COVER SHEET
FOR
ANNUAL REPORT

SEC Registration Number

2 3 0 2 2

Company Name

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

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

O r t i g a s A v e n u e E x t e n s i o n ,
B a r r i o M a p a n d a n , S a n I s i d r o ,
T a y t a y , R i z a l

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
www.panasonic.com/ph	(632) 8 635-2260 to 65	N/A

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
453	3rd Friday of Jul	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
Julieta Beltran	julieta.beltran@ph.panasonic.com	635-2260 to 65	(+63) 0917 584 4500

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-A

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **March 31, 2020**

2. SEC Identification Number **23022** 3. BIR Tax Identification No. **000-099-692-0000**

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

5. **Philippines**
   Province, Country or other jurisdiction of incorporation or organization

6. [ ] (SEC Use Only)
   Industry Classification Code:

7. **Ortigas Avenue Extension, Bo. Mapandan Barangay San Isidro, Taytay, Rizal**
   Address of principal office

   1920
   Postal Code

8. **(632) 8 635-22-60 to 65**
   Issuer'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 Sec. 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**
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 Inc.

12. Check whether the issuer:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder 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 subject to such filing requirements for the past ninety (90) days.

    Yes [X]   No [ ]

13. Estimated aggregate market value of the voting stock held by non-affiliates of the issuer as of March 31, 2020 and June 30, 2020 based on stock market price amounted to about ₱359,881,310 and ₱311,897,136 respectively. The price per share used for this computation are the closing price as of March 2020 at ₱5.70 and June 2020 at ₱4.94

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE (5) YEARS

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

    Not Applicable

DOCUMENTS INCORPORATED BY REFERENCE

15. Information in the attached Annual Report and Financial Statements incorporated by reference to this SEC Form 17-A are clearly indicated in the part of this Form where the information is required.

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PART I - BUSINESS AND GENERAL INFORMATION

ITEM 1 - BUSINESS

BUSINESS

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 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 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, and acts as an agent of any persons, firms or corporation, domestic or foreign, for and in transaction relative to the acquisition, sales, lease, mortgage, disposition of, administration and management of real state and/or improvements thereon; to acquire by purchase, lease or other lawful means, lands and interest in lands, and to own, hold, improve, use, administer and manage any real state so acquired or held by the corporation.

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

The Parent Company's shares were listed at the Philippine Stock Exchange on January 21, 1983.

There has been no bankruptcy, receivership or similar proceeding nor any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business in the last three (3) years of the Parent Company's and its Subsidiary's operations (collectively referred to as the "Group").

PRODUCTS

The primary products of the Parent Company are refrigerators, air conditioners and washing machines. Other products include electric fans, freezers, imported appliances like LCD/PDP TV sets, Digital AV products (DVD/VCD mini-components, home theater systems, video and still cameras, D-Snap multi-AV devices, etc.); communications equipment/devices (corded/cordless telephones, fax machines, PABX, etc.); office automation equipment (copiers, POS machines, Panaboard, plasma displays, LCD projectors, closed-circuit video equipment, etc.); cooling equipment (package/split-type air conditioners, air-moving equipment); and various kitchen and home appliances (rice cookers, vacuum cleaners, hair dryers/stylers, etc.).

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

Products under each business segment are as follows:

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

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

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

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

Segment reporting information is disclosed in Note 26 of the Audited Financial Statements included in the accompanying Annual Report (Annex "B").

Information as to sales and relative contributions of the main products to total sales were as follows:

	Years Ended March 31		
	2020	2019	2018
Domestic	**92.3%**	91.4%	92.1%
Export	**7.7%**	8.6%	7.9%
	100.0%	100.0%	100.0%
Refrigerator	**39.7%**	40.4%	38.9%
Airconditioner	**29.7%**	28.7%	24.6%
Washing machine	**15.4%**	14.1%	12.6%
Television	**5.1%**	4.5%	4.3%
Others and Export	**10.1%**	12.3%	19.6%
	100.0%	100.0%	100.0%

GEOGRAPHICAL INFORMATION

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

	Year Ended March 31		
	2020	2019	2018
Philippines	**₱10,864,195**	₱10,392,122	₱9,553,070
Hong Kong	**1,031,580**	1,105,739	930,088
Nigeria	**-**	22,953	-
Africa	**11,173**	-	6,919
Total Revenue	**₱11,906,948**	₱11,520,814	₱10,490,077

The Parent Company has two customers each representing 10.0% or more of the Parent Company's total revenue amounting to ₱3.8 billion in 2020 and ₱3.7 billion in 2019.

Disaggregated revenue information

	Year Ended March 31, 2020			
	Consumer	**SSG**	**Others**	**Total**
B2B sales	**₱394,148**	**₱396,001**	**₱61,721**	**₱851,870**
B2C sales	**10,969,400**	**-**	**85,678**	**11,055,078**
Total Revenue	**₱11,363,548**	**₱396,001**	**₱147,399**	**₱11,906,948**

	Year Ended March 31, 2019			
	Consumer	SSG	Others	Total
B2B sales	₱10,643,675	₱338,466	₱69,181	₱11,051,322
B2C sales	377,587	-	91,905	469,492
Total Revenue	₱11,021,262	₱338,466	₱161,086	₱11,520,814

DISTRIBUTION NETWORK

The Group's principal office is located along Ortigas Avenue Extension, Barrio Mapandan, Barangay San Isidro, Taytay, Rizal. The Group has PEZA registered activity (Airconditioner) located at 102 Laguna Boulevard Laguna Technopark, Sta. Rosa City, Laguna.

Aside from its warehouses located in its plant in Taytay and Sta. Rosa, the Group also has three (3) regional branches located in Pampanga, Cebu and Davao. The Group has a nationwide network of sales offices and accredited dealers to cater to its customers anywhere in the country. For customers' convenience, the Group has established a nationwide distribution network through its area offices and accredited service centers are strategically located at key towns, provinces, and cities.

Because of this wide distribution network, the Group is not dependent upon a single dealer or a few dealers, the loss of which would have a material adverse effect on the Group.

STATUS OF ANY PUBLICLY ANNOUNCED NEW PRODUCT OR SERVICE

The Group does not have any publicly-announced new major product or service that is being developed.

COMPETITION

Looking back at the start of fiscal year (FY) 2019 operation, there were positive indicators of a better economic situation for the Philippines. So, in line with our management slogan: "Challenge growth with a sense of speed," together with all the members of our PMPC Team, we mustered our best not only in creating ideas, but also in taking actions with a sense of speed. However, the favorable scenario was spoiled by challenging external factors: contractions in public spending, limited mobility of people as containment measure against COVID-19, especially in the last quarter of our business operation for FY2019, which eventually marred the capacity of your Company to realize our various targets. As a result, we were not able to sustain the 2-digit growth rate that we succeeded to realize in 5 consecutive years. Our products continued to receive support and patronage from our customers.

However, there were external circumstances that were beyond our control that reversed favorable expectations for both our domestic and export sales. Our sales for window air conditioner, in particular, were lower than last year at 91 percent, which resulted in a decline in operating profit by 43 million pesos. But we must be thankful that despite our shortcomings and challenges, we had some gains, too, such as the opening of our Washing Machine-Electric Fan Factory at our Sta. Rosa Plant, as well as the launching of the training center for air conditioners at our HDC Building. Likewise, we were able to generate a total sales performance of 11.9 billion pesos, which was 103 percent of the 11.5 billion pesos posted in FY2018. Such growth, however, did not suffice to boost significantly our operating profit, which declined by 32 million pesos as many of our products were not able to improve profitability.

In FY2020, despite the limitations the pandemic has wrought on social and economic activities, we are determined to realize a better scenario and challenge ourselves to regain momentum, not only to bounce back to double-digit sales growth, but also to realize positive operating profit by focusing on improving our business performance. In fact, throughout the first quarter of FY2020, our PMPC COVID-19 Crisis Committee has continued to conduct virtual meetings even during the temporary closure of our PMPC factories and offices so as to monitor the developments of the persisting situation. And our PMPC Team is working painstakingly to ensure the continuous relevance of your Company's business in the Philippines. Thus, we are aggressively creating and initiating sales-generating opportunities by adapting to the "new normal" in doing business, bearing in mind the goal of achieving our Mid-Term Plan target. We will strive even harder as we challenge growth with a sense of speed.

Many experts claim that a return to normalcy may take some time until a vaccine for COVID-19 is widely available, which could mean that the virus will continue to bring unforeseen challenges to our business operation. But as the Company navigates the rest of its current fiscal year, we will take this critical period as a good opportunity to generate a synergy with speed through unselfish contributions, and prove that this strange and difficult situation has also its merits, especially for our target growth.

Moreover, please refer to the accompanying Annual Reports of the Company (Annex "A").

SOURCES OF RAW MATERIALS AND SUPPLIES

The Parent Company has a broad base of suppliers, both local and foreign. The Company is not dependent on one or a limited number of suppliers.

The Parent Company imports substantially all of its raw material requirements, merchandise, machinery and equipment and other spare parts and supplies from PC - Japan and affiliates. Purchases from PC - Japan amounted to ₱0.0 million, ₱43.0 million and ₱5.7 million in fiscal year 2019, 2018 and 2017, respectively. Purchases made from affiliates amounted to ₱4.1 billion, ₱4.9 billion and ₱4.5 billion in fiscal year 2019, 2018 and 2017 respectively.

Purchases of raw materials, merchandise and other supplies are non-interest bearing, unsecured.

CUSTOMER CONCENTRATION

The Group is not dependent upon a single customer or a few customers, the loss of any or more of which would have a material adverse effect on the Company and its subsidiaries taken as a whole. The Group does not have a customer that will account for twenty percent (20%) or more of its revenues.

TRANSACTIONS WITH RELATED PARTIES

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.

For the companies under control of the Ultimate Parent Company (referred to as affiliates) that the Parent Company has transactions, results of the related party transactions and the Parent Company has outstanding balances with related parties, please refer to Note 21 of the attached Annual Audited Financial Statements (Annex "B").

The sales 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, 2020 and 2019 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 2020, 2019 and 2018, the Group has not recorded any impairment of receivables relating to amounts owned 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, 2020 and 2019. The 12% 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 book and payable in the Subsidiary's books amounted to ₱154.0 million as of March 31, 2020 and 2019 which were eliminated in the consolidation. The net expenses in the Parent Company's books and net revenue in the Subsidiary's books amounted to ₱28.9 million and ₱19.1 million in 2020, 2019 and 2018. 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:

	2020	2019	2018
Short-term employee benefits	**₱58,169,352**	₱64,978,844	₱80,424,774
Post-employment benefits	**4,390,861**	4,865,047	6,451,950
	₱62,560,213	₱69,843,891	₱86,876,724

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

Transactions with the Retirement Fund

Under PFRS, certain post-employment benefit plans are considered as related parties. The Parent Company's retirement plan is in the form of different investments being managed by the Parent Company. The Board of Trustees (BOT) of the retirement plan is mandated to approve the plan, trust agreement, investment plan including any amendments or modifications thereto, and any other activities of the plan. Certain members of the BOD of the Parent Company are represented in the BOT. The BOT manages the plan based on the mandate as defined in the trust agreement. The retirement fund has 58.0% interest in the subsidiary of the Parent Company amounting to ₱7.4 million and 5.1% interest in the Parent Company amounting to

₱21.6 million and as of March 31, 2020 carried at fair value. The Retirement Fund recognized a remeasurement loss amounting to ₱68.8 million and ₱79.1 million in 2020 and 2019, respectively.

The fair value of the net plan assets of the fund by each classes as at the end of the reporting period are presented in Note 11 of the attached AFS (Annex "B") amounted to ₱398 million.

As of March 31, 2020 and 2019, certain loans and receivables amounting to ₱59.3 million and ₱56.2 million, respectively, are receivables of the retirement fund from certain employees of the Parent Company. These are being deducted from the monthly salary of the employees and are payable within 12 months. Investments include equity instruments which have quoted market prices except for the investment in PERC amounting to ₱60.0 million and ₱59.7 million as of March 31, 2020 and 2019, respectively. The fair value of investment in quoted equity instruments as of March 31, 2020 and 2019 amounted to ₱112.3 million and ₱133.6 million, respectively. Investments also include investment properties pertaining to a parcel of land held for capital appreciation amounting to ₱9.0 million as of March 31, 2020 and 2019.

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, 2020 and 2019.

TECHNICAL ASSISTANCE AND TRADEMARK LICENSE AGREEMENT

The Parent Company has several Technical Assistance Agreements with Panasonic Corporation – Japan ("PC") and Panasonic Ecology Systems Co., Ltd. ("PES") valid for five (5) years from April 1, 2019 until March 31, 2024. Under the terms of the agreements, the Parent Company pays semi-annual technical assistance fees equivalent to a certain percentage of sales of selected products equivalent to 3.0%. Technical assistance fees charged by the Parent Company amounted to ₱183.9 million, ₱174.0 million and ₱172.7 million in 2020, 2019 and 2018, respectively.

The Parent Company has existing trademark license agreements with PC – Japan and affiliates. Under the terms of the agreements, the Parent Company is granted a non-exclusive license to use the trademark "KDK" (Kawakita Electric Company) and "Panasonic" on or in relation to its products and shall be effective as far as the Company uses the trademarks on its products. Currently, existing trademark license agreement became effective since the 1st day of April 2016 and shall thereafter continue and remain in full force and in effect until the 31st day of March 2024. The Parent Company pays royalty equivalent to 0.70% of the sales price of the products bearing the brands and 0.35% in the event that the Company uses the trademarks solely as either a tradename or as a corporate mark only. Brand license fees charged by the Parent Company amounted to ₱87.1 million, ₱83.4 million and ₱76.4 million in 2020, 2019 and 2018, respectively, while brand license fees charged by the affiliates amounted to ₱0.2 million, ₱0.3 million and ₱0.2 million in 2020, 2019 and 2018, respectively.

NEED FOR GOVERNMENT APPROVAL OF PRINCIPAL PRODUCTS OR SERVICES

The Group's principal products and services are offered to customers only upon receipt of the necessary regulatory approvals or clearances. The Group strictly complies with government product safety and quality standards before these are offered to the market.

The Group also complies with the related regulatory requirements such as reserves, liquidity position, provision on losses, anti-money laundering provisions and other reportorial requirements.

EFFECT OF EXISTING OR PROBABLE GOVERNMENTAL REGULATIONS ON THE BUSINESS

The Group strictly complied with the existing reportorial requirements of the regulatory agencies such as Securities and Exchange Commission, Philippines Stock Exchange and the Bureau of Internal Revenues, among others. In its fiscal year 2019 and 2018 consolidated financial statements, the Group adopted the changes to Philippine Accounting Standards and Philippine Interpretations of International Financial Reporting Interpretations Committee.

The Group will dedicate time and personnel to ensure proper and effective implementation of the future changes in accounting standards.

RESEARCH AND DEVELOPMENT COSTS

The amount spent for research and development costs and its percentage to net sales for each of the last three fiscal years ended March 31 were as follows:

	2020	2019	2018
Cost	**₱74,583,358**	₱ 27,085,844	₱ 36,772,785
Ratio to Net Sales	**0.63%**	0.24%	0.35%

The Parent Company's research and development activities are mainly driven by new technology and/or improvements of the technical know-how and production technique relating to the products, which is useful for the manufacture/assembly of the products. The efficient use of technology is expected to boost productivity and reduce manufacturing costs of the Parent Company.

COSTS AND EFFECTS OF COMPLIANCE WITH ENVIRONMENTAL LAWS

As an industrial corporation, the Group conducts its operations in compliance with all environmental, occupational health and safety and other related regulations of the government and along with the environmental policy and directives of PC, with its dedication to continuously improve its environmental, occupational health and safety, product safety performance and responding to the requirement of the industrial organization in managing, controlling and mitigating all types of risk that the Group has been exposed to. In fact, the Group, more often than not, implements environment-protection measures ahead of government regulations.

Compliance with the various environmental laws definitely entails costs and additional investments on the part of the Group, resulting higher production costs and operating expenses. The Group spent a total of ₱1.3 million, ₱1.1 million and ₱0.9 million for the treatment of wastes, monitoring and compliance, permits and personnel training in 2020, 2019 and 2018 respectively.

HUMAN RESOURCES AND LABOR MATTER

As of March 31, 2020 and June 30, 2020, the Parent Company has 814 and 808 full time employees:

	Mar-20			Jun-20		
	Administrative	Operation	Total	Administrative	Operation	Total
Under CBA	15	298	313	32	273	305
Non - CBA	499	2	501	497	6	503
	514	300	814	529	279	808

Around half of the Parent Company's employees are rank and file employees who are subject to collective bargaining agreements (CBA). The Parent Company did not deal with any labor strike for the past three years nor were there union complaints submitted to the Department of Labor and Employment.

