period amounting to ₱21.2 million.

Property and equipment decreased by ₱61.7 million (net). The total Company's additional purchases for the period amounted to ₱50.8 million for the renovation of its various building improvements of Refrigerator Department Building and warehouses to improve productivity of the Company.

Investment property decreased by ₱3.5 million (6.5%) mainly due to depreciation cost of the building (leased-out) incurred for the period.

Other assets decreased by ₱1.3 million (4.8%) mainly due to depreciation cost of intangible assets.

Provisions for estimated liabilities increased by 25.5% amounting to ₱40.7 million due mainly to provision of expenses that are payable in the future. Lease payables decreased by ₱1.6 million due to depreciation cost.

Technical assistance fees payable decreased by 43.3% amounting to ₱20.8 million mainly because the amount of payable as of March 31, 2015 is computed based on six month sales from October 2014 – March 31, 2015 while payable as of December 2015 is based on three month sales only from October – December 2015.

Retained earnings improved by ₱207.1 million (6.0%) due to net income for the period.

RESULTS OF OPERATION

NINE MONTH ENDED DECEMBER 31, 2014 vs. 2013

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

(in thousands)

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

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

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

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

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

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

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

FINANCIAL POSITIONS

- **As of December 31, 2014 vs. March 31, 2014**

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

(in thousands)

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

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

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

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

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

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

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

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

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

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

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

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

CASHFLOWS

A brief summary of cash flow movement is shown below

(In thousands pesos)	**DEC 2016**	DEC 2015
1. Net cash provided by operating activities	**266,545**	497,745
2. Net cash used in investing activities	**(71,554)**	(28,048)
3. Net cash used in financing activities	**(86,451)**	(43,962)

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 2016**	DEC 2015
Interest received	**41,341**	20,727
Additions to property and equipment - net	**(28,197)**	(50,120)
Additions to other assets	**449**	1,345

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

(In thousands pesos)	**DEC 2016**	DEC 2015
Cash dividends paid	**(84,544)**	(42,272)

RETAINED EARNINGS

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

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

OTHER MATTERS

a. There were no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Conditions and Results of Operations.

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

c. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity.

d. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operation.

e. There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets since the last annual balance sheet date.

f. There were no material off-balance sheet transactions, arrangements, obligations and other relationship of the Parent Company with unconsolidated entities or other persons created during the reporting period.

g. There were no seasonal aspects that have had a material effect on the financial condition or results of operations of the Group.

PART II – OTHER INFORMATION

NOT APPLICABLE

SIGNATORIES

Pursuant to the requirements of the Securities Regulation Code, Panasonic Manufacturing Philippines Corporation has duly caused this report to be signed on its behalf by the following persons in their capacities stated below in Taytay, Rizal on February 10, 2017.

PANASONIC MANUFACTURING PHILIPPINES CORPORATION

By:

YOSHIYUKI TAKAHASHI
Treasurer & Executive Director

MARLON M. MOLANO
Assistant Director

PANASONIC MANUFACTURING PHILIPPINES COPORATION AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016 (Unaudited) and March 31, 2016 (Audited)
And for the Nine Months ended December 31, 2015 and 2014 (Unaudited)

PANASONIC MANUFACTURING PHILIPPINES CORP. & SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2016 AND MARCH 31, 2016

(In Thousand Pesos)