In addition to the statutory benefits, the Parent Company provides life insurance; hospitalization benefits; vacation, sick, birthday and emergency leaves; and company and emergency loans to employees.

The Parent Company also maintains a retirement plan for its regular full-time employees.

RISK MANAGEMENT OBJECTIVES AND POLICIES

This is incorporated by reference to Note 27 of the Consolidated and Parent Company Audited Financial Statements (Annex "B").

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

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

Credit Risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss. With respect to credit risk arising from financial assets of the Group, which comprise of cash and cash equivalents, receivables, financial assets at FVOCI and other assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of the instrument.

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

As of March 31, 2020 and 2019, the Group does not hold collateral or other credit enhancement for cash and cash equivalents, receivables and refundable Meralco deposits (included in other assets). Thus, carrying values represent maximum exposure to credit risk. The Group acquired credit insurance for its domestic trade receivables, which covers both fully secured and partially secured receivables. Other than for domestic trade receivables, the Group's maximum exposure to credit risk is equivalent to the carrying value of the Group's financial assets as of March 31, 2020 and 2019.

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, 2020, the Group had two customers that owed it more than ₱386.2 million each that each accounts for more than 30.4% of the total trade receivables outstanding. As of March 31, 2019, the Group had two customers that owed it more than ₱220.0 million each that each accounts for more than 16.0% of the total trade receivables outstanding.

The Group's principal financial instruments comprise cash and cash equivalents. 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 receivables, accounts payable and accrued expenses, dividends payable and technical assistance fees payable which arise from normal operations.

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 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.

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

The effect on equity (as a result of a change in fair value of equity instruments held as financial assets at FVOCI and available-for-sale at March 31, 2020 and 2019, respectively) due to a reasonably possible change in equity indices is not material to the consolidated financial position of the Group.

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

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

Financial assets at FVOCI
Fair values are based on quoted prices published in the markets.

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

ITEM 2 – PROPERTIES

Manufacturing operations are conducted in a plant with an area of 72,503.5 sq. m. located in Ortigas Avenue Extension, Taytay, Rizal and another plant with an area of 147,195 sq. m. in Laguna Technopark, Sta. Rosa, Laguna. The land owned by its Subsidiary 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. The lease agreement was matured last March 31, 2020 and was renewed for another period of twenty-five years that will mature on March 31, 2045, while the land improvements, buildings, machinery and equipment, transportation equipment, office furniture and equipment, and/or tools and small equipment on these parcel of land in which the head office, region offices, sales office and warehouse are located are owned by the Company. Rental expense from these leases amounted to ₱28.9 million during the recent fiscal year. Operations of sales offices and service centers in Pampanga, Cebu, and Davao are operated on properties owned by the Parent Company except for the land that is also owned by its subsidiary. Operations of other sales offices and service centers are being conducted on properties leased by the Parent Company in various areas: Naga, Isabela, Dagupan, Bacolod, Iloilo, Tacloban and Cagayan de Oro.

On March 1, 2008, the Parent Company entered into a two-year renewable contract of lease with Panasonic Industrial Devices Philippines Corporation (PIDPH, formerly Precision Devices Philippines Corporation) for the rent of its building with some covered areas or improvements, comprising approximately of: main building 15,072.6 square meters, warehouse building 3,564 square meters and parking area 909 square meters located at Brgy. Don Jose, Laguna Technopark, Sta. Rosa City, Laguna. The lease is for a period of two years guaranteed commencing on the 1st day of March to 28th day of February and shall automatically be renewed unless terminated by either party upon servicing of at least three (3) months. The leased properties are accounted for by the Parent Company as "Investment properties" (see AFS Note 8). The lease contract was renewed on March 1, 2016 and expired on February 28, 2018 with a fixed monthly rental fee of US$45,217.8. On March 1, 2018, the lease agreement was extended for one month only until March 31, 2018. The contract was not renewed subsequent to expiration.

Rent income recognized in 2018 amounted to ₱25.2 million.

In 2019, the Parent Company transferred investment properties to property, plant and equipment for its use in its operations with cost and related accumulated depreciation amounting to ₱192.5 million, ₱161.1 million, respectively.

The properties owned and/or leased by the Company are in good condition and are free from mortgages, liens and encumbrances.

The aggregate fair value of the investment properties amounted to nil and ₱59.7 million as of March 31, 2020.

There are no plans for the acquisition of the Group's property over the next twelve (12) months.

ITEM 3 - LEGAL PROCEEDINGS

As of March 31, 2020 and June 30, 2020, the Group is not involved in any material litigation or any pending legal proceedings to which the registrant or any of its subsidiaries or affiliates is a party or of which any of their property is the subject.

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters, except for the matters taken up last Annual Stockholders Meeting, submitted to a vote of security holders during the period covered by this report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5 - MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

1. MARKET INFORMATION

The Parent's Company's common shares were officially listed and first traded at the Philippine Stock Exchange on January 21, 1983.

As of March 31, 2020 and June 30, 2020, a total of 84,723,432 Class "A" shares are listed in the Philippine Stock Exchange.

The price performance of the Company's common equity for each quarter within the two fiscal years and the subsequent interim period has been as follows in Philippine peso:

	High	Low
2020		
Jan – Mar	5.70	2.56
Apr – June	4.94	3.50
2019		
Jan – Mar	6.60	5.69
Apr – Jun	7.80	5.02
Jul – Sept	5.90	5.20
Oct – Dec	5.79	4.54
2018		
Jan – Mar	10.00	7.60
Apr – Jun	8.48	6.44
Jul – Sept	7.38	5.16
Oct – Dec	6.50	5.23

2. DIVIDENDS

The payment of dividend, either in the form of cash or stock, will depend upon the Parent Company's earnings, cash flow and financial condition, among other factors. The Parent Company may declare dividends only out of its unrestricted retained earnings. These represent the net accumulated earnings of the Parent 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 Parent Company's Board of Director declared cash dividends as follows:

Date of Declaration	Cash Dividend Per Share	Date of Record	Date of Payment
2020			
May 07. 2020	**14.98%**	**May 21, 2020**	**May 29, 2020**
2019			
April 22, 2019	20.99%	May 07, 2019	May 24, 2019
2018			
April 11, 2018	37.17%	April 25, 2018	May 24, 2019

3. HOLDERS

As of June 30, 2020, there were 453 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)	38,027,278	9.00%
3. PMPC Employees Retirement Plan	21,586,360	5.11 %
4. Pan Malayan Management & Investment Corporation	6,076,341	1.44%
5. Jesus V. Del Rosario Foundation, Inc.	3,870,926	0.92%
6. Vergon Realty Investment Corporation	3,389,453	0.80 %
7. J.B. Realty and Development Corporation	1,778,915	0.42 %
8. So Sa Gee	855,716	0.20 %
9. David S. Lim	656,393	0.16 %
10. Efren M. Sangalang	603,156	0.14 %
11. Vicente L. Co	577,245	0.14%
12. Susan L. Tan	500,000	0.12%
13. Vincent S. Lim	500,000	0.12%
14. Jason S. Lim	500,000	0.12%
15. Jonathan Joseph C.C. Lim	500,000	0.12%
16. 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 Lim	252,995	0.06%
20. Vladimir Co	248,164	0.06%

4. RECENT SALE OF UNREGISTERED SECURITIES

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

5. DESCRIPTION OF REGISTRANT'S SECURITIES

a. Authorized Capital Stock — 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 in Philippine Stock Exchange.

b. Number of Shares Outstanding as of March 31, 2020 and June 30, 2020
Common Shares @ P1.00/share

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

c. Amount of Debt Outstanding as of March 31, 2020 and June 30, 2020
NONE

d. Stocks Options, Warrants, Securities subject to redemption or call, other securities and Market information for securities other than common equity
NONE

ITEM 6 - 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 2019	FY2018	FY2017
1. Rate of Sales Increase	$\frac{\text{CY Sales - LY Sales}}{\text{LY Sales}}$ x 100%	3.35%	9.83%	5.20%
2. Rate of Profit Increase	$\frac{\text{CY Profit After Tax - LY Profit After Tax}}{\text{LY Profit After Tax}}$ x 100%	-14.86%	-43.75%	-50.70%
3. Rate of Profit on Sales	$\frac{\text{Profit After Tax}}{\text{Total Sales}}$ x 100%	1.06%	1.29%	2.50%
4. Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$ x 100%	2.5	2.6	2.7
5. Dividend Ratio to Capital	$\frac{\text{Dividend}}{\text{Average Capital}}$ x 100%	14.98%	20.99%	37.17%

(a) Rate of Sales Increase - This measures the sales growth versus the same period last year. Sales increased by 3.35% versus last year. Such was achieved due to improved sales to domestic market.

(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 decreased by -14.86% due mainly to increase in selling expenses for sales promotion and advertising to achieve sales target.

(c) Rate of Profit on Sales - This measures the percentage of profit after tax versus net sales for the period. Rate of profit decreased to 1.06% versus 1.29% last year.

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

(e) Dividend Ratio to Capital - This measures the dividend payout ratio versus capital for the period. The Group declared 14.98% and 20.99 cash dividend for the fiscal year 2019 and 2018, respectively.

INTRODUCTION

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, 2020, 2019 and 2018.

This discussion summarizes the significant factors affecting the consolidated operating results, financial condition, liquidity and cash flows of the Group for the fiscal year 2019 ended March 31, 2020. 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, 2020 (Annex "B") and management plans and reviews (Annex "C').

Fiscal Year 2019 vs. 2018
Financial Positions

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

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

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

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

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

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

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

Property, plant and equipment – net increased by ₱114.3 million (11.80%). As of March 31, 2020, the Company's total capital expenditures amounted to ₱346.9 million mainly pertains to construction in progress for the improvements of factory machinery and equipment due to the increase of production and volume capacity in its Washing Machine division, as well as building renovation of Washing Machine and Electric Fan Production. Total depreciation and disposal amounted to ₱258.0 million and ₱14.8 million, respectively. Investment properties was transferred to property, plant and equipment for its use in its operation.

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

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

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

Results of Operation

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

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

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

Cost of sales and gross profit amount rose with the increase in sales.

Selling expenses grew by ₱282.0 million (28.66%) composed of increase in sales and product promotion expense ₱360.98 million (129%), advertising and commission expense ₱46.4 million (42%) while freight cost decreased by ₱127.7 million (-24%).

General and administrative expenses decreased by ₱57.9 million (-5.25%) mostly attributable to reversal of provision for other estimated liabilities by ₱153.2 million

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

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

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

Fiscal Year 2018 vs. 2017

Financial Positions

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

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

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

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

Cash and cash equivalent decreased by ₱524.6 million (15.6%) due to acquisitions of property, plant and equipment, cash dividend payment and cash used in operating expenses.

Total accounts receivable (net) increase of ₱477.2 million due to higher sales during the last quarter of the period versus last year, collection of which will be the following month.

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

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

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

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

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

Results of Operation

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

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

The Company's consolidated group sales for fiscal year 2018 ending March 31, 2019 increased by ₱1,031.7 million (9.8%) versus last year because of the following favorable sales in the following product lines: room airconditioning products by ₱661.3 million (21.2%); washing machine ₱179.7 million (12.0%) and refrigerator ₱166.9 million (3.6%).
Cost of sales and gross profit amount rose with the increase in sales. However, the direct material cost ratio improved to 37.8% from 41.3% of last year despite the unfavorable effect of peso depreciation and fuel price hikes.

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

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

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

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

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

Fiscal Year 2017 vs. 2016

Financial Positions

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

Accounts	March 31, 2018	March 31, 2017	Difference (%)
Cash and cash equivalents	**₱3,356,080**	₱3,586,650	**-6.4%**
Receivables	**1,190,057**	1,021,726	**16.5%**
Inventories	**1,332,521**	1,010,964	**31.8%**
Other current assets	**116,207**	72,957	**59.3%**
Investment properties	**31,391**	48,350	**-35.1%**
Property and equipment – net	**856,076**	770,581	**11.1%**
Other assets	**52,046**	25,424	**104.7%**
Accounts payable and accrued expenses	**2,137,959**	2,040,722	**4.8%**
Provision for estimated liabilities	**329,954**	366,597	**-10.0%**
Stockholders'equity	**4,591,100**	4,269,857	**7.5%**

The Group continues to maintain its strong financial position with total assets amounting to ₱7.1 billion and ₱6.7 billion as of March 31, 2018 and 2017, respectively while total equity amounted to ₱4.6 billion and ₱4.1 billion as of the same period.

Current ratio for the period ending March 31, 2018 recorded at 2.8:1, same as last year. Current assets and liabilities increased by ₱303 million and ₱97 million, respectively.

The decrease in cash and cash equivalent was mainly due to low profit, increased inventory and the payment of last year's declared dividend amounted to ₱295 million.

Accounts receivable increase in amount versus last year was due to the higher export sales in March 2018 versus last year - a difference of ₱76 million, collection of which will be the following month. Lower sales in March 2018 versus forecast attributed to increase in unsold stocks which have been purchased. Also, the higher sales versus last year considered the increase in volume of inventory purchases.

Property, plant and equipment – net increased by ₱85.5 million (11.1%). Capital expenditures amounted to ₱245 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 ₱31 million. The other difference represents depreciation for the year.

Other current assets increased by ₱43.2 million (59.3%) due to excess of creditable withholding taxes for the period against income tax payable.

Accounts payable and accrued expenses increased by ₱97.2 million (4.8%) was mainly brought by the increased purchases of inventory and the outstanding payable for the purchase of equipment.

Provision for estimated liabilities was due to payment and/or reversal of reserves or estimated provision on expenses.

Total equity of the Group increased by ₱321 million (7.5%) caused by current year's total comprehensive income.

Results of Operation

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

Accounts	FY 2017	FY 2016	Difference (%)
Sales	**₱10,490,076**	₱9,974,277	**5.2%**
Cost of sales	**8,478,203**	7,506,888	**12.9%**
Gross profit	**2,011,873**	2,467,389	**-18.5%**
Selling expenses	**897,541**	1,046,995	**-14.3%**
General administrative	**949,815**	888,570	**6.9%**
Other income – net	**152,398**	135,386	**12.6%**
Income before tax	**316,915**	667,210	**-52.5%**
Income tax expense	**52,883**	131,375	**-59.7%**
Income after tax	**264,032**	535,835	**-50.7%**

Consolidated sales for FY 2017 ended March 31, 2018 grew by 5.2% from last year mainly because of the increased demand in consumer appliance products particularly washing machine, refrigerator and split type airconditioner.

The cost of sales increased due to increase in volume. The increase was further aggravated by higher market price of raw materials such as copper, resin and certain chemicals such as urethane. Also, the unfavorable effect of peso depreciation increased our importation cost/cost of sales.

Selling expenses decreased by ₱149.5 million (14.3%) due to decrease in advertising expense, controlled promo activities and lower warranty costs. Also, freight cost slightly decreased by ₱40 million due to more sales concentration in GMA areas versus VisMin sales deliveries.

General administrative expenses increased by ₱61.2 million (6.9%) mainly due to payment for the maintenance of SAP system for one (1) year against half year of last year.

Other income mainly compose of interest income from the bank and Forex gain/loss. The increase mainly pertains to recovery of allowance for credit and impairment losses.

The decrease in net income before tax was attributable to the high cost of our material components and the peso devaluation/forex loss difference. Last year's average Forex was Php47.92/US dollar, this year was Php50.8/US dollar.

Income tax expense decreased due to low profit, the Company resulted to being taxable under the Minimum Corporate Income Tax (MCIT) of 2% of adjusted gross profit as against the 30% RCIT. Net income after tax decreased by 50.7% versus last year mainly due to the low income.

OTHER MATTERS

a. Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.

   COVID-19 and those stated in Management's Discussion and Analysis of Financial Conditions and Results of Operations on pages 4, 5 and 6.

b. Any events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation. **NONE**

c. All material off-balance sheet transactions, arrangements, obligations, and other relationships of the company with unconsolidated entities or other persons created during the reporting period.
   NONE

d. Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures should be described

   The Group's commitments for capital expenditures are for investments on relocation and renovation of its head office and branch premises, acquisition and repairs of machinery and equipment, furniture and fixtures, and IT-related projects needed to bring the Company at par with competitors.

e. Any 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.

   The COVID-19 pandemic have had unfavorable impact on net sales and income of the Group. Refer to MD&A for detailed analyses

f. Any significant elements of income or loss that did not arise from the Company's continuing operations. **NONE**

g. The causes for any material change from period to period which shall include vertical and horizontal analyses of any material item.

   Refer to Item 2 of Part I for the vertical and horizontal analyses on pages 4, 5 & 6

h. Any seasonal aspects that have had a material effect on the Group's financial condition or results of operations.

   The COVID-19 pandemic has impacted to the Group's operation for the first quarter. Refer to MD &A Item No. 2 for detailed description on pages 4, 5 & 6.

However, the Group is determined to realize a better scenario and to regain momentum, not only on sales growth but a positive operating profit. The Group is continuously assessing and monitoring the impact to its financial position, performance and cash flows. The Group will continue to monitor the situation.

CASHFLOWS

A brief summary of cash flow movement is shown below

(in thousands)	**2020**	2019	2018
Net cash provided by (used in) operating activities	**₱569,490**	(₱137,648)	₱217,772
Net cash used in investing activities	**(346,314)**	(245,650)	(151,836)
Net cash used in financing activities	**(103,320)**	(157,606)	(298,194)

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)	**2020**	2019	2018
Proceeds from disposal of PPE	**₱360**	₱2,786	₱1,858
Acquisitions of property, plant and equipment	**(339,763)**	(253,149)	(142,897)
Acquisition of software	**(1,458)**	-	(4,533)
Decrease (increase) in other assets	**(5,453)**	4,713	(6,264)
Total	**(₱346,314)**	(₱245,650)	(₱151,836)

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

(in thousands)	**2020**	2019	2018
Cash dividends paid	**(₱88,734)**	(₱157,155)	(₱295,889)
Finance lease liabilities paid	**₱14,586)**	(451)	(2,305)
Total	**(₱103.320)**	(₱157,606)	(₱298,194)

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. The appropriated retained earnings of the Subsidiary for the payment of its outstanding loan payable to Parent Company.

ITEM 7 - FINANCIAL STATEMENTS

The Group's Audited Consolidated Financial Statements for the fiscal year 2019 ended March 31, 2020 are attached hereto as Annex "B". Please refer also to the accompanying notes to the Audited Financial Statements.

ITEM 8 – CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

Information on Independent Accountants and Other Related Matters

Audit Committee's Approval Policies

The Group's Audit Committee reviews the eligibility of the incumbent external auditor for retention. Otherwise, the Audit Committee then follows the selection process. Audit Committee selects from among the qualified external auditors and presents their recommendation to the Board of Directors for approval.

Sycip Gorres Velayo and Co., CPAs (SGV) is the current external auditor of the Group for FY 2019 and for the last two (2) fiscal years. To comply with the amended SRC Rule 68 (3) (b) (ix), the signing partners are rotated every five (5) years.

The Group's audit partner-in-charge for fiscal year 2019 ended March 31, 2020 is Mr. Juan Carlo B. Maminta who was appointed in 2018.

Changes in and Disagreements with External Accountants on Financial Accounting and Disclosures

The Group had no disagreements with the former accountant, SGV, the Group's external auditor, on any matter of accounting principles or practices, financial statements disclosures or auditing scope and procedures.

External Audit Fees and Services

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

(in millions)	**2020**	2019	2018
Annual Audit Fee	**₱2.9**	₱2.5	₱2.5
PFRS 9 & 15	-	1.0	-
Total	**₱2.9**	₱3.5	₱2.5

There are no fees paid to external auditors other than for audit services, including the incremental fees for the additional audit procedures for the adoption of PFRS 9 and 15 of the Company in 2019.

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.

PART III – CONTROL AND COMPENSATION INFORMATION

ITEM 9 – DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

1. Directors and Executive Officers

Name	Office/Position	Citizenship	Age
Masatoshi Sasaki	Chairman of the Board and President	Japanese	57
Yoshiyuki Takahashi	Vice – Chairman, Executive Director and Treasurer	Japanese	58
Hiroshi Yamada	Executive Director	Japanese	58
Satoshi Kono *	Director and VP – PPH	Japanese	51
Masaru Toyota **	Executive Director and VP – PPH	Japanese	60
Hirokazu Yoshida *	Director	Japanese	56
Hiroyuki Tagishi **	Director	Japanese	59
Shigeru Dono	Director	Japanese	58
Yukio Hirose	Director	Japanese	52
Emiliano Volante	Independent Director	Filipino	76
Elizabeth Gildore	Independent Director	Filipino	62
Justina Callangan *	Independent Director	Filipino	67
Ma. Virginia Arevalo	Compliance Officer	Filipino	55
Mamerto Z. Mondragon	Corporate Secretary	Filipino	76

** Elected effective Sept. 01, 2020*
*** Resigned effective Sept. 01, 2020*

Mr. Masatoshi Sasaki, Japanese, 57, was elected to the Board and appointed as the President on April 1, 2019. Prior to his assignment, He was assigned to Refrigerator Business Division, Appliance Company, Panasonic Corporation – Japan ("PC") as the Director from October 2017 – March 2019. He was the Director of PC – Quality Innovation Division from April 2016 – September 2017 and General Manager of PC – Refrigeration Business Unit from October 2010 – September 2012. He joined Panasonic Corporation – Japan in April 1986. In November 2005, He was transferred to Panasonic Thailand Subsidiary, Panasonic Home Appliance R&D Center (Thailand) Company as the Manager and he returned to PC – Japan in October 2010 as the General Manager of PC – Product Development Group, Refrigerator Business Unit. He graduated from Kyoto Prefecture, Japan with a Bachelor's degree.

Mr. Yoshiyuki Takahashi, Japanese, 58, 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 Board Risk Oversight Committee and a member of the Audit, Related Party Transactions and Corporate Governance Committees. He is also the Chief Information, Financial and Human Resource Officer. 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 and IR Group (June 2010 – March 2013). He is a graduate of the Osaka City University in Osaka, Japan with a Degree in Business Administration.

Mr. Hiroshi Yamada, Japanese, 58, was elected as PMPC – Executive Director since February 01, 2014. He is one of the Company's Senior Managing Officer and Chief Officer for Technology and Strategy. He was a former Councilor for Refrigerator Business Division, Appliances Company, PC – Japan from October 2012 to August 2013. He was the General Manager of Refrigerator Business Unit, Home Appliances Company, PC – Japan from October 2010 to September 2013. He was also the General Manager of Engineering Group, Refrigerator Business Unit, PC – Japan from April 2008 to September 2010 and from July 2005 to March 2008 he was assigned Engineering Group, Refrigerator Division, Pc – Japan as the General Manager. He is a graduate of the Toyama University in Japan with a Degree in Science of Engineering.

Mr. Masaru Toyota, Japanese, 60, was elected as Executive Director and Vice- President of PPH Sales and Marketing Division last April 23, 2014 until September 01, 2020. 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.

Mr. Satoshi Kono, Japanese, 51, was elected as Director and Vice - President of PPH Sales and Marketing Division effective September 01, 2020. He is the Managing Executive Officer of the Company for Marketing and Product Planning Center from April 2016. Prior to his assignment to the Company, he was the Chief of Planning Team, Major Appliances Group Consumer Marketing Division Appliances Company, Panasonic Corporation – Japan from October 2014 to April 2016.

Mr. Hirokazu Yoshida, Japanese, 56, was elected as Director on September 01, 2020. He is also Director for Sales Company Support Center and Consumer Marketing Division and the Managing Officer of Panasonic Corporation – Japan from April 2020. He was the Director for AVC Marketing Center, Consumer Marketing Division and Appliances Marketing Center Appliances Company, Panasonic Corporation – Japan from July 2016 to March 2020. From April 2014 to June 2016, he was Director of PC – Japan's AVC Marketing Center Consumer Marketing Division and Group Manager – Communication Department, AVC Networks Company, PC – Japan from April 2013 to March 2014. In January 2012 to March 2013, he was the Vice – President of Panasonic of Brasil Ltd. and CEO of Panasonic Sales of Brasil Ltd. He graduated from Osaka University of Foreign Studies.

Mr. Hiroyuki Tagishi, Japanese, 59, was elected to the Board on April 1, 2016 until September 01, 2020. 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.

Mr. Yukio Hirose, Japanese, 52, was elected to the Board on November 7, 2018. He is currently the Executive Deputy Managing Director of Panasonic Appliance Asia Pacific and concurrently the Managing Director and in – charge of Sales and Marketing of Panasonic Appliances Marketing Asia Pacific since July 2018. He was the Director of Panasonic Asai Pacific Pte. Ltd. ("PA") from May 2017 – June 2018. He was assigned to Panasonic Marketing Europe as the Managing Director from April 2015 – April 2017. He was the Vice – President of Panasonic Consumer Electronic United States from October 2011 – March 2015. He was assigned to PA – Global Marketing of Digital Camera as General Manager from April 2005 – September 2011. He graduated from Meiji University with a Bachelor Degree in Politics. He joined Panasonic Corporation in March 1991.

Independent Directors

Mr. Emiliano S. Volante, Filipino, 76, 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.

Ms. Elizabeth Gildore, Filipino, 62, 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.

Ms. Justina Callangan, Filipino, 67, was elected as Independent Director on September 01, 2020. She was elected in August 2020 as Director (representing the public sector) of Securities Investors Protection Fund, Inc., Independent Director of ORIX Metro Leasing and Finance Corporation from June 2019, Consultant – ASA Philippines Foundation, Inc. from October 2018 and for Divina Law Office from Nov. 2018. She is currently MCLE Lecturer on Various SEC Matters at UP Law Center Institute for the Administration of Justice and Center for Global Practices. She was the Securities and Exchange Commission's Director for Corporate Governance and Finance Department form February 2012 to October 2017. She graduated from San Sebastian College, Bachelor of Laws; University of Santo Tomas, Candidate MA (Political Science) and University of the East, AB Political Science.

Corporate Secretary

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

Compliance Officer

Ms. Virginia Arevalo, Filipino, 55, has been the compliance officer of the Company since 2018. She is currently the Manager of Corporate Planning Center from May 2017. She was previously the Manager of Quality Assurance Center from September 2012 – April 2017 and Manager of Purchasing and Import/Export Department from April 2010 to August 2012. And she was the Manager of Purchasing Management Center from April 2006 to March 2010. She graduated from the University of Santo Tomas with a Bachelor Degree in Electrical Engineering and joined the Company in 1987.

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.

Executive Officers

Position	Name	Age	Citizenship
President and Chairman	Masatoshi Sasaki	57	Japanese
Executive Director, Treasurer and Vice - Chairman	Yoshiyuki Takahashi	58	Japanese
Executive Director	Hiroshi Yamada	58	Japanese
Executive Director and PPH Vice-President	Masaru Toyota **	60	Japanese
Director & PPH Vice President	Satoshi Kono *	51	Japanese
Compliance Officer	Ma. Virginia Arevalo	55	Filipino
Corporate Secretary	Atty. Mamerto Mondragon	76	Filipino

** Effective Sept. 01, 2020*
*** Replaced by Mr. Satoshi Kono effective Sept. 01, 2020*

Term of Office

The Directors and Executive Officers are appointed/elected annually by the Board of Directors at the organizational meeting following the 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.

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

2. Significant Employees

The Group values its human resources and considers the entire manpower force as significant employees. It expects each employee to do his share in achieving its set goals and objectives.

3. Family Relationships

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

4. Involvement in Certain Legal Proceedings

The above-named executive officers and directors have not been involved in any material legal proceedings in any court or administrative agency of the government during the past five (5) years that will affect their ability as directors and officers of the Group.

a. None of them has been involved in any bankruptcy petition

b. None of them has been convicted by final judgment in a criminal proceeding or being subject to a pending criminal proceeding, both domestic and foreign.

c. None of them has been subject to any order, judgment, or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodity or banking activities.

d. None of them has been found by a domestic or foreign court of competent jurisdiction (in civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self – regulatory organization, to have violated a securities or commodities law or regulation.

ITEM 10 – EXECUTIVE COMPENSATION

The aggregate annual compensation during the last two fiscal years and to be paid in ensuing fiscal year 2020 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
FY2020*	₱37,750,802	₱12,089,188	₱-	₱49,839,990
FY2019**	40,796,948	13,301,857	-	54,098,805
FY2018	38,512,186	12,936,859	-	51,449,045

** Refers to Messrs. Masatoshi Sasaki (CEO), Yoshiyuki Takahashi, Hiroshi Yamada, Masaru Toyota and Satoshi Kono. Estimated amount – no significant change versus last year*
*** Refers to Messrs. Shinichi Hayashi, Yoshiyuki Takahashi, Hiroshi Yamada, Masaru Toyota and Satoshi Kono. Mr. Hayashi resigned last March 31, 2019 and Mr. Sasaki was elected as his replacement effective April 1, 2019.*

All officers and directors as a group unnamed:

	Compensation	Bonuses	Others	Total
FY2020*	₱41,473,561	₱13,002,082	₱1,393,800	₱55,869,443
FY2019	44,342,432	14,131,761	1,393,800	59,867,993
FY2018	48,650,465	15,008,379	1,320,000	64,978,844

**Estimated amount*
For ensuing year 2020, 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.

Each director and executive officers executed an employment contract with the Company for an indefinite period and entitled to receive retirement benefits in accordance with the terms and conditions of the Group's BIR-registered Employees Retirement Plan. There is no plan or arrangement by which a the director and executive officers will receive from the Group in case of a change-in-control of the Group or change in the executive officer's responsibilities following a change-in-control.

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

ITEM 11 – SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

1. Security Ownership of Certain Record and Beneficial Owner of more than 5% of any class as of March 31, 2020 and June 30, 2020

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 Class "B"	Panansonic Corporation ("PC") Japan 1006 Oaza Kadoma, Kadoma City, Osaka 571-8501, Japan 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. Masatoshi Sasaki – Chairman of the Board to vote on the shares.

2. Security Ownership of Directors and Management

The following are the securities beneficially owned by directors, nominees and executive officers of the Parent Company as of March 31, 2020 and June 30, 2020.

Title of Class	Name of Beneficial Owner	Amount of Beneficial Ownership (Php)	Nature of Beneficial Ownership	Citizenship	Percent
Common "B"	Masatoshi Sasaki	1	Direct	Japanese	NIL
Common "B"	Yoshiyuki Takahashi	1	Direct	Japanese	NIL
Common "B"	Masaru Toyota	1	Direct	Japanese	NIL
Common "B"	Hiroshi Yamada	1	Direct	Japanese	NIL
Common "B"	Hiroyuki Tagishi	1	Direct	Japanese	NIL
Common "B"	Yukio Hirose	1	Direct	Japanese	NIL
Common "B"	Shigeru Dono	1	Direct	Japanese	NIL
Common "A"	Emiliano Volante	9,879	Direct	Filipino	0.0024
Common "A"	Elizabeth Gildore	1,000	Direct	Filipino	NIL
Common "A"	Atty. Mamerto Mondragon	85,360	Direct	Filipino	0.0202

The aggregate number of shares owned of record by all or key officers and directors as a group as of March 31, 2020 and June 30, 2020 is 96,246 shares or approximately 0.02% of the Parent Company's outstanding capital stock.

3. Voting Trust Holders of 5% or More

There has been no beneficial owner under the PCD Nominee account who holds more than 5% of the Parent Company's equity securities.

4. Changes in Control

The Parent Company is not aware of any change in control or arrangement that may result in change in control of the Company since the beginning of its last fiscal year.

ITEM 12 – CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During the last two years, there were no transactions was undertaken by the Company in which any director, executive officer, beneficial owner, or any member of their immediate family had a direct or indirect material interest.

There were no director, executive officer, principal stockholder, or any member of their immediate family owns 10% or more of the Company's outstanding shares.

There were no transactions promoters for the past five years.

Details on related party transactions were on Note 22 of the Consolidated Financial Statements which is incorporated herein.

PART IV – CORPORATE GOVERNANCE

ITEM 13 – CORPORATE GOVERNANCE

Financial Reporting 2020

Panasonic Manufacturing Philippines Corp. (PMPC) is committed to adhere itself with the global best practice of corporate governance and full and fair disclosure to provide and deliver sustained growth and profitability for its shareholders and stakeholders. 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 2019 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, and Related Party Transaction Committee have their respective charters approved by the Board. Charters delineate the objectives of the committees, define it functions, composition and procedures. These charters were prepared and benchmarked consistent with SEC's revised Code of Corporate Governance and existing rules and regulations. Every PMPC committee has at least two independent directors. The Board convenes regular meeting on a monthly basis and special meetings may be called for as needed.