	(Unaudited) December 31, 2016	(Audited) March 31, 2016
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱3,544,071**	₱3,292,423
Receivables - net (Notes 5)	**1,051,635**	993,452
Inventories - net (Note 6)	**915,538**	692,094
Other current assets	**72,616**	32,734
Total Current Assets	**5,583,860**	5,010,703
Non-current Assets		
Available-for-sale investments (Note 6)	**2,341**	2,341
Property, plant and equipment - net (Note 8)	**728,399**	752,800
Investment properties – net (Note 9)	**49,783**	53,579
Deferred tax assets – net	**140,974**	140,974
Other assets – net	**25,911**	26,360
Total Non-current Assets	**947,408**	976,054
	₱6,531,268	₱5,986,757
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 11)	**₱1,694,836**	₱1,510,803
Income tax payable	**26,596**	13,151
Finance lease liability	**846**	2,753
Total Current Liabilities	**1,722,278**	1,526,707
Noncurrent Liabilities		
Retirement liability	**187,498**	187,498
Provision for estimated liabilities	**295,133**	278,731
Finance lease liability	**2,324**	2,324
Total Noncurrent Liabilities	**484,955**	468,553
Total Liabilities	**2,207,233**	1,995,260
Stockholders' Equity		
Equity attributable to equity holders of the parent		
Capital stock - ₱1 par value (Note 13)	**422,718**	422,718
Additional paid-in capital	**4,780**	4,780
Net unrealized gains on available-for-sale investments	**1,381**	1,381
Retained earnings (Note 14)		
Remeasurement loss on retirement liability	**(111,595)**	(111,595)
Appropriated	**3,192,400**	3,192,400
Unappropriated	**744,013**	412,657
	4,253,697	3,922,341
Minority interest	**70,338**	69,156
Total Stockholders' Equity	**4,324,035**	3,991,497
	₱6,531,268	₱5,986,757

See accompanying Notes to Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORP. & SUBDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED DECEMBER 31, 2016 & 2015
(In Thousand Pesos except Earnings per Common Share Amount)

	UNAUDITED			
	Apr-Dec 2016	Apr-Dec 2015	**Oct-Dec 2016**	Oct-Dec 2015
NET SALES	**₱7,669,463**	₱6,372,455	**₱2,377,213**	₱2,095,714
COST OF GOODS SOLD (Note 15)	**5,556,001**	4,702,381	**1,780,532**	1,553,427
GROSS PROFIT	**2,113,462**	1,670,074	**596,681**	542,287
SELLING EXPENSES (Note 16)	**(1,124,805)**	(936,990)	**(311,475)**	(313,139)
GENERAL AND ADMINISTRATIVE EXPENSES (Note 17)	**(620,153)**	(512,478)	**(206,847)**	(167,517)
INCOME FROM OPERATIONS	**368,504**	220,606	**78,359**	61,631
OTHER INCOME – Net (Note 19)	**54,135**	39,306	**5,619**	13,509
INCOME BEFORE INCOME TAX	**422,639**	259,912	**83,978**	75,140
PROVISION FOR INCOME TAX	**90,127**	55,118	**19,868**	19,080
NET INCOME FOR THE PERIOD	**₱332,512**	₱204,794	**₱64,110**	₱56,060
OTHER COMPREHENSIVE INCOME				
TOTAL COMPREHENSIVE INCOME	**₱332,512**	₱204,794	**₱64,110**	₱56,060
Attributable to:				
Equity holders of the parent	**₱331,356**	₱207,061	**₱63,737**	₱56,819
Minority interest	**1,156**	(2,267)	**373**	(759)
Earnings Per Share (Note 21)	**₱0.78**	₱0.49	**₱0.15**	₱0.13

See accompanying Notes to Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORP. & SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED DECEMBER 31, 2016 & 2015

(In Thousand Pesos)

	(Unaudited) December 2016	(Unaudited) December 2015	(Audited) March 2016
CAPITAL STOCK (Note 13)	**₱422,718**	₱422,718	₱422,718
ADDITIONAL PAID-IN CAPITAL	**4,780**	4,780	4,780
Net Unrealized Gain on AFS	**1,381**	1,381	1,381
Re-measurement Loss on Retirement Liability	**(111,595)**	(132,532)	(111,595)
RETAINED EARNINGS (Note 14)			
Appropriated:			
Balance at beginning of period	**3,192,400**	3,017,400	3,017,400
Appropriations – reversal			175,000
Balance at end of period	**3,192,400**	3,017,400	3,192,400
Unappropriated:			
Balance at beginning of period	**412,657**	418,089	418,089
Net income	**331,356**	207,061	233,175
Other comprehensive income	-	-	20,937
Total comprehensive income	**744,013**	625,150	672,201
Cash dividends	-	-	(84,544)
Appropriations	-	-	(175,000)
Balance at end of period	**744,013**	625,150	412,657
	4,253,697	3,938,897	3,922,341
Minority interest	**70,338**	70,784	69,156
Total Stockholders' Equity	**₱4,324,035**	₱4,009,681	₱3,991,497