Audit Committee

The 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 2019, internal audit plan for 2020, and the revised internal audit charter. The Internal Audit periodically reports on the status of relevant auditable areas and recommendations which includes the current status of internal control over financial reporting. The quarterly Audit Committee meetings were conducted to report significant audit issues and accomplishments of the Internal Audit. The Audit Committee through its Internal Audit reviewed the audited consolidated financial statements in accordance with Philippine Financial Reporting Standard (PFRS) and Philippine Accounting Standards (PAS) for Board approval. The Internal Audit reports functionally to the Audit Committee Chairman.

Corporate Governance Committee

The 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 and compensation committees 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, two of whom are independent directors.

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, two of whom are independent directors.

Related Party Transaction Committee

The purpose of the Related Party Transaction Committee (the "Committee") is to assist the Board of Directors of the company to provide independent review, approval and oversight of Related Party Transactions (RPTs) to ensure that transaction with related parties are conducted in arms-length. RPT Committee is composed of at least three non-executive directors, two of whom should be independent. 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. RPT Committee clearly defines the threshold for disclosure and approval of RPTs and categorizes such transactions according to those that are considered de minimis or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. The aggregate amount of RPTs within any twelve (12) month period is considered for purposes of applying the thresholds for disclosure and approval. In 2019 PMPC adopted the Related Party Transaction guidelines of SEC pursuant to SEC memorandum circular no. 10 series of 2019.

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.

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 2019, PMPC substantially complied with its Manual on Corporate Governance, the provisions of the Revised Code of Corporate Governance of the Securities and Exchange Commission (SEC) and the Corporate Governance Guidelines Disclosure Template of the Philippine Stock Exchange (PSE). As a mechanism to comply with Corporate Governance, the company has a Corporate Governance Committee, which comprises the company's President, Compliance Officer, Audit Committee, Internal Audit, and Risk Management Committee. The Corporate Governance Committee has taken various initiatives to comply with the ASEAN Corporate Governance and Integrated Annual Corporate Governance Report (IACGR) practices which recently include the adoption of Corporate Compliance Program Policy headed by Compliance Officer, Related Party Transaction Policy, Board Related Party Transaction Committee, Beneficial Ownership Policy, Fraud Statement Policy among others. These initiatives are prospectively monitored by the board and facilitated by the company's compliance officer. PMPC has put in place a policy on Corporate Compliance Program to strengthen its compliance initiatives consistent with the regulatory agencies.

PMPC's Corporate Governance is exercised by a duly appointed Compliance Officer who is responsible for monitoring compliance with the provisions and requirements of corporate governance law, rules and regulations, reporting violations and recommending the imposition of disciplinary actions, and adopting measures to prevent repetition of violations. 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.

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

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 2019.

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 and Integrated Annual Corporate Governance Report to reflect global principles and internationally recognized good practices in corporate governance applicable to public listed corporations. *Recently, the company adopts SEC's Revised Corporate Governance pursuant to SEC Memorandum Circular No.24 series of 2019 to improve its Corporate Governance Practices by the Board and management. As such, it prospectively revised its Manual of Corporate Governance accordingly.*

PART V - EXHIBITS AND SCHEDULES

ITEM 14 – EXHIBITS AND REPORTS ON SEC FORM 17 – C

The following reports on SEC Form 17-C were filed to SEC.

<table>
<tr><td>04/11/2019</td><td>List of PMPC's Top 100 Stockholders as of March 31, 2019</td></tr>
<tr><td>04/02/2019</td><td>Resignation of Mr. Shinichi Hayashi as President and Chairman effective April 1, 2019
Election of Mr. Masatoshi Sasaki as new Director, President and Chairman to replace Mr. Hayashi effective April 1, 2019</td></tr>
<tr><td>04/02/2019</td><td>Final List of Candidate for members of the Board of Directors for 2019 – 2020 as follows:
Mr. Masatoshi Sasaki
Mr. Yoshiyuki Takahashi
Mr. Masaru Toyota
Mr. Hiroshi Yamada
Mr. Hiroyuki Tagishi
Mr. Yukio Hirose
Mr. Yasuo Tonooka
Mr. Emiliano Volante
Ms. Elizabeth Gildore

Resignation of Mr. Shinichi Hayashi as President and Chairman effective April 1, 2019
Election of Mr. Masatoshi Sasaki as new Director, President and Chairman to replace Mr. Hayashi effective April 1, 2019</td></tr>
<tr><td>04/24/2019</td><td>Declaration of cash dividend 20.99% of capital or Php0.2099179 per share in favor of all stockholders of record as of May 7, 2019 payable on May 24, 2019</td></tr>
<tr><td>05/03/2019</td><td>Certification of Independent Director for 2019
Mr. Emiliano Volante
Ms. Elizabeth Gildore</td></tr>
<tr><td>06/07/2019</td><td>List of stockholders as of June 3, 2019, record date of stockholders entitled to notice and to vote during annual stockholders meeting scheduled on June 21, 2019</td></tr>
<tr><td>06/25/2019</td><td>Matters taken up during Annual Board Meeting held on June 21, 2019:

Election of Corporate Officers for 2019 – 2020
<table>
<tr><td>Mr. Masatoshi Sasaki</td><td>President and Chairman of the Board</td></tr>
<tr><td>Mr. Yoshiyuki Takahashi</td><td>Vice-Chairman of the Board
Executive Director and Treasurer</td></tr>
<tr><td>Mr. Hiroshi Yamada</td><td>Executive Director</td></tr>
<tr><td>Mr. Masaru Toyota</td><td>Executive Director andVice – President PPH</td></tr>
<tr><td>Atty. Mamerto Z. Mondragon</td><td>Corporate Secretary</td></tr>
</table>
Election of Compliance Officer for 2019 – 2020
Ms. Ma. Virginia Arevalo</td></tr>
</table>

	Amendment of By – Laws to change date of Annual Stockholders' Meeting from 3rd Friday of June to 3rd Friday of July effective 2020
06/21/2019	Matters taken up during Annual Stockholders' Meeting held last June 21, 2019 Election of Regular Directors for 2019 – 2020 1. Mr. Masatoshi Sasaki 2. Mr. Yoshiyuki Takahashi 3. Mr. Hiroshi Yamada 4. Mr. Masaru Toyota 5. Mr. Hiroyuki Tagishi 6. Mr. Yukio Hirose 7. Mr. Yasuo Tonooka Independent Directors: 1. Mr. Emiliano Volante 2. Ms. Elizabeth Gildore Appointment of Sycip, Gorres, Velayo and Co. as the Co.'s external auditor for fiscal year 2019 – 2020
7/11/2019	List of PMPC's Top 100 Stockholders as of June 30, 2019
8/23/2019	Amended of By-Laws to change date of Annual Stockholders Meeting from 3rd Friday of June to 3rd Friday of July
10/10/2019	List of PMPC's Top 100 Stockholders as of September 30, 2019
10/10/2019	Resignation of Mr. Yasuo Tonooka and Election of Mr. Shigeru Dono effective October 8, 2019.
01/14/2020	List of PMPC's Top 100 Stockholders as of December 31, 2019
01/24/2020	Sworn Corporate Secretary 's Certification
8/26/2020	Election of Regular Directors, Independent Directors and External Auditor during Annual Stockholders' Meeting held on August 26, 2020
9/01/2020	Election of Mr. Satoshi Kono, Mr. Hirokazu Yoshida as new directors to replace Mr. Masaru Toyota and Mr. Hiroyuki Tagishi effective September 1, 2020. Election of Ms. Justina Callangan as new independent director effective September 1, 2020
9/2/2020	Initial Statement of Beneficial Ownership of Securities of Mr. Hirokazu Yoshida.
9/2/2020	Initial Statement of Beneficial Ownership of Securities of Ms. Satoshi Kono.
9/2/2020	Initial Statement of Beneficial Ownership of Securities of Ms. Justina Callangan.

9/25/2020	Certification of Independent Director – Elizabeth P. Gildore
9/25/2020	Certification of Independent Director – Emiliano Volante
9/25/2020	Certification of Independent Director- Justina Callangan

From March 2020 we disclosed to Philippine Stock Exchange (PSE) but not file to Securities and Exchange Commission SEC because of the Lockdown.

Reports under SEC form 17-C, as amended during the last six (6) months:

NONE

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in [illegible] on September [illegible] 2020.

PANASONIC MANUFACTURING PHILIPPINES CORPORATION
REGISTRANT

Pursuant to the requirements of the Securities Regulation Code, this Annual Report has been signed by the following persons in their capacities and on the date indicated.

By:

MASATOSHI SASAKI
President & Chairman

YOSHIYUKI [illegible]AHASHI
[illegible] & Vice Chairman
Executive Director

HIROSHI [illegible]
Executive Director

Signed on this 25[th] day of September 2020

SEP 25 2020

SUBSCRIBED AND SWORN to before me [illegible] [illegible]

NAMES	PASSPORT NO	DATE ISSUED	PLACE ISSUED
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	December [illegible]	[illegible]
[illegible]	[illegible]	November [illegible]	[illegible]

Doc. No. [illegible]
Page No. [illegible]
Book No. [illegible]
Series of [illegible]

NOTARY PUBLIC
[illegible]
NOTARY PUBLIC
[illegible]

Sustainability Report

Contextual Information

Company Details	
Name of Organization	**PANASONIC MANUFACTURING PHILIPPINES CORPORATION**
Location of Headquarters	Ortigas Extension Avenue, Taytay, Rizal, Philippines
Location of Operations	Taytay, Rizal and Sta Rosa, Laguna
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	Consolidated Report
Business Model, including Primary Activities, Brands, Products, and Services	Appliance Manufacturing
Reporting Period	Fiscal Year 2019
Highest Ranking Person responsible for this report	Chief Executive Officer

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.[1]

During the process of identifying and prioritizing the material sustainability topics, the following factors was taken into account:

- Economic, environmental, and/or social impacts identified through sound investigation with respective department responsible for each relevant topic
- The interests and expectations of relevant stakeholders, such as employees, customers, and shareholders.
- Broader economic, social, and/or environmental interests and topics raised by stakeholders such as suppliers, local communities, vulnerable groups, and civil society. Special attention has been given to United Nations Sustainable Development Goals.
- Main topics and future challenges for the appliance manufacturing industry sectors, as identified directly by peers and industry organizations.
- Local laws and regulations, international agreements, or voluntary agreements of strategic significance to Panasonic and its stakeholders.
- The organization's values, policies, strategies, operational management systems, goals, and targets.
- Negative consequences to the organization which are related to its impacts on the economy, the environment, and/or society such as risks to PMPC's business model or reputation.
- We have also incorporated the Board of Directors' suggestions on stepping up reporting on Health & Safety (related to pandemic situation), Privacy and Climate/Environment in our Sustainability Report have been incorporated.

[1] See *GRI 102-46* (2016) for more guidance.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	11,906,948,322	PhP
Direct economic value distributed:		
a. Operating costs	11,838,824,676	PhP
b. Employee wages and benefits	787,294,231	PhP
c. Payments to suppliers, other operating costs	10,043,028,446	Php
d. Dividends given to stockholders and interest payments to loan providers	88,736,084	PhP
e. Taxes given to government	1,897,883,762	PhP
f. Investments to community (e.g. donations, CSR)	3,973,220	PhP

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Impact: Economic Boundary: Primary Business Involvement: Direct Economic Value Generated and Distributed	Customers, investors, suppliers, government, NGOs, local communities.	Panasonic create robust revenue streams to ensure our consistent economic contribution to society. We have been continuously investing to enhance our manufacturing capacity and capability, shifting to inverter window air conditioners, no-frost inverter refrigerators, fully automatic washing machines, and DC inverter electric fans for value added products. We strives to secure profit to return a dividend and reinvest in competitive products. Our profitability target is driven by reducing our cost, increasing sales turnover, increasing productivity and efficiency. Our financial policy also includes a strong financial position and stable revenues in the event of political and economic uncertainties, market competition, and pressure from regulatory bodies. To ensure a constant revenue stream for economic sustainability, the

		company's Direct Economic Value Generated is the result of setting an effective revenue target for profitable growth resulting from the following key and related factors: a) We have determined the growth rate to set our effective revenue target. b) Established marketing intelligence to monitor competition, market and opportunities. c) We have strategically defined our key market segments and the corresponding foundational profit target for each segment to establish our sales pipeline. d) The right amount and type of investment required is determined to reach the effective revenue targets and finally, e) We are committed to realize the revenue target set. Furthermore, we continuously innovate new ideas that enhance the lifestyle of our customers and reduce our environmental impact. Research must be carried on and innovation programs developed. Appropriated retained earnings is invested in new equipment and facilities to sustain our target growth and launching of new products for the market. As a result, our company produced various world class quality Eco-products and efficient Eco-factories to support environmental sustainability and consistent source of revenue stream for economic sustainability. Our organization also established management systems to protect the source of revenue stream some of which are risk management, business continuity management, information security, corporate compliance program, among others. When we operate according to these principles, we provide economic contribution to all stakeholders and to the society as a whole.

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
• Operational Risks (Pandemic) • Economic Risk (Recession) • Competitive Risks • Trade Promotion Risk • Seasonal Risks	Customers, investors, suppliers, government, NGOs, local communities.	• Operation risk is inevitable part of business operation. To mitigate its impact, we have adopted Business Continuity Management or Plan in situation like pandemic. The company has tapped the services of Insurance Company to cover and compensate for probable operational loss. We have maintained the company's core critical operation during the pandemic as not to disrupt the supply chain and flow of products in the market. E-commerce is also utilized to provide for additional sales channels. • During economic recession brought about by pandemic situation we only produce and sell what market demands to maximize and efficient use of resources and reduce loss from product becoming obsolete. Trade terms relaxed and promo increased to stimulate demand from the market. • The market where our business operate is highly competitive, thus we only produce products that are both competitive, cost efficient, and eco-friendly to differentiate it from the rest of competitors while taking into consideration our target market. • The ever increasing demand for trade promotion incentive of distributors have put pressure on the company's cash collection and thus the revenue stream. We only provide trade promo incentive unless this would translate to additional sales volume and promotion of Panasonic brand name. • Several of the company's product are subject to the impact of seasonal sales. Thus, we ensure that our products are strategically

		available to our business partners during seasonal peak demand, priced competitively and maximize sales to the fullest extent to compensate for lean months. We provide various trade promotion, discounts and customer easy payment terms during lean months to stimulate demand.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
• B2B Dealer's Production, Sales & Inventory (PSI) • Operational Resiliency • E-commerce/ Online Selling • Revenue Augmentation thru Social Media Advertisement	Customers, investors, suppliers, government, NGOs, local communities.	• The company may need to utilize B2B Dealer's PSI as an online tool to forecast sales demand with dealers in response to the new normal brought about by the Pandemic uncertainty. The PSI Commitment of dealers once obtained would ensure the consistent flow of revenue stream. • The pandemic situation has forced the company to use various tools, methods and management means to adopt to the situation and thus improving its operational resiliency. • The quarantine imposed strictly by the local government units paved the way to new sales channel which is Online Selling. The company and along with its business partners shall correspondingly adopt to this new form of sales channel to serve its customers. • Recently, the social media such as Facebook has become a powerful medium to various form of communication due to its popularity and versatility. The company shall company shall utilize the Social Media as a tool to advertise, promote, and sell its various products.

Climate-related risks and opportunities[2]

Disclose the organization's governance around climate-related risks and opportunities	
a) Board's oversight of climate-related risks and opportunities	Our system to promote Panasonic Environmental Sustainability Management is headed by board of directors. The Board is ultimately responsible for the company's strategic direction. It ensures that Environmental, Economic, and Social impact considerations are holistically integrated in the company's strategy. In doing so, it sets the tone at the top for a strong sustainability culture in the company. At the Board level, the governance of sustainability can be structured along several lines, including: • Oversight by the Board • Oversight by a Board Risk Committee (BRC) or other Risk Committees • Oversight by a specialist Sustainability Committee
b) Management's role in assessing and managing climate-related risks and opportunities	The management role in assessing and managing climate related risks and opportunities. Are the following : 1. Ensure that the Environmental policy and objectives are established and compatible with the strategic direction of the company. 2. Ensure that an approved Manuals and Procedures related to Climate change issues are disseminated to all personnel for them to abide. 3. Ensuring that resources needed for the implementation of Environmental activities are available. 4. Communicating the importance of effective Environmental Mgt. and conforming to the requirements of the ISO 14001 standards. Thru its Environmental Mgt. in charge to implement internal audits, management reviews and awareness seminars. 5. Directing and supporting persons to contribute to the effectiveness of the Environmental Management System. 6. Promoting the continual improvement thru the direction of having a Green Plan 2021 for PMPC. 7. Other relevant management roles to demonstrate support to Environmental Management System.

Disclose the actual and potential impacts[16] of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	
a) Climate-related risks and opportunities the organization has identified	Climate related risks include : 1. Changes in local and international policies and regulation.

[2] Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to nonfinancial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners. [16] For this disclosure, impact refers to the impact of climate-related issues on the company.

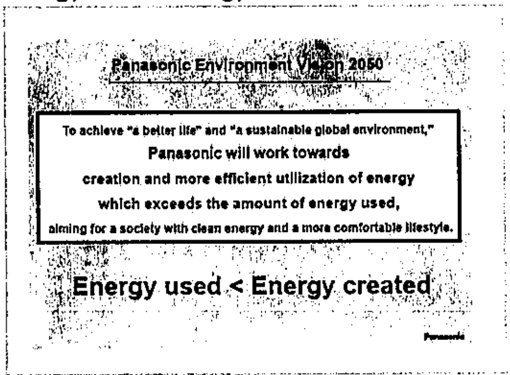
over the short, medium and long term	2. Technology risks due to the development and use of emerging technologies such as renewable energy, battery storage, energy efficiency, and carbon capture and storage will affect the competitiveness of PMPC. 3. Market risks, market could be affected by climate change risks. 4. Reputation risks changing customer or community perceptions of an organization's contribution from the transition to a lower carbon economy. 5. Physical risks refer to natural disasters that may affect the organization "PMPC". (E.g. Flood, Hurricane, Earthquake etc.) To be able to control and prevent these risks PMPC had identified short, medium and long term opportunities, such as : 1. Energy efficient production by PMPC factories. 2. Production of Energy efficient products and services. 3. Energy source opportunities, for PMPC such as the installation of Solar Cells at area offices (Dau, Cebu and Davao) 4. Taking advantage of marketing opportunities and : 5. Resilience of PMPC to climate change.
b.) Impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.	Transition Risks Impact A. Policy and Legal 1. Increased operating costs due to increased Greenhouse gas emissions. 2. Write-offs, asset impairment, and early retirement of existing assets due to policy changes. 3. Increased cost and reduced demand for products and services resulting from fines and judgement. B. Technology Risks Impact. 1. Write-offs, asset impairment, and early retirement of existing assets due to technology risks. 2. R&D expenditures in new and alternative technologies. 3. Capital investments in technology development 4. Costs to adopt/deploy new practices and processes. C. Market Risks Impact 1. Reduced demand for goods and services due to shift in consumer preferences. 2. Increased production cost due to increased input prices. (Energy, water) and output requirements (waste treatment) 3. Abrupt and unexpected shifts in energy costs. 4. Change in revenue mix and sources, resulting in decreased revenues. 5. Re-pricing of assets (Fossil fuel reserves, land valuations, securities valuations) D. Reputation Risks Impact 1. Reduced revenue from decreased demand for goods and services.

2. Reduced revenue from decreased production capacity. (e.g. delayed planning approvals, supply chain interruptions)
1. Reduced revenue from negative impacts on workforce management and reduced revenue from decreased production capacity. (e.g. transport difficulties, supply chain interruptions)
2. Reduced revenue and higher costs from negative impacts on workforce. (e.g. health, safety absenteeism)
3. Write-offs and early retirement of existing assets (e.g. damage to property and assets in high risk locations)
4. Increased operating costs
5. Increased capital costs
6. Reduced revenues from lower sales/output
7. Increased insurance premiums and potential for reduced availability of insurance on assets in high risks locations.
8. Planning (e.g. employee attraction and retention)
9. Reduction in capital availability.

E. Physical Risks. (Acute and Chronic) Impact

Climate related opportunities impacts.

1. Reduced operating costs.
2. Increased production capacity, resulting in increased revenues.
3. Increased value of fixed assets (e.g. highly rated energy efficient buildings)
4. Benefits to workforce management and planning. (Improved health and safety, employee satisfaction) resulting to lower costs.
5. Reduced operational costs.
6. Reduced exposure to future fossil fuel price increases.
7. Reduced exposure to GHG emissions and therefore less sensitivity to changes in cost of carbon.
8. Returns on investment in low-emission technology.
9. Increased capital availability
10. Reputational benefits resulting in increased demand for goods and services.
11. Increased revenue through demand for lower emissions products and services.
12. Increased revenue through new solutions to adaptation needs.
13. Better competitive position to reflect shifting consumer preferences, resulting in increased revenues.
14. Increased revenues through access to new and emerging markets. (e.g. partnership with government, development banks)
15. Increased diversification of financial assets.
16. Increased market valuation through resilience planning.
17. Increased reliability of supply chain and ability to operate under various conditions.
18. Increased revenue through new products and services related to ensuring resiliency.

c.) Resilience of the organization's strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario	PMPC's adheres to the strategy of global Panasonic, taking into consideration climate related scenarios until the year 2050. Panasonic's Environment Vision 2050 To achieve "a better life and a "sustainable global environment" Panasonic will work towards creation and more efficient utilization of energy which exceeds the amount of energy used, aiming for a society with clean energy and a more comfortable lifestyle. Energy used < Energy created  With this strategy PMPC can minimize the impacts of Carbon dioxide emissions which contributes to climate change. PMPC's resilience strategy is thru Participation in renewable energy programs and adoption of energy efficiency measures. Resource substitutes and diversifications.
Disclose how the organization identifies, assesses, and manages climate-related risks	
a) Organization's processes for identifying and assessing climate-related risks	The organization identifies its climate related risk thru its Environmental Management System (EMS) (ISO 14001), employing the use of the PDCA (Plan Do Check Act) cycle. Thru its Environmental Aspects and Impacts Registration, significant impacts were identified and assessed. Thru this assessment PMPC also identifies Environmental risks and opportunities. The following are the significant impacts that PMPC manages and controls : 1. The use of Energy 2. The use of water 3. Waste generation 4. Water Discharges 5. And Chemical Consumption

<table>
<tr><td></td><td>
Thru this EMS PMPC identifies its Environmental Risks and Opportunities, further assessing its impacts and manages its risks thru the promotion of its Energy Conservation programs and other Environmental targets.

B-4. RISKS AND OPPORTUNITIES
ENVIRONMENT
<table>
<tr><th>Risks</th><th>Opportunities</th></tr>
<tr><td>Use of Electricity</td><td>Energy Efficiency / Renewable Energy</td></tr>
<tr><td>Waste Generation</td><td>Reprocess, Re-use as a Raw Material.</td></tr>
<tr><td>Use of Water and Discharge</td><td>Water Recycle / Reuse, Zero Discharge</td></tr>
<tr><td>Chemical Consumption</td><td>Use of Low Hazard Chemicals.</td></tr>
<tr><td>Community Environmental Complaints</td><td>Stakeholder Communication thru Eco Learning, Tree Planting and other Environmental CSR Activities.</td></tr>
<tr><td>Violation to Government Agencies</td><td>Compliance Assessments of Stakeholders (Government and Business Partners).</td></tr>
</table>
</td></tr>
<tr><td>b) Organization's processes for managing climate-related risks</td><td>
The organization identifies its climate related risk thru its Environmental Management System (EMS) (ISO 14001), employing the use of the PDCA (Plan Do Check Act) cycle. Thru its Environmental Aspects and Impacts Registration, significant impacts were identified and assessed. Thru this assessment PMPC also identifies Environmental risks and opportunities.

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1. The use of Energy
2. The use of water
3. Waste generation
4. Water Discharges
5. And Chemical Consumption

Thru this EMS PMPC identifies its Environmental Risks and Opportunities, further assessing its impacts and manages its risks thru the promotion of its Energy Conservation programs and other Environmental targets.
</td></tr>
</table>

B-4. RISKS AND OPPORTUNITIES

ENVIRONMENT

Risks	Opportunities
Use of Electricity	Energy Efficiency / Renewable Energy
Waste Generation	Reprocess, Re-use as a Raw Material.
Use of Water and Discharge	Water Recycle / Reuse, Zero Discharge
Chemical Consumption	Use of Low Hazard Chemicals.
Community Environmental Complaints	Stakeholder Communication thru Eco Learning, Tree Planting and other Environmental CSR Activities.
Violation to Government Agencies	Compliance Assessments of Stakeholders (Government and Business Partners).

c) Processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.

The organization identifies its climate related risk thru its Environmental Management System (EMS) (ISO 14001), employing the use of the PDCA (Plan Do Check Act) cycle. Thru its Environmental Aspects and Impacts Registration, significant impacts were identified and assessed. Thru this assessment PMPC also identifies Environmental risks and opportunities.

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B-4. RISKS AND OPPORTUNITIES

ENVIRONMENT

Risks	Opportunities
Use of Electricity	Energy Efficiency / Renewable Energy
Waste Generation	Reprocess, Re-use as a Raw Material.
Use of Water and Discharge	Water Recycle / Reuse, Zero Discharge
Chemical Consumption	Use of Low Hazard Chemicals.
Community Environmental Complaints	Stakeholder Communication thru Eco Learning, Tree Planting and other Environmental CSR Activities.
Violation to Government Agencies	Compliance Assessments of Stakeholders (Government and Business Partners).

Thru PMPC's ISO 14001 Environmental Management System and Environmental Policy PMPC had identified in each processes its

	significant environmental impact thru its Environmental Aspect and Impact assessment. Integrated to each processes and day to day operation, each employee of PMPC is provided with awareness to perform his/her task with a mindset for environmental conservation and pollution prevention taking in consideration the 5 significant environmental impacts of PMPC. 1. The use of Energy 2. The use of water 3. Waste generation 4. Water Discharges 5. And Chemical Consumption
Disclose the metrics and targets used to assess and manage relevant climate related risks and opportunities where such information is material.	
a) Metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	The metrics and targets used to assess and manage relevant climate related risks and opportunities. Is thru its yearly approved Environmental Management Action plan which includes Energy Reduction and Conservation as one of the categories and Key performance indices of PMPC in line with its Green Plan 2021, towards its Environment Vision 2050.
b) Targets used by the organization to manage climate-related risks and opportunities and performance against targets	The specific climate change target of PMPC is on the reduction of energy thru efficient use of energy resources in terms of the following: 1. Reduce energy consumption in terms of KwH / P. Amt. by 3 % on FY 2021 vs. FY 2018. 2. Reduce Water Consumption in M3 / P. Amt. by 3 % on FY 2021 vs. FY 2018. 3. Reduce Waste Generation in Tons / P. Amt. by 3% on FY 2021 vs. FY 2018. 4. Reduction on Human Environmental Impact on Chemical Substances in Tons / P. Amt. by 3% on FY 2021 vs. FY 2018. 5. Reduce energy consumption in terms of KwH / P. Amt. by 3 % on FY 2021 vs. FY 2018. 6. Reduce Water Consumption in M3 / P. Amt. by 3 % on FY 2021 vs. FY 2018. 7. Reduce Waste Generation in Tons / P. Amt. by 3% on FY 2021 vs. FY 2018. 8. Reduction on Human Environmental Impact on Chemical Substances in Tons / P. Amt. by 3% on FY 2021 vs. FY 2018

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	Php 1,549,054,035	25%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Where: Primary Business Operation, Supplier's Business Impact: Economic, Environmental, Social Involvement: Purchases of Raw Materials from suppliers	Shareholder, Supplier, Customer	Panasonic objective is to continuously exist as company in the Philippines to help uplift people's lives by creating job opportunity to the community. As contribution to society, PMPC is developing local processing suppliers. All Plastic injection, Metal stamping, Packaging and other processed parts are being manufactured locally. Last year PMPC transferred Refrigerator Printed Circuit Board (PCB) assembly to local company. We are planning to do the same with other PCB's and other assembly parts by succeeding years. PMPC treats our suppliers as business partners with "Co-existence and Co-prosperity" dealings. PMPC develops supplier's capability level through Quality, Cost, Delivery and Service (QCDS) method. There is yearly grading methods to understand suppliers' level and points for improvement. Likewise, PMPC gives suppliers short payment terms of 30days to support financial obligations.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
• Higher Material cost. • Lack of raw materials such as Copper, Steel, Resin, Aluminum, for Manufacturing purposes • Disruption of Supply Chain	Shareholder, Customer, Supplier	• Panasonic group of companies have a system in place that centralizes Global prices to all Raw Materials to manage and ensure lower costs by volume purchase.

		• Hedging for some Raw Material to manage lower purchasing price. • To continue to seek possible local supplier of Copper, Steel, Resin, Aluminum. • Seek multiple sourcing of Raw Material as counter measure to supply chain disruption.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Developing multiple source of raw material suppliers	Shareholder, Supplier, Customer	PMPC is promoting multiple sourcing to purchase lower price and for Business Continuity Plan (BCP) consideration.

Anti-corruption

Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anticorruption policies and procedures have been communicated to	ALL	100%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	ALL	100%
Percentage of directors and management that have received anti-corruption training	ALL	100%
Percentage of employees that have received anti-corruption training	90	11%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Where does it occur: Primary Business Operation, government office, supplier's business Impact: Economic, Social	Employees, suppliers, shareholders, government official	The management have clearly communicated to all employees thru training and issuance of memorandum and posters that corrupting by offering of bribe to government officials or receiving bribery from suppliers are strictly prohibited. Also, strong Accounting control is in place, hence no company funds is release without valid supporting documents and justifications.

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
The risk comes in if there is collusion of any of our employee with our existing supplier. Even though all the safety nets are in place, if an employee decides to commit illegal act to the detriment of the company.	Employee, Supplier, Shareholders	All contracts with service providers/contractors and suppliers have Anti-Bribery provision and they are reminded that their dealing with government officials and suppliers should always be above-aboard and they should not engage in any illegal activity while working in behalf of the company. Moreover, the company has existing policies on Fraud Statement, Code of Conduct, Code of Ethics and Whistle Blowing as a source of anti-corruption guidelines. In addition, employees and suppliers were also asked to sign Clean Business Dealing Agreement directing that they need uphold business ethics and avoid any illegal transaction that would give them undue benefit while employed or while doing business with the company.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
If there are training on anti-corruption activity and there are constant reminders from the management by issuing memorandum of the evil effect of corruption in the conduct of our business, and the sanction that will be imposed, the commission of the offense may somewhat be prevented.	Employees, Shareholders	A strong management approach will likely deter the commission of corruption by any other means. Moreover, there is a policy on Job Rotation where employees are rotated after they have stayed in the assigned job for a number of years to avoid close association with contractors/suppliers.

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	NONE	NONE
Number of incidents in which employees were dismissed or disciplined for corruption	NONE	NONE

Number of incidents when contracts with business partners were terminated due to incidents of corruption	NONE	NONE

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
Where: Primary Business Impact: Economic, Social	Employee, Shareholders	The management have clearly communicated to all employees thru training and issuance of memorandum and posters that corrupting by offering of bribe to government officials is strictly prohibited. Also, strong Accounting control is in place, hence no company funds is release without valid supporting documents and justifications. The non-incidents of corruption in the workplace can be attributed to the fear that the company will not tolerate the commission of the same and the corresponding sanction will be meted out including termination for employment plus possible criminal/civil action as the case maybe.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Contracting of Brokerage activities With Service Provider	Service Provider	All contracts with service providers/contractors and suppliers have Anti-Bribery provision and they are reminded that their dealing with government officials should always be above-aboard and they should not engage in any illegal activity while working in behalf of the company.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
If an employee is found to have been engaged in corrupt activity, he will be terminated from employment. Moreover, if a supplier have corrupted an employee while doing business with the company,	Shareholders, employee	The management will not tolerate any wrong doing in the conduct of its daily business. As such, it will apply existing policy and applicable law should there be instances where these rules are broken.

the contract with such supplier will be severed and thereafter, the company will be blacklisted and can no longer do business with the company.		