See accompanying Notes to Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORP. & SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2016 & 2015

(In Thousand Pesos)

	December 2016	December 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before tax	**₱422,639**	₱259,912
Adjustments for:		
Depreciation and amortization	**115,057**	115,328
Gain on sales of property and equipment	**(1,567)**	(3)
Interest income	**(41,341)**	(20,727)
Net movement for estimated liabilities	**16,402**	40,646
Operating income before working capital changes	**511,190**	395,156
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	**(58,183)**	25,153
Inventories	**(223,444)**	106,233
Other current assets	**(39,882)**	(16,673)
Decrease in:		
Accounts payable and accrued expenses	**197,587**	63,831
Technical assistance fees payable	**(30,596)**	(20,837)
Cash generated from operating activities	**356,672**	552,863
Income taxes paid	**(90,127)**	(55,118)
Net cash provided by operating activities	**266,545**	497,745
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment –net	**28,197**	(50,120)
Gain on sales of property and equipment	**1,567**	3
Interests received	**41,341**	20,727
Decrease (increase) in other assets	**449**	1,345
Net cash used in investing activities	**71,554**	(28,048)
CASH FLOW FROM FINANCING ACTIVITY		
Cash dividends paid	**(84,544)**	(42,272)
Finance lease liabilities paid	**(1,907)**	(1,690)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**251,648**	425,735
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**3,292,423**	2,822,927
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱3,544,071**	₱3,248,662

See accompanying Notes to Financial Statements.

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

1. Corporate Information

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

The Parent Company is a manufacturer, importer and distributor of electronic, electrical, mechanical, electro-mechanical appliances, other types of machinery, parts and components, battery and other related products bearing the "Panasonic" brand. The Subsidiary is in the business of realty brokerage and leases out the land to the Parent Company in which the latter's manufacturing facilities are located (see Note 9).

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

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation
The accompanying unaudited consolidated interim financial statements of the Parent Company and the Subsidiary (collectively referred to as the "Group") as of and for the period ended June 30, 2016 has been prepared on a historical cost basis, except for available-for-sale (AFS) investments which are measured at fair value. The accompanying unaudited consolidated financial statements are presented in Philippine Peso (₱), which is also the Parent Company's functional currency. The functional currency of PERC is also the Philippine peso.

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

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

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

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

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

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

Mandatory Date Yet to be Determined

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of April 1, 2017 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adaptation of the final version of PFRS 9, however, is still for approval by BOA.

3. Summary of Significant Accounting and Financial Reporting Policies

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to make judgements, 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.

Judgements, 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 circumtances.

4. Cash and Cash Equivalents

This account consists of: (in thousand pesos)

	December 2016	March 2016
Cash on hand	**₱28,504**	₱12,738
Cash in banks	**788,067**	521,778
Short-term investments	**2,727,500**	2,757,907
	₱3,544,071	₱3,292,423

5. Receivables

This account consists of: (in thousands)

	December 2016	March 2016
Trade		
Domestic	**₱1,030,550**	₱757,419
Export	**283**	180,301
Non-trade		
Related parties	**35,435**	58,944
Third parties	**31,585**	31,682
Employees	**691**	1,712
Others	**3,362**	8,614
	1,101,906	1,038,672
Less allowance for doubtful accounts	**50,271**	45,220
	₱1,051,635	₱993,452

6. Inventories

This account consists of: (in thousands)

	December 2016	March 2016
At NRV:		
Finished goods and merchandise	**₱521,443**	₱236,961
Raw materials	**203,527**	170,788
Spare parts and supplies	**11,055**	10,339
At cost:		
Goods in-transit	**166,838**	255,317
Goods in-process	**12,675**	18,689
	₱915,538	₱692,094

7. Available-for-sale investments

This account consists of: (in thousands)

	December 2016	March 2016
Meralco	**₱1,217**	₱1,217
PLDT	**1,124**	1,124
	₱2,341	₱2,341

8. Property, Plant and Equipment

This account consists of (Php1,000):