ENVIRONMENT

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	0	GJ
Energy consumption (gasoline)	186,750 liters 6,573GJ	GJ
Energy consumption (LPG)	283,066 kg. 13,870 GJ	GJ
Energy consumption (diesel)	259,470 liters : 11,676 GJ	GJ
Energy consumption (electricity)	7,613,100 KwH	kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	Increased due to Increased production quantity 2019 vs. 2018	GJ
Energy reduction (LPG)	12,552 kg. 615.05 GJ	GJ
Energy reduction (diesel)	32,500 liters : 1,462 GJ	GJ
Energy reduction (electricity)	Increased due to Increased Production Qty. 2019 vs. 2018	kWh
Energy reduction (gasoline)		GJ

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
PMPC Business division Manufacturing of Home Appliances (Refrigerators, Air conditioners, Washing Machine, Electric Fan)	Customers, Employees, Community, Suppliers	Towards a better life and a sustainable global environment compatibility. In order to realize the Panasonic Environment Vision 2050 that aims to make societies where residents use clean energy and live a more

		comfortable lifestyle, we are striving to make the amount of the energy created exceed that of the energy used. In terms of energy relevant to our products and services. Reduce Energy Consumption of our Products. Inverter Window Air Conditioners Inverter Refrigerators Energy Efficient Washing Machines Energy Efficient Electric Fans. Reduce Energy Consumption in our Manufacturing and Services. Increase productivity to maximize usage of generated power. Reduce machine-time usage through strategic production planning and process integration. Reduction of Energy consumption by using LED lights instead of fluorescent Lights Solar Powered Energy at PPH Dau, Cebu and Davao Offices.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Increase in energy / power consumption, water consumption, and waste generation due to increase in manufacturing production quantity.	Customers, Employees, Community, Suppliers	To ensure steady progress in reducing the amount of energy used in factories. It is important to identify and visualize the trend of the energy consumption of each facility in the factory and the effects of the measures for specific reduction. Activities to promote to reduce the amount of energy used are being proactively continued in each factory. In order to increase the amount of renewable energy use. Panasonic is actively promoting to adopt use of renewable energy suited to features of the region such as energy from photovoltaic cells (Solar cells). Adoption of Renewables in FY 2019 are adoption of solar photovoltaic systems in PMPC Dau, Cebu and Davao.

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Come up with Energy and Water Conservation activities within PMPC. And activities to reduce, reuse recycle wastes generated by PMPC.	Customers, Employees, Community, Suppliers	Activities to promote to reduce the amount of energy used are being proactively continued in each factory. In order to increase the amount of renewable energy use. Panasonic is actively promoting to adopt use of renewable energy suited to features of the region such as energy from photovoltaic cells (Solar cells). Adoption of Renewables in FY 2019 are adoption of solar photovoltaic systems in PMPC Dau, Cebu and Davao. Reduce Energy Consumption in our Manufacturing and Services. Increase productivity to maximize usage of generated power. Reduce machine-time usage through strategic production planning and process integration. Reduction of Energy consumption by using LED lights instead of Fluorescent Lights Photovoltaic System Adoption <Solar Powered> Energy at PPH Dau, Cebu and Davao Offices.

Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	N/A – PMPC use Manila Water and Laguna Water as Service Providers for Water.	Cubic meters
Water consumption	76,052 cu.m	Cubic meters
Water recycled and reused	84 cu. m	Cubic meters

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Water Consumption on ACBD Painting Line ACBD will use water to paint and treat the metal cabinets used as housing for a Window type Air conditioner.	Customers, Employees, Community, Suppliers.	PMPC is working to conserve water resources both in its products and production activities, in order to fulfill its social responsibility and to reduce risks in the management. Our Environmental policy stipulates that we make efforts to conserve water resources by using water efficiently and preventing water pollution. In accordance with the "Green Plan 2021", our environmental action plan, we are continuously working on reducing the water used in our production operations. Water Resource Conservation through Products. Water flow control of Washing Machine Products Efficient Design of Washing Machine Products. Initiatives for Water Resource Conservation through Production Activities. Waste Water Recycling at REF BD used for flushing Urinals and Water Closets at Comfort Rooms Waste Water Recycling at ACBD used for flushing Urinals and Water Closets at Comfort Rooms. Through this activities, we reduce environmental loads on water resources due to the intake and effluent water in production activities.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Water Supply risk. It may cause production stoppage	Customers, Employees, Community, Suppliers.	In accordance with the "Green Plan 2021", our environmental action plan, we are continuously working on reducing the water used in our production operations.

		Water Resource Conservation through Products. Water flow control of Washing Machine Products Efficient Design of Washing Machine Products. Initiatives for Water Resource Conservation through Production Activities. Waste Water Recycling at REF BD used for flushing Urinals and Water Closets at Comfort Rooms Waste Water Recycling at ACBD used for flushing Urinals and Water Closets at Comfort Rooms. Through this activities, we reduce environmental loads on water resources due to the intake and effluent water in production activities.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Come up with Water Conservation Activities (e.g. Waste Water Recycling)	Customers, Employees, Community, Suppliers.	In accordance with the "Green Plan 2021", our environmental action plan, we are continuously working on reducing the water used in our production operations. Water Resource Conservation through Products. Water flow control of Washing Machine Products Efficient Design of Washing Machine Products. Initiatives for Water Resource Conservation through Production Activities. Waste Water Recycling at REF BD used for flushing Urinals and Water Closets at Comfort Rooms Waste Water Recycling at ACBD used for flushing Urinals and Water Closets at Comfort Rooms.

		Through this activities, we reduce environmental loads on water resources due to the intake and effluent water in production activities.

Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume		
▯ renewable	2,810,006.49	kg/liters
▯ non-renewable		kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services		%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
PMPC Business division Manufacturing of Home Appliances (Refrigerators, Air conditioners, Washing Machine, Electric Fan) Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship) Business division Manufacturing of Home Appliances. (REF, AC, WM, EF) Need to use materials to manufacture Home Appliances	Customers, Employees, Community, Suppliers.	Through the Green Plan 2021. PMPC aims for the sustainable procurement of raw materials to cover not only procurement of wood materials, but also procurement of raw materials considering conservation of biodiversity. In these procurements, PMPC considers social issues and compliance of laws and regulations. PMPC adheres to the Panasonic Group Green Procurement Guidelines aiming for conservation of biodiversity and sustainable use of natural resources.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Insufficient materials that may lead to production stoppage.	Customers, Employees, Community, Suppliers	PMPC considers that in conducting its business activities, the companies involved in the entire supply chain is important for the conservation of biodiversity. Therefore focusing on sustainable procurement of raw materials

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Identify the opportunity/ies related to material topic of the organization Come up with Material Conservation Activities (e.g. Return to supplier, Reuse of scrap plastic etc.)	Customers, Employees, Community, Suppliers	PMPC considers that in conducting its business activities, the companies involved in the entire supply chain is important for the conservation of biodiversity. Therefore focusing on sustainable procurement of raw materials

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	(identify all sites)	
Habitats protected or restored	La Mesa Watershed (8ha)	ha
IUCN[3] Red List species and national conservation list species with habitats in areas affected by operations	(list)	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship) To have corporate citizenship activities for Environmental Sustainability.	Customers, Employees, Community, Suppliers	PMPC had properly understood the impact of our business activities on biodiversity and made efforts to achieve our target of contributing to its conservation. The Green Plan 2021 aims to work towards realizing "a better life" and a sustainable global environment" compatibly as stated in the "Panasonic Environmental Vision 2050". Activities on Biodiversity include the Annual Tree Planting Activities of PMPC which is held yearly during the June Environment Month. To date PMPC had restored a total of 8(ha) at the La Mesa Watershed.

[3] International Union for Conservation of Nature

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Deforestation, Flood Hazard	Customers, Employees, Community, Suppliers	In achieving the Sustainable Development Goals and realizing societies where people and nature live harmoniously, which is the long term goal. Measures to address to climate change, resources recycling, and biodiversity have been recognized as being closely linked to each other by PMPC.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Come up with Environmental Corporate Citizenship activities. (e.g. Tree Planting, Eco Learning Program)	Customers, Employees, Community, Suppliers	PMPC had been involved with the Department of Environment and Natural Resources and the Save the La Mesa Watershed Project, and will continue to come up with Environmental Corporate Citizenship activities. (e.g. Tree Planting, Eco Learning Program)

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions		Tonnes CO_2e
Energy indirect (Scope 2) GHG Emissions	3,646 Tons	Tonnes CO_2e
Emissions of ozone-depleting substances (ODS)		Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
PMPC Business division Manufacturing of Home Appliances (REF, AC, WM, EF	Customers, Employees, Community, Suppliers	During the late 90's the Philippine Clean Air Act of 1999 was enacted. And in response to this PMPC had been complying all the requirements pertaining to its air emissions which includes two types. Direct Impact from PMPC's generator sets, and: Indirect Impact caused by the use of our electricity, fuel and LPG use, which triggers Green House Gas emissions by the form of CO2 emission. PMPC's activities to address its direct and indirect impact. Annual Generator Air Emission Test (Complying Phil. Clean Air Act of 1999 Standards) Energy Conservation Activities to reduce Carbon Dioxide Emissions of PMPC.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Depletion of Energy, Increase in Power Consumption due to increased Production Quantity.	Customers, Employees, Community, Suppliers	PMPC's activities to address its direct and indirect impact (risks). Annual Generator Air Emission Test (Complying Phil. Clean Air Act of 1999 Standards). Energy Conservation Activities to reduce Carbon Dioxide Emissions of PMPC
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Come up with Energy Conservation Activities.	Customers, Employees, Community, Suppliers	PMPC had been continuously improving its Green House Gas Emission throughout the years thru its various Energy Conservation Activities and Annual Compliance to the yearly Emission Test of Generator Sets to comply (DENR) Department of

		Environment and Natural Resources Air Emission Standards

Air pollutants

Disclosure	Quantity	Units
NO_x	69 ppm (mg/l)	kg
SO_x	14 ppm (mg/l)	kg
Persistent organic pollutants (POPs)		kg
Volatile organic compounds (VOCs)		kg
Hazardous air pollutants (HAPs)		kg
Particulate matter (PM)		kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
PMPC Business Division Manufacturing of Home Appliances (REF,AC, WM, EF)	Customers, Employees, Community, Suppliers	During the late 90's the Philippine Clean Air Act of 1999 was enacted. And in response to this PMPC had been complying all the requirements pertaining to its air emissions which includes two types. Direct Impact from PMPC's generator sets, PMPC's activities to address its direct and indirect impact. Annual Generator Air Emission Test (Complying Phil. Clean Air Act of 1999 Stds.)
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Air Pollution and Non Compliance Government Regulations. (Penalties and possible Closure)	Customers, Employees, Community, Suppliers	PMPC's activities to address its direct and indirect impact. Annual Generator Air Emission Test (Complying Phil. Clean Air Act of 1999 Standards)

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Provision of budget to Conduct Air Emission test and Work Environment Measurement.	Customers, Employees, Community, Suppliers	PMPC's activities to address its direct and indirect impact. Annual Generator Air Emission Test (Complying Phil. Clean Air Act of 1999 Standards)

Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	2,181,804 kg.	kg
Reusable		kg
Recyclable	2,170,604 kg.	kg
Composted		kg
Incinerated		kg
Residuals/Landfilled	11,200 kg.	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
PMPC Business divisions Manufacturing of Home Appliances (REF, WM, AC, EF)	Customers, Employees, Community, Suppliers.	In relation with PMPC's Environment Health and Safety Policy to comply to all government regulations which includes compliance to Solid Waste and Hazardous Waste regulations in the Philippines, particularly 1. The Ecological Solid Waste Management Act of 2000 (RA 9003) and. 2. The Toxic and Nuclear Waste Management Act of 1990 (RA 6969). PMPC complies with this policy and Government Regulations. Compliance Activities include : Proper storage of Solid and Hazardous Waste in compliance with government regulation and standards.

		Securing a DENR and PEZA Accredited Scrap and Residual Waste Hauler. A DENR Accredited Transporter and Treater of Hazardous Wastes. Thru this service providers PMPC ensures the compliance to the said regulation while maintaining an environment friendly workplace.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Non-compliance to government regulations (Penalties and possible closure)	Customers, Employees, Community, Suppliers	To comply with the regulations on Solid and Hazardous Wastes PMPC had provided clean, accessible and environment friendly storage areas for these wastes while securing a DENR and PEZA Accredited Haulers to be able to comply with government regulations and avoid penalties and possible closure
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Waste Minimization Activities and 3R Activities (Reduce, Reuse, Recycle)	Customers, Employees, Community, Suppliers	PMPC had implemented Waste Minimization activities and 3R Activities (Reduce, Re-use, Recycle). Reduction on Resources used thru design by studying the possibility to Use less resources to make products lighter and smaller and using less components. Component re-use Longer Durability Use of Recycled resources Labels necessary for collection and recycling. Use of Sustainable materials Re-use of Scrap Plastic Inner Liners.

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	20,000 kg.	kg
Total weight of hazardous waste transported	20,000 kg.	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
PMPC Business divisions Manufacturing of Home Appliances (REF, WM, AC, EF)	Customers, Employees, Community, Suppliers	In relation with PMPC's Environment Health and Safety Policy to comply to all government regulations which includes compliance to Hazardous Waste regulations in the Philippines, particularly The Toxic and Nuclear Waste Management Act of 1990 (RA 6969). PMPC complies with this policy and Government Regulations. Compliance Activities include : Proper storage of Solid and Hazardous Waste in compliance with government regulation and standards. Securing a DENR and PEZA Accredited Scrap and Residual Waste Hauler. A DENR Accredited Transporter and Treater of Hazardous Wastes. Thru this service providers PMPC ensures the compliance to the said regulation while maintaining an environment friendly workplace.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Non-compliance to government regulations (Penalties, Closure)	Customers, Employees, Community, Suppliers	To comply with the regulations on Solid and Hazardous Wastes PMPC had provided clean, accessible and environment friendly storage areas for these wastes while securing a DENR and PEZA Accredited Haulers to be able to

		comply with government regulations and avoid penalties and possible closure
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Establish rapport with government agencies for effective implementation of Environmental Mgt. System.	Customers, Employees, Community, Suppliers	With PMPC's implementation on the Storage, Treatment and Disposal of Hazardous Wastes the company was able to establish rapport with government agencies, supporting each other thru various collaborations on Seminars, Online Activities and updates on New Hazardous Waste Regulations

Effluents

Disclosure	Quantity	Units
Total volume of water discharges	9,720 cu.m	Cubic meters
Percent of wastewater recycled	1%	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
PMPC BD Manufacturing of Home Appliances (REF, AC, WM, EF)	Customers, Employees, Community, Suppliers	In relation with PMPC's Environment Health and Safety Policy to comply to all government regulations which includes compliance to Water Effluents regulations in the Philippines, particularly Clean Water Act of 2004 (RA 9275) PMPC has its own Sewage Treatment Facility in Taytay and a Waste Water Treatment Facility in Sta. Rosa. For the Sewage Treatment Plant it services the REF BD production area Comfort Room Discharges wherein it is treated thru various 7 stages of aeration and biological treatment with

		chlorination to comply with the Philippine Effluent Standards of the Clean Water Act. In Sta. Rosa the Waste Water Treatment plant services the ACBD painting line discharges. It is treated thru chemical treatment, aeration and filtration further reducing the heavy metal pollutant of the water discharge caused by painting. This is to comply with the Philippine Effluent Standards of the Clean Water Act. Both of these Treatment Facility has a capability to recycle waste water for flushing urinals and water closets of comfort rooms.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Non Compliance to government regulations (Penalties / Closure)	Customers, Employees, Community, Suppliers	Thru the support of Water Treatment Facilities PMPC had been able to comply with the Effluent Standards by efficiently conducting regular maintenance of these equipment. Realizing its effectivity by passing the waste water quality standards set by the Philippine Clean Water Act of 2004.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Establish rapport with government agencies for effective implementation of Environmental Mgt. System	Customers, Employees, Community, Suppliers	With PMPC's implementation on the Waste Water Treatment the company was able to establish rapport with government agencies, supporting each other thru various collaborations on Seminars, Online Activities and updates on New Effluent Regulations

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0	PhP

No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	#
No. of cases resolved through dispute resolution mechanism	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
PMPC BD Manufacturing of Home Appliances (REF, AC, WM, EF)	Customers, Employees, Community, Suppliers	In relation with PMPC's Environment Health and Safety Policy to comply to all government regulations which includes compliance to Air Emissions, Water Effluents, Solid Waste and Hazardous Waste regulations in the Philippines, particularly: Clean Water Act of 2004 (RA 9275) Clean Air Act of 1999 (RA 8749) Toxic and Nuclear Waste Act of 1990 (RA 6969) Ecological Solid Waste Management Act of 2000 (RA 9003) Other relevant Environmental Government Rules and Regulations. PMPC aims to support and implement activities to comply with all the requirements of government regulations to prevent penalties and non-compliance.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Non Compliance to government regulations (Penalties / Closure)	Customers, Employees, Community, Suppliers	PMPC aims to support and implement activities to comply with all the requirements of government regulations to prevent penalties and non-compliance. Activities involve the following : Air Emission – Yearly Air Emission Test of Generator Sets. To comply with Permit to Operate Requirements RA 8749 Water Discharges – Effective utilization and maintenance of Sewage Treatment Plant and Waste Water Treatment Plant to comply with the Effluent Regulations.

		Solid Waste disposal – Ensure that the Solid Waste is properly disposed in a landfill or government approved disposal facility, thru its DENR / PEZA accredited scrap and residual waste haulers. Hazardous Waste Disposal – Ensure that the Hazardous Waste is properly stored, disposed and treated in accordance with RA 6969 thru its DENR approved Haulers and Treaters. Other Environmental Regulations – Ensure proper environmental evaluation and compliance is being done prior to conducting PMPC related activities.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Establish rapport with government agencies for effective implementation of Environmental Mgt. System	Customers, Employees, Community, Suppliers	With PMPC's implementation on the compliance on Environmental government rules and regulations the company was able to establish rapport with government agencies, supporting each other thru various collaborations on Seminars, Online Activities and updates on New Regulations.

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees[4]		
a. Number of female employees	*221	#
b. Number of male employees	*578	#
Attrition rate[5]	*12% (64 employees)	rate
Ratio of lowest paid employee against minimum wage	*12% (103 employees)	ratio

Employee benefits

[4] Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)

[5] Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS Contributions	Y	#223 (100%)	#591 (100%)
PhilHealth Contributions	Y	#223 (100%)	#591 (100%)
Pag-ibig Contributions	Y	#223 (100%)	#591 (100%)
Parental leaves	Y	#9 (1%)	#15 (2%)
Vacation leaves	Y	#154 (19%)	#465 (57%)
Sick leaves	Y	#78 (10%)	#232 (29%)
Medical benefits (aside from PhilHealth))	Y	#223 (100%)	#591 (100%)
Housing assistance (aside from Pagibig)	Y	#30 (4%)	#62 (8%)
Retirement fund (aside from SSS)	Y	#14 (2%)	#43% (5%)
Further education support	Y	#1 (.45%)	#5 (.85%)
Company stock options	N		
Telecommuting	Y	#142 (17%)	#143 (18%)
Flexible-working Hours	N		
(Others)			

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
COVID Pandemic Lockdown Disrupting Working Hours and Defining unprecedented Work From Home Scenario	Adoption of the IATF's and DOLE's Guidelines on Operating a Manufacturing Enterprise while securing the health of the company workers (front liners)
Business Continuity Amidst this national emergency of a pandemic in global proportion	Provision of safety equipment particularly Personal Protection Equipment (PPE) Establishing a compliant Covid-19 Case Management Protocol for the entire workforce
What are the Risk/s Identified?	**Management Approach**
Possible non-payment or delay in government mandated benefits for seasonal workers due to LOCKDOWN and erroneous data collected during the limited one month employment tenure	Establishment of a new normal procedure for recruitment, screening, and processing of seasonal employees

What are the Opportunity/ies Identified?	Management Approach
Attraction of seasonal employees from the public due to company reputation of creating job opportunities and providing government mandated benefits at the time when there are more getting unemployed than employed at the time of the pandemic	Partnership with the Public Employment Services Office of the various Municipalities surrounding the company

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	40	7,006 hours
b. Male employees	50	22,730 hours
Average training hours provided to employees		
a. Female employees	40	31 hours/employee
b. Male employees	50	36 hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Where: Primary Business Operation Impact: Social Training programs were focused on building commitment, performance and engagement throughout PMPC's business operation	Integrating Panasonic BBP (Basic Business Philosophy) in training activities, including the introduction of the concept of "A Better Dialogue"
What are the Risk/s Identified?	**Management Approach**
Perceived subjectivity in performance evaluation and in providing feedback	Meticulous performance evaluation review by top management
What are the Opportunity/ies Identified?	**Management Approach**
Better teamwork and more effective communication	Promotion of the "A Better Dialogue" concept within the organization

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	304	39%
Number of consultations conducted with employees concerning employee-related policies	Twice a week consultation meeting with the Union President	More or less 96 times in a year

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Where: Primary Business Impact: Social	In the conduct of Collective Bargaining negotiation, the management is very transparent with the Worker's Union. Our company also provide reasonable notice of significant operational changes to employees and their representatives, as well as to appropriate government authorities i.e. DOLE. The minimum notice periods are a measure of an organization's ability to maintain employee satisfaction and motivation while implementing significant changes to operations. The company's timely and meaningful consultation allows the affected parties to understand the impacts of the changes, such as possible loss of employment. It also gives an opportunity for them to work collectively to avoid or mitigate negative impacts as much as possible. Our consultative practices resulted in good industrial relations help to provide positive working environments, reduce turnover, and minimize operational disruptions.
What are the Risk/s Identified?	**Management Approach**
Collective Bargaining Deadlock	The negotiation must always be done in good faith. Always have an open mind when the worker's union are presenting their demands and discuss with them in a civil manner to avoid possible conflict.
What are the Opportunity/ies Identified?	**Management Approach**
Industrial peace is always maintained when the management treats the workers union as co-equal in the achievement of the company's business objective.	The management will continue to be transparent in its dealing with the workers union and will see to it that all policies affecting the workers are clearly explain to them before its implementation.

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	221	28%
% of male workers in the workforce	578	72%
Number of employees from indigenous communities and/or vulnerable sector*	1	#

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The COVID Pandemic times which started last March up to the present time post many restrictions from the government which affected travel to and from the Province of Rizal and Laguna including the guidelines on safety protocol involving older people, those with underlying conditions, and the pregnant	Thorough screening and dialogue when hiring women and middle aged applicants for seasonal employment while providing education an awareness on the health risks of infecting Covid 19 in and out of the workplace
What are the Risk/s Identified?	**Management Approach**
In their desperation, a lot of applicants are withholding information that are vital to pre-employment screening	Interviews and validation of submitted pre-employment documents were validated faster and safer with the use of the Internet
What are the Opportunity/ies Identified?	**Management Approach**
Employment opportunities and applications surpassed the previous face to face screening turnouts	With the limitation of a no face- to-face screening process, the use of major social media and messaging were employed

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	3,871,392 Man-hours (588 days without an accident : 823 manpower) as of June 23, 2020	Man-hours
No. of work-related injuries	0	#
No. of work-related fatalities	0	#
No. of work related ill-health	0	#
No. of safety drills	2 times per year March and October	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
PMPC BD Manufacturing of Home Appliances (REF, AC, WM, EF)	The Panasonic Occupational Safety and Health Policy consists of an Occupational Safety and Health Declaration based on the spirit of respect for human beings as stated in our management philosophy, PMPC is committed to creating a safe and both physically and mentally healthy workplaces through consistent efforts and careful attention. Activity Guidelines for Occupational Safety and Health are the following : Legal and Regulatory Compliance Management of Resources Establish, Maintain and improve our occupational safety and health management systems Definition of roles, authorities and responsibilities, and establishment of an organizational structure. Removal and Reduction of the root causes of hazards and potential damage Setting health and safety goals and formulating and implementing a management plan Auditing and review by management Education and Training
What are the Risk/s Identified?	**Management Approach**
Accidents and Injuries of Employees	PMPC Occupational Safety and Health Key Initiatives to prevent risks are as follows: Creating Equipment Safety Standards Promoting Occupational Accident Prevention Plans Occupational Health (Medical Section) Personal Health. Health Promotion Initiatives
What are the Opportunity/ies Identified?	**Management Approach**
Initiatives on Accident Prevention, Eg. Equipment Safety, PPE's, Safety and Health Activities and Trainings.	PMPC Occupational Safety and Health Key Initiatives opportunities are as follows: Provision of resources for Creating Equipment Safety Standards Provision of Resources for Promoting Occupational Accident Prevention Plans

	Provision of resources for Occupational Health (Medical Section) Provision of resources for Personal Health Provision of resources for Health Promotion Initiatives

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	NONE	NONE

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	N	
Child labor	N	
Human Rights	N	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Where: Primary Business Impact: Social.	The company does not allow forced labor. When employees are required to render overtime work, the need to work extra hours are explained to them before the overtime work will be rendered. The company does not employ workers below 18 years of age, hence, child labor is not an issue. In hiring of workers, we follow Republic Act No. 10911, **Anti-Age Discrimination in Employment Act** so that there is no discrimination in individual employment on account of age.
What are the Risk/s Identified?	**Management Approach**
Hiring of worker below 18 years of age if the hiring personnel failed to check the documents presented by the applicant.	The Human Resource Department must screen the applicants carefully and checks and balances must be in place so that all documents are processed without violating the hiring of minors.

What are the Opportunity/ies Identified?	Management Approach
Compliance with local law. Improvement of internal procedures to ensure that the company hires prospective employees of legal age.	The company will only hire those applicants who have reached the required age for employment.

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

Yes

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	Yes	Article 35 of Master Global Purchasing Agreement (MGPA)
Forced labor	Yes	Article 36 & 37 of Master Global Purchasing Agreement (MGPA)
Child labor	Yes	Article 36 & 37 of Master Global Purchasing Agreement (MGPA)
Human rights	Yes	Article 37 of Master Global Purchasing Agreement (MGPA)
Bribery and corruption	Yes	Article 33 of Master Global Purchasing Agreement (MGPA)

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Where: Primary Business Impact: Economic, Social Involvement: Supplier Relationship Task to level up supplier's standards and understanding to meet Global standards.	Selection and development of local suppliers in consideration of Global standard. Panasonic uses common Master Global Purchasing Agreement to meet Global standard for each Panasonic suppliers. Developing local suppliers will create job opportunities to the community. Likewise this will increase buying power in which it will benefit local manufacturing company. Local procurement will lessen impact of business continuity plan (BCP) issue. PMPC conduct regular Audit for Quality, Environmental, Material, CSR & others to continuously educate and improve standard level

What are the Risk/s Identified?	Management Approach
Tendency to change price level	PMPC practiced Standard quotation format to visualize all cost factors. Promoting multiple source to meet correct price. PMPC usually owned fixed assets to lessen financial burden of suppliers.
What are the Opportunity/ies Identified?	**Management Approach**
Local suppliers will be having more opportunities and customers. Thus, it will not dependent to PMPC.	PMPC usually practice to limit purchase ratio to 40% by suppliers. 60% should be purchased by other customers.

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
Dual Training System / OJT Program	Luzon	Youth	N	N/A	N/A

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: ____________

Certificates	Quantity	Units
N/A		

What are the Risk/s Identified?	Management Approach
Absences / Quit Training	Regular coordination with partner schools
What are the Opportunity/ies Identified?	**Management Approach**
Human Resources	Recruitment

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction		Y

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Where: Primary Business Impact: Economic, Social Involvement: Customer Product Satisfaction Survey. Repeat purchase Brand Loyalty Positive word of mouth advertisement Product Quality Customer requirement for the product Comparison with competitive product	Execute yearly CS strategies/initiatives which includes policies, commitment, goals, targets and programs/activities. Customer's 1st principle approach. Utilize Net Promoter Score (NPS) as tool for Customer Satisfaction Survey executed by Call Center and inform related groups. NPS is mgmt. tool used to measure customer satisfaction...percentage of customers rating their likelihood to recommend a company, a product, or a service to a friend or colleague. NPS ask questions to customers. Scores from NPS are rated as detractors and promoters. The acceptable NPS Score is 50 or above (Good). Complains related to products are shared during weekly CS meetings, Monthly Market Quality meetings, PASC meetings, during product planning meeting, Call Center, dealers meetings. People before Products: Enhance technical and non-technical (knowledge and skills) thru regular trainings.

What are the Risk/s Identified?	Management Approach
1. Emerging new competitors or products 2. Government regulations (Consumer Act of Philippines) 3. Handling customers complaints 4. Manufacturing difficulties 5. Slow moving stock (SMS)	1. Approach is maintaining customer focused and utilize customer's feedback. Consider also the weaknesses of competitors. 2. Be knowledgeable about Consumer Act/DTI regulations and monitor the frequency of complaints. 3. Improve skills for handling complains (people before products) 4. Collaboration with factory/QC/Sales/Marketing/Call Center/ PASC for any challenges encountered

What are the Opportunity/ies Identified?	Management Approach
Identify the opportunity/ies related to material topic of the organization Listening to customer's dissatisfaction may lead to the following opportunities: New product Increase customer's loyalty Win market share due to customer's recommendations Increase profitability	Utilize complains , detractors as opportunities: Product improvement/new product Company policies Increase customers' good experience Customer services Competitor's bench marking Customers 1st principle approach

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	7	# ref:3/wm:3/ac;1
No. of complaints addressed	7	# 7

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Where: Primary Business Operation Impact: Economic, Social Loss of customer's confidence for Panasonic products Reduce sales & market share Product reliability>> early defect in the market from date of purchase	Execute yearly CS strategies/initiatives which includes policies, commitment, goals, targets and programs/activities. Customer 1st Principle approach Utilize Net Promoter Score (NPS) as tool for Customer Satisfaction Survey executed by Call Center and inform related groups. NPS is mgmt. tool used to measure customer satisfaction, percentage of customers rating their likelihood

Increase returns of defective units Brand Reputation Risk Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship) Customer filed letter of complaint to: DTI Dealer DENR	to recommend a company, a product, or a service to a friend or colleague. NPS ask questions to customers. Scores from NPS are rated as detractors and promoters. The acceptable NPS Score is 50 or above (Good). Complains related to products are shared during weekly CS meetings, Monthly Market Quality meetings, PASC meetings, during product planning meeting, Call Center, dealers meetings Enhance technical and non-technical (knowledge and skills) thru regular trainings
What are the Risk/s Identified?	**Management Approach**
1. Posting of complaints at website/social media/newspaper 2. Go to other brand 3. File legal to DTI 4. Loss of sales 5. Brand Reputation Risk	1. Customer's 1st principle approach 2. Enhance handling skills for complaints 3. Utilize NPS and opportunities for improvement 4. Posting of complaints at website/social media/newspaper 5. Efficient manufacturing & sales operation & improved product 6. Leveraging customer feedback & product development to revitalize Customer satisfaction 7. Strong CS formation to respond with market trends & mgmt. environment.
What are the Opportunity/ies Identified?	**Management Approach**
1. Complains as opportunity as Competitive advantage/product improvement/marketing opportunities	Apply Customer's first principle Build better customer relationships to retain more customers Optimize website to increase profits Use complaints as chance to learn & grow Reinforce commitment to customer

Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	0	# No. Complaints
No. of complaints addressed	0	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
The impact would be health and safety of end user, and Brand Reputation Risk The boundary would be the Primary Business.	In 2019 the company's Marketing Division is not aware of any substantiated incident complaint on Marketing and Labelling. Nevertheless, the management approach on product Marketing and Labelling as follows: Product information that can found in our catalogues, website, POPs, other marketing materials and into the product itself are provided with appropriate facts. The information such as specifications are tested in compliance with the Philippine regulations. This compliance can be supported with test results by third party laboratory authorized by the Philippine government. With the markings of PS Marks and ICC found in our products (carton box, nameplate), signifies that we are compliant with the Philippine regulation as well as other labels. Accordingly, our company always make sure that we observe and meet the Philippine standards in relation to the Consumer act of the Philippines. As part of our marketing efforts, we also advertise our products with specific information or feature claimed which is supported by a clearance or approval by Ad Standards Council (ASC). This is also applicable for billboards. Another compliance that we follow is for promotions that we advertised. We usually process our application and seek the approval through Department of Trade and Industry (DTI). In terms of environment, efforts are being exerted to be eco-friendly with using non-harmful substance in our products. We ensure the safety of our consumers by strictly following the Philippine regulations. We also claim in our marketing materials about our products being eco-friendly with appropriate test reports. Being a responsible and law abiding company, we always put into practice that we should always be compliant.

What are the Risk/s Identified?	Management Approach
Health and safety risk due to inappropriate use of product. Brand Name Reputation Risk.	We equip our products with safety features As a standard procedure, sales or promo dicer personnel during customer product inspection and demonstration advises the customer on the proper use and maintenance of product prior to delivery. Labelling and safety information prominently indicated on the product or packaging Immediate product replacement if necessary as not to escalate the issue.
What are the Opportunity/ies Identified?	**Management Approach**
Product improvement in case of complaint	We will continuously improve our product based on customer's feedback.