As of December 31, 2016	Land and Improvements	Factory Machinery, Equipment and Tools	Building and Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Total
Cost						
Balance at beginning of period	₱236,029	₱1,421,591	₱787,223	₱152,586	₱114,891	₱2,712,320
Acquisitions		47,284	16,566	10,080	11,683	85,613
Disposals and write-off		(49,758)	(3,899)	(2,322)	(9,707)	(65,686)
Balance at end of period	**236,029**	**1,419,117**	**799,890**	**160,344**	**116,867**	**2,732,247**
Accumulated Depreciation And Amortization						
Balance at beginning of period	₱2,851	₱1,247,421	482,644	₱143,853	₱82,751	₱1,959,520
Depreciation (Note 17)		57,636	29,678	7,105	12,284	106,703
Sale/write-offs/adjustments		(49,588)	(1,544)	(2,330)	(8,913)	(62,375)
End of the period	**2,851**	**1,255,469**	**510,778**	**148,628**	**86,122**	**2,003,848**
Net Book Value						
(Unaudited) December 2016	**₱233,178**	**₱163,648**	**₱289,112**	**₱11,716**	**₱30,745**	**₱728,399**
(Audited) March 2016	₱233,178	₱174,170	₱304,578	₱8,733	₱32,141	₱752,800

9. **Investment Properties**

This account consists of: (in thousand pesos)

	Building	Building Improvements	Total
As of December 31, 2016			
Cost			
Balance at beginning and end of period	**₱115,251**	**₱121,188**	**₱236,439**
Accumulated Depreciation And Amortization			
Balances at beginning of period	66,731	116,129	182,860
Depreciation and amortization	3,456	340	3,796
End of the period	**₱70,187**	**₱116,469**	**₱186,656**
Net Book Value (Unaudited) December 2016	**₱45,064**	**₱4,719**	**₱49,783**
(Audited) March 2016	₱48,520	₱ 5,059	₱53,579

10. Other Current Assets and Other Assets

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

	December 2016	March 2016
Other current assets		
Creditable withholding taxes	**₱30,047**	₱7,976
Prepaid expenses	**40,192**	24,288
Tax credit certificate	**3,460**	3,460
Advances to employees	**2,417**	509
	₱76,116	36,234
Less: Allowance for probable loss	**3,500**	3,500
	₱72,616	₱32,734
Other assets		
Deposits paid	**₱16,639**	₱16,518
Deferred input tax	**8,126**	7,329
Software	**1,146**	2,512
	₱25,911	₱26,359

The composition and movements of Intangible Assets - software follow:

	December 2016	March 2016
Cost		
Balances at beginning of year	**₱110,032**	₱109,737
Additions	**419**	295
Retirement	**-**	-
Balances at end of year	**110,451**	110,032
Accumulated amortization		
Balances at beginning of year	**107,520**	105,547
Amortization (Note 19)	**1,785**	1,973
Retirement	**-**	-
Balances at end of year	**109,305**	107,520
Net book value	**₱1,146**	₱2,512

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

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

Accounts payable consists of:

	December 2016	March 2016
Trade payable		
Third parties	**₱199,811**	₱244,801
Related parties	**251,183**	325,868
Non-trade payable		
Related parties	**46,425**	80,776
Accrued expense		
Third parties	**941,316**	680,345
Related parties	**16,576**	12,507
Others		
Advances from customers	**218,656**	69,636
Dividends payable	–	84,544
Output VAT	**47,465**	12,326
	₱1,721,432	₱1,510,803

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

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

Accrued expense to third parties consists of:

	December 2016	March 2016
Accrued advertising expenses and sales promotions	**₱435,713**	₱345,587
Other payable to suppliers	**405,286**	269,688
Accrued freight expenses	**32,017**	31,833
Salaries and other employee benefits	**37,223**	21,950
Accrued income taxes	**26,596**	–
Other accrued expenses	**4,481**	11,286
	₱941,316	₱680,345

12. Provisions for Estimated Liabilities

The rollforward of this account follows:

	December 2016		
	Warranty Claims	**Provisions for Other Estimated Liabilities**	**Total**
Balances at beginning of year	**₱84,990**	**₱193,741**	**₱278,731**
Provisions	**59,492**	**78,708**	**138,200**
Usage	**(33,221)**	**(88,577)**	**(121,798)**
Balances at end of year	**₱111,261**	**₱183,872**	**₱295,133**

	March 2016		
	Warranty Claims	Provisions for Other Estimated Liabilities	Total
Balances at beginning of year	₱57,835	₱101,341	₱159,176
Provisions (Note 18)	59,477	104,661	164,138
Usage	(32,322)	(12,261)	(44,583)
Balances at end of year	₱84,990	₱193,741	₱278,731

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

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

13. Capital Stock

Details of capital stock follow:

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

a. The Class A shares of stock can be issued to Philippine nationals only, while the Class B shares of stock can be issued to either Philippine or foreign nationals. As of December 31, 2016, 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	84,723,432	1

As of December 31, 2016, the total number of shares registered under the SRC is 84,723,432 shares being held by 478 stockholders.

14. Retained Earnings

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

b. On March 22, 2016, the Parent Company's BOD authorized and directed the reversal of the appropriated retained earnings amounting to ₱71.3 million. From the total appropriations of ₱3.2 billion, ₱2.9 billion represents the reinstatement of the previous appropriations for in-plant production for plastic and metal parts, replacement and

upgrading of old machines, molds and dies, new freezer model, plans to change the Group's IT System and other future projects of the Parent Company. The remaining ₱ 246.3 million additional appropriations represent appropriation for solar panel installation in various buildings located in Taytay and Sta. Rosa manufacturing plants, future proects and for activities intended to boost B2B sales as growth engine. These projects are expected to be completed starting 2017 onwards.

c. On March 19, 2015, the Parent Company's BOD authorized and directed the reversal of the appropriated retained earnings amounting to ₱210.9 million and set-up of new appropriated retained earnings amounting to ₱310.9 million

d. On March 31, 2014, the Parent Company's BOD authorized and directed the reversal of the appropriated retained earnings amounting to ₱2.8 billion and set-up a new appropriated retained earnings amounting to ₱2.9 billion. Of the ₱2.8 billion reversed, ₱ 505.6 million has been utilized for various projects of the Parent Company relating to the completion of buildings and machineries, replacement and upgrading of old machines, molds and dies, plans to change the Group's Information Technology (IT) System and other future projects of the Parent Company.

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

20% cash dividend on March 22, 2016 to stockholders of record as of April 7, 2016 and paid on April 26, 2016 (₱0.20 per share).

10% cash dividend on March 19, 2015 to stockholders of record as of April 7, 2015 and paid on May 4, 2015 (₱0.10 per share).

10% cash dividend on March 21, 2014 to stockholders of record as of April 10, 2014 and paid o May 8, 2014 (₱0.10 per share).

a. No subsequent event after December 31, 2016.

15. Cost of Goods Sold

This account consists of: (in thousand pesos)

	DEC 2016	DEC 2015
Material costs	**₱2,988,801**	₱2,404,038
Direct labor (Note 18)	**120,468**	96,344
Manufacturing overhead:		
Indirect labor (Note 18)	**129,561**	111,674
Depreciation and amortization (Note 20)	**91,310**	94,154
Electricity, gas and water	**33,867**	35,356
Product and development cost	**30,431**	43,478
Repairs and maintenance	**20,864**	22,667
Indirect materials	**13,563**	13,426
Supplies	**11,455**	7,812
Provision for decline in inventories	**11,248**	6,160
Traveling	**9,753**	8,654
Outsourcing	**9,288**	7,785
Insurance	**6,337**	6,126
Taxes and dues	**2,796**	2,531
Rent	**1,658**	314
Others	**9,883**	1,433
Total manufacturing overhead	**382,014**	361,570

(Roll-forward)

Goods in-process		
Beginning of period	**18,689**	7,605
End of period	**(12,092)**	(7,696)
Cost of goods manufactured	**3,497,880**	2,862,761
Finished goods and merchandise:		
Beginning of period	**532,183**	517,234
Add purchases – net	**2,163,824**	1,720,200
End of period	**(637,886)**	(397,814)
	₱5,556,001	₱4,702,381

16. Selling Expenses

This account consists of: (in thousand pesos)