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	NONE	NONE
No. of complaints addressed	NONE	NONE
No. of customers, users and account holders whose information is used for secondary purposes	NONE	NONE

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Where: Primary Business Impact: Social	We protect the privacy of our customers and information acquired from them are only use for the purpose related to the purchase of our product. Moreover, the company is compliant with **Republic Act 10173** also known as **Data Privacy Act of 2012** and the company is bound not only the personal information of our employees but also of our customers.

What are the Risk/s Identified?	Management Approach
Unauthorized use of personal data by : Sharing personal information collected from customers to other related department Giving personal information to other employees not entitled to possess the same	The said information must be secured and must not be shared by Customer Service Department to other departments. Moreover, HRD, being the repository of personal information of all employees, it must see to it that all personal information are secured as required by law.

What are the Opportunity/ies Identified?	Management Approach
Compliance with data privacy act law Protection of brand reputation	The management will strictly comply with the Data Privacy Act of 2012 and it must ensure that there are sufficient safeguards to protect the personal information of its employees and customers.

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Where: Primary business operation Impact: Economic and Social Impact Involvement: Data Security of Personal Information	Panasonic commits to limit its collection of personal data, to collect data by lawful means, and to be transparent about how data are gathered, used, and secured. The organization is also expected to not disclose or use personal customer information for any purposes other than those agreed upon, and to communicate any changes in data protection policies or measures to customers directly. This disclosure provides an evaluation of the success of management systems and procedures relating to customer privacy protection. In the past, Panasonic has established Information Security Management (ISM) policy to prevent unauthorized access, loss and leakage of company confidential and personal information. The organization is also complies with the data protection legislation and

	regulation such as Philippines Data Privacy Act or RA 10173.
What are the Risk/s Identified?	**Management Approach**
• Breach on Information Security System • Failure to periodically conduct risk assessment and vulnerability • Unintended Disclosure of Personal Information and leak of confidential Information.	• IT Governance • Risk assessment and vulnerability • Upgrade hardware and software that are prone to security breaches • Application Controls and Authorization before personal data and confidential information can be obtained • Trainings on how to handle and secure personal and confidential information
What are the Opportunity/ies Identified?	**Management Approach**
• Acknowledgement of IT Vulnerabilities • identifying the organization's needs for the information security requirements and for the establishing an effective Information Security Management System • Compliance with Data Global Data Security • Compliance with Local Laws on data privacy act	• Proactive approach to address IT vulnerabilities • Improvement of Information Security Management System based on risks and new information system requirement • Immediate compliance with local laws

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Window/ Split type A/C Inverter	*Energy Efficient Aircon*	*Waste Electrical and Electronic Equipment*	*Recycle*
Inverter Refrigerator	*Energy Efficient Refrigerator*	*Waste Electrical and Electronic Equipment*	*Recycle*
Fully Auto Inverter Washing Machine	*Energy and water Efficient Washing Machine*	*Waste Electrical and Electronic Equipment*	*Recycle*

Solar Panel	Clean and renewable Energy	*Waste Electrical and Electronic Equipment*	*Recycle*

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*

Annex "B"

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** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended March 31, 2020, 2019 and 2018, 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:

MASATOSHI SASAKI
Chairman & President

YOSHIYUKI TAKAHASHI
Vice – Chairman & Executive Director

HIROSHI YAMADA
Executive Director

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
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RO 1 TAX ASSISTANCE

Signed on this 27th day of July, 2020

SUBSCRIBED AND SWORN to before me this JUL 28 2020 affiants exhibiting to me their passport numbers as follows:

NAMES	PASSPORT NO.	DATE ISSUED	PLACE ISSUED
Masatoshi Sasaki	TS1137403	July 04, 2018	Japan
Yoshiyuki Takahashi	TZ1094063	December 15, 2015	Japan
Hiroshi Yamada	TZ1164469	November 08, 2016	Japan

Doc. No. 274
Page No 56
Book No. XI
Series of 2020

NOTARY PUBLIC
ATTY. JOHN KENNETH T. MORENO
NOTARY PUBLIC
Roll No. 35640
IBP No. 079537 - 2 April 2019
PTR No. 13692793 - 2 Jan. 2020
MCLE No. VI-0029169 - 5 Nov. 2019
Appt. No. 20-20 - 20 Dec. 2019
Until Dec. 31, 2021
For Antipolo City, Taytay, Cainta
Province of Rizal

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

CS200918868

COMPANY NAME

PANASONIC MANUFACTURING PHILIPPINES CORPORATION

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

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

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
453	August 26	March 31

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

Ortigas Avenue Extension, Taytay, Rizal

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

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

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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,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the financial statements of Panasonic Manufacturing Philippines Corporation (the Parent Company), which comprise the parent company statements of financial position as at March 31, 2020 and 2019, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for each of the three years in the period ended March 31, 2020, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2020 and 2019, and its financial performance and its cash flows for each of the three years in the period ended March 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the Parent Company 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 parent company 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.

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, 2020, but does not include the parent company 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, 2020 are expected to be made available to us after the date of this auditor's report.

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Our opinion on the parent company 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 parent company 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 parent company 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 Parent Company Financial Statements

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

In preparing the parent company financial statements, management is responsible for assessing the Parent 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 Parent Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Parent Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the parent company 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 parent company 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 parent company 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.

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- 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 Parent Company'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 Parent Company'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 parent company 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 Parent Company to cease to continue as a going concern.

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

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.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 32 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Panasonic Manufacturing Philippines Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

SYCIP GORRES VELAYO & CO.

Juan Carlo Maminta

Juan Carlo B. Maminta
Partner
CPA Certificate No. 115260
SEC Accreditation No. 1699-A (Group A),
August 16, 2018, valid until August 15, 2021
Tax Identification No. 210-320-399
BIR Accreditation No. 08-001998-132-2018,
February 9, 2018, valid until February 8, 2021
PTR No. 8125258, January 7, 2020, Makati City

July 28, 2020

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PANASONIC MANUFACTURING PHILIPPINES CORPORATION
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	March 31 2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱2,911,010,861**	₱2,799,426,294
Receivables (Note 5)	**1,440,042,700**	1,667,298,356
Inventories (Note 6)	**1,654,053,222**	1,637,438,734
Other current assets (Note 10)	**80,486,488**	117,992,941
Total Current Assets	**6,085,593,271**	6,222,156,325
Noncurrent Assets		
Investment in a subsidiary (Notes 7 and 22)	**5,122,271**	5,122,271
Advances to a subsidiary (Note 22)	**153,990,175**	153,990,175
Property, plant and equipment (Note 8)	**850,151,443**	735,835,964
Deferred tax assets – net (Note 24)	**168,745,041**	112,090,482
Other noncurrent assets (Note 10)	**25,590,201**	31,324,445
Total Noncurrent Assets	**1,203,599,131**	1,038,363,337
	₱7,289,192,402	₱7,260,519,662
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 11)	**₱2,361,844,902**	₱2,354,226,792
Lease liabilities – current portion (Note 9)	**8,986,996**	–
Income tax payable	–	2,619,927
Other current liabilities (Note 12)	**79,472,587**	86,064,919
Total Current Liabilities	**2,450,304,485**	2,442,911,638
Noncurrent Liabilities		
Retirement liability (Note 12)	**122,592,066**	101,637,974
Lease liabilities – net of current portion (Note 9)	**1,721,796**	–
Other noncurrent liabilities (Note 12)	**345,463,836**	318,620,433
Total Noncurrent Liabilities	**469,777,698**	420,258,407
	2,920,082,183	2,863,170,045
Equity		
Capital stock (Note 13)	**422,718,020**	422,718,020
Additional paid-in capital (Note 13)	**4,779,762**	4,779,762
Other comprehensive loss (Notes 10 and 13)	**(146,240,284)**	(80,929,594)
Retained earnings (Note 14)		
Appropriated	**3,750,000,000**	3,700,000,000
Unappropriated	**337,852,721**	350,781,429
Total Equity	**4,369,110,219**	4,397,349,617
	₱7,289,192,402	₱7,260,519,662

See accompanying Notes to Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORPORATION

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended March 31		
	2020	2019	2018
NET SALES (Note 27)	**₱11,906,948,322**	₱11,520,813,753	₱10,490,076,674
COST OF GOODS SOLD (Notes 15 and 27)	**(9,537,131,446)**	(9,295,869,913)	(8,507,063,295)
GROSS PROFIT	**2,369,816,876**	2,224,943,840	1,983,013,379
SELLING EXPENSES (Notes 16 and 27)	**(1,265,826,533)**	(983,828,140)	(897,540,823)
GENERAL AND ADMINISTRATIVE EXPENSES (Notes 17 and 27)	**(1,035,866,697)**	(1,093,869,378)	(942,632,959)
OTHER INCOME – net (Notes 21 and 27)	**170,891,172**	126,326,441	171,065,571
INCOME BEFORE INCOME TAX	**239,014,818**	273,572,763	313,905,168
PROVISION FOR INCOME TAX (Note 24)	**(113,207,442)**	(125,679,288)	(52,048,667)
NET INCOME	**125,807,376**	147,893,475	261,856,501
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 12)	**(62,111,145)**	(68,747,698)	57,210,524
Unrealized gain (loss) on financial assets at fair value through other comprehensive income (Note 10)	**(3,199,545)**	2,444,125	–
TOTAL COMPREHENSIVE INCOME	**₱60,496,686**	₱81,589,902	₱319,067,025
Basic/diluted earnings per share (Note 26)	**₱0.30**	₱0.35	₱0.62

See accompanying Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
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LARGE TAXPAYERS ASSISTANCE DIVISION
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PANASONIC MANUFACTURING PHILIPPINES CORPORATION
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to Equity Holders of the Parent Company							
	Capital Stock (Note 13)	Additional Paid-in Capital (Note 13)	Net Unrealized Gains on AFS Investments (Note 10)	Net Unrealized Gains on Financial Assets at FVOCI (Note 10)	Remeasurement Loss on Retirement Liability (Note 12)	Appropriated Retained Earnings (Note 14)	Unappropriated Retained Earnings (Note 14)	Total
Balances at April 1, 2019	**₱422,718,020**	**₱4,779,762**	**₱–**	**₱3,825,093**	**(₱84,754,687)**	**₱3,700,000,000**	**₱350,781,429**	**₱4,397,349,617**
Total comprehensive income	–	–	–	(3,199,545)	(62,111,145)	–	125,807,376	60,496,686
Reversals of appropriation (Note 14)	–	–	–	–	–	(798,825,280)	798,825,280	–
Appropriations (Note 14)	–	–	–	–	–	848,825,280	(848,825,280)	–
Cash dividends (Note 14)	–	–	–	–	–	–	(88,736,084)	(88,736,084)
Balances at March 31, 2020	**₱422,718,020**	**₱4,779,762**	**₱–**	**₱625,548**	**(₱146,865,832)**	**₱3,750,000,000**	**₱337,852,721**	**₱4,369,110,219**
Balances at April 1, 2018,	₱422,718,020	₱4,779,762	₱–	₱1,380,968	(₱16,006,989)	₱3,650,000,000	₱410,012,242	₱4,472,884,003
Total comprehensive income	–	–	–	2,444,125	(68,747,698)	–	147,893,475	81,589,902
Reversals of appropriation (Note 14)	–	–	–	–	–	(724,620,000)	724,620,000	–
Appropriations (Note 14)	–	–	–	–	–	774,620,000	(774,620,000)	–
Cash dividends (Note 14)	–	–	–	–	–	–	(157,124,288)	(157,124,288)
Balances at March 31, 2019	₱422,718,020	₱4,779,762	₱–	₱3,825,093	(₱84,754,687)	₱3,700,000,000	₱350,781,429	₱4,397,349,617
Balances at April 1, 2017	₱422,718,020	₱4,779,762	₱1,380,968	₱–	(₱73,217,513)	₱3,385,000,000	₱416,506,626	₱4,157,167,863
Total comprehensive income	–	–	–	–	57,210,524	–	261,856,501	319,067,025
Reversals of appropriation (Note 14)	–	–	–	–	–	(417,614,623)	417,614,623	–
Appropriations (Note 14)	–	–	–	–	–	682,614,623	(682,614,623)	–
	₱422,718,020	₱4,779,762	₱1,380,968	₱–	(₱16,006,989)	₱3,650,000,000	₱413,363,127	₱4,476,234,888

See accompanying Notes to Financial Statements.

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PANASONIC MANUFACTURING PHILIPPINES CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended March 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱239,014,818**	₱273,572,763	₱313,905,168
Adjustments for:			
Depreciation and amortization (Note 19)	**259,286,292**	203,400,308	175,870,412
Provision for inventory write-down (Note 15)	**107,445,039**	79,432,386	16,474,886
Interest income (Notes 4, 21 and 22)	**(91,304,133)**	(86,729,700)	(74,053,006)
Retirement and other long-term employee benefits expense (Notes 12 and 18)	**34,946,121**	26,874,278	27,262,228
Provision for warranty claims and estimated liabilities (Note 12)	**25,118,992**	176,048,662	51,895,109
Unrealized foreign currency exchange (gain) loss (Notes 4, 5 and 11)	**4,070,446**	(11,837,158)	1,362,099
Interest on lease liability (Note 17)	**979,388**	–	–
Provision for (net recovery from) credit and impairment losses (Notes 5 and 21)	**(598,229)**	526,315	(23,034,700)
Gain on disposal/retirement of property, plant and equipment and software (Note 21)	**–**	(154,482)	–
Operating income before changes in working capital	**578,958,734**	661,133,372	489,682,196
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	**225,645,108**	(477,570,559)	(150,130,766)
Inventories	**(124,059,527)**	(384,350,014)	(338,032,398)
Other current assets	**100,072,093**	7,077,789	17,872,656
Increase (decrease) in:			
Accounts payable and accrued expenses	**(3,862,010)**	188,068,485	281,682,106
Other liabilities	**(700,584)**	–	(48,650,169)
Net cash generated from (used in) operations	**776,053,814**	(5,640,927)	252,423,625
Income taxes paid	**(198,406,724)**	(208,647,564)	(112,056,077)
Interest received (Notes 4 and 21)	**93,179,699**	88,305,573	79,193,006
Contributions to the retirement fund (Note 12)	**(101,637,974)**	–	–
Other retirement liability and long-term employee benefits paid (Note 12)	**(1,954,676)**	(11,057,192)	(2,362,171)
Net cash provided by (used in) operating activities	**567,234,139**	(137,040,110)	217,198,383
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment (Notes 8 and 29)	**(339,762,980)**	(253,149,528)	(142,897,625)
Software (Note 10)	**(1,458,326)**	–	(4,532,991)
Proceeds from disposal of property, plant and equipment (Note 8)	**360,270**	2,786,367	1,858,414
Decrease (increase) in noncurrent other assets (Note 10)	**(5,452,653)**	4,713,210	(6,264,225)
Net cash used in investing activities	**(346,313,689)**	(245,649,951)	(151,836,427)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash dividends paid (Notes 14 and 29)	**(88,733,571)**	(157,155,460)	(295,888,744)
Payment of principal portion of lease liability (Note 29)	**(14,586,138)**	(450,502)	(2,305,344)
Cash used in financing activities	**(103,319,709)**	(157,605,962)	(298,194,088)

(Forward)

	Years Ended March 31		
	2020	2019	2018
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (Note 4)	**(₱6,016,174)**	₱16,333,796	₱1,688,352
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**111,584,567**	(523,962,227)	(231,143,780)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,799,426,294**	3,323,388,521	3,554,532,301
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱2,911,010,861**	₱2,799,426,294	₱3,323,388,521

See accompanying Notes to Financial Statements.

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PANASONIC MANUFACTURING PHILIPPINES CORPORATION
NOTES TO 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 8).

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

2. Summary of Significant Accounting Policies

<u>Basis of Preparation</u>
The accompanying financial statements of the Parent Company have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI) 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 financial statements are presented in Philippine peso (₱), which is also the Parent Company's functional currency. All values were rounded to the nearest peso except when otherwise indicated.

<u>Statement of Compliance</u>
The accompanying financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

<u>Changes in Accounting Policies</u>
The accounting policies adopted are consistent with those of the previous financial years, except that the Parent Company has adopted the following PFRSs and Philippine Accounting Standards (PAS) and Philippine Interpretations beginning April 1, 2019. The adoption of the new and amended standards and interpretations did not have any impact on the financial statements of the Parent Company unless otherwise indicated.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- *Annual Improvements to PFRSs* 2015-2017 Cycle
  - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*

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- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

The standards adopted that are deemed to have significant impact