	DEC 2016	DEC 2015
Selling		
Sales commission, promotion, rebates and discounts	**₱655,157**	₱646,454
Freight	**382,453**	239,487
Advertising	**61,456**	48,182
Provision for warranty costs	**25,739**	2,867
	₱1,124,805	₱936,990

17. General and Administrative Expenses

This account consists of: (in thousand pesos)

	DEC 2016	DEC 2015
General and Administrative		
Salaries, wages and employees' benefits (Note 18)	**₱218,768**	₱195,923
Technical assistance fees (Note 11)	**128,813**	101,147
Brand license fees (Note 11)	**47,683**	31,905
Repairs and maintenance	**28,507**	16,451
Depreciation and amortization (Note 20)	**23,747**	21,174
Traveling	**22,909**	22,911
Taxes and dues	**22,403**	19,830
Outsourcing	**21,032**	9,772
Rent	**18,405**	16,071
Communication	**14,168**	10,205
Allocated Cost – Regional Headquarter (Note 11)	**9,531**	7,320
Insurance	**7,324**	10,616
Freight and storage	**6,908**	6,066
Electricity, gas and water	**5,441**	6,318
Supplies	**5,407**	4,718
Provision for doubtful accounts	**5,051**	5,682
Provision for other estimated liabilities	**3,220**	351
Others	**30,836**	26,018
	₱620,153	₱512,478

18. Personnel Expenses

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

	DEC 2016	DEC 2015
Compensation	**₱355,574**	₱323,737
Retirement and severance	**23,966**	22,590
Other benefits	**40,082**	31,766
Other salaries	**49,175**	25,847
	₱468,797	₱403,940

19. Other Income (Expenses)

This account consists of: (in thousand pesos)

	DEC 2016	DEC 2015
Interest income	**₱41,341**	₱20,727
Rent income	**20,326**	21,464
Gain on sale of property and equipment	**1,567**	3
Foreign exchange gains (losses)	**(13,029)**	(7,133)
Miscellaneous – net	**5,497**	4,245
	₱54,135	₱39,306

20. Depreciation and Amortization Expenses

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

	DEC 2016	DEC 2015
Cost of goods sold (Note 15)	**₱91,310**	₱94,154
Operating expenses (Note 17)	**23,747**	21,174
	₱115,057	₱115,328

21. Earnings Per Share

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

	DEC 2016	DEC 2015
Comprehensive net income after tax (a)	**₱332,512**	₱204,794
Weighted average number of common shares (b)	**422,718**	422,718
Earnings per share (a/b)	**₱0.78**	₱0.49

22. Reporting Segments

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

Products under each business segment are as follows:

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

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, showcase and bottle coolers primarily related to selling to supermarkets and groceries. This also includes solar panel which is a project-based selling.

The Group's segment information for the periods ended December 31, 2016 and 2015 are as follows:
(in thousands):

Nine Months ended December 31, 2016 & 2015 (Unaudited)

2016	GCMS	SSG	ES	OTHERS	TOTAL
Sales	₱7,269,851	₱280,385	₱38,206	₱81,021	₱7,669,463
Cost of goods sold	5,222,876	212,473	35,257	85,395	5,556,001
Gross profit (loss)	2,046,975	67,912	2,949	(4,374)	2,113,462
Operating expenses (income) – net	1,672,006	69,369	(1,607)	5,190	1,744,958
Income (loss) from operations	₱374,969	(₱1,457)	₱4,556	(₱9,564)	₱368,504

2015	GCMS	SNC	ES	OTHERS	TOTAL
Sales	₱6,005,922	₱283,040	₱18,065	₱65,428	₱6,372,455
Cost of goods sold	4,341,570	219,315	16,721	124,775	4,702,381
Gross profit (loss)	1,664,352	63,725	1,344	(59.347)	1,670,074
Operating expenses (income) – net	1,407,040	74,187	(1,128)	(30,631)	1,449,468
Income (loss) from operations	₱257,312	(₱10,462)	₱2,472	(₱28,716)	₱220,606

Three Months ended December 31, 2016 & 2015 (Unaudited)

2016	GCMS	SNC	ES	OTHERS	TOTAL
Sales	₱2,209,179	₱129,060	₱17,224	₱21,750	₱2,377,213
Cost of goods sold	1,648,362	98,148	15,571	18,451	1,780,532
Gross profit (loss)	560,817	30,912	1,653	3,299	596,681
Operating expenses (income) – net	487,458	28,752	(779)	2,891	518,322
Income (loss) from operations	₱73,359	₱2,160	₱2,432	₱408	₱78,359

2015	GCMS	SNC	ES	OTHERS	TOTAL
Sales	₱1,984,495	₱86,704	₱4,753	₱19,762	₱2,095,714
Cost of goods sold	1,443,903	66,962	4,604	37,958	1,553,427
Gross profit (loss)	540,592	19,742	149	(18,196)	542,287
Operating expenses (income) – net	468,732	29,642	(649)	(17,067)	480,658
Income (loss) from operations	₱71,860	(₱9,900)	₱798	(₱1,129)	₱61,629

22. Subsequent Events

None

23. Financial Risk Management Objectives and Policies

Risk management structure
All policy directions, business strategies and management initiatives emanate from the BOD which strives to provide the most effective leadership for the Parent Company. The BOD endeavors to remain steadfast in its commitment to provide leadership, direction and strategy by regularly reviewing the Group's performance. For this purpose, the BOD convenes at least once a month.

The Group has adopted internal guidelines setting forth matters that require BOD approval. Under the guidelines, all new investments, any increase in investment in businesses and any divestments require BOD approval.

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

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

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

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

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

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

As of December 31, 2016 and March 31, 2016, the foreign currency-denominated financial assets and financial liabilities in original currencies and their Philippine Peso (PHP) equivalents are as follows: *(in thousands)*

(in thousands)

	DECEMBER 2016		
	USD	**JPY**	**Equivalents in PHP**
Financial assets			
Cash in banks and cash equivalents	**1,124**	**2,054**	**56,562**
Receivables – net	**92**	**58,307**	**30,792**
	1,216	**60,361**	**87,354**
Financial liabilities			
Accounts payable and accrued expenses	**4,719**	**618**	**233,868**

	MARCH 2016		
	USD	JPY	Equivalents in PHP
Financial assets			
Cash in banks and cash equivalents	9,110	70,122	448,435
Receivables – net	4,433	843	204,584
	4,035	70,965	653,019
Financial liabilities			
Accounts payable and accrued expenses	3,861	6,707	180,636

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

(in thousand pesos)

	Increase/ decrease in USD rate	Effect on income before tax
December 2016	**+8%**	**(₱13,872)**
	-8%	**13,872**
March 2016	+8%	₱35,682
	-8%	(35,682)

	Increase/ decrease in JPY rate	Effect on income before tax
December 2016	**+7%**	**₱1,882**
	-7%	**(1,882)**
March 2016	+7%	₱1,845
	-7%	(1,845)

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

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

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

Equity price risk
The Group's exposure to equity price pertains to its investments in quoted shares which are classified as AFS investments in the consolidated statements of financial position. Equity price risk arises from the changes in the level of equity indices and the value of individual stocks traded in the stock exchange.

The effect on equity (as a result of a change in fair value of equity instruments held as available-for-sale at December 31, 2016 and March 31, 2016 due to a reasonably possible change in equity indices is not material to the consolidated financial position of the Group.

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

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

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

Cash and cash equivalent and, receivables
Carrying amounts of cash on hand and in banks, time deposits and receivables maturing within twelve (12) months are assumed to approximate their fair values. This assumption is applied to liquid assets and the short-term elements of all other financial assets.

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

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

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

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

PANASONIC MANUFACTURING PHILIPPINES CORP. & SUBSIDIARY
AGING OF ACCOUNTS RECEIVABLE
AS OF DECEMBER 31, 2016

	Amount (Php 1,000)
Trade Receivables:	
Future Due	840,523
Current Due	104,294
1-30 days	64,432
31-60 days	16,392
61-90 days	5,192
	1,030,833
Less: Allowance for doubtful accounts	50,271
Total	**980,562**
Other Receivables:	
Receivable from affiliates	35,435
Receivable from third parties	31,585
Employees	691
Others	3,362
	71,073
Total	**1,051,635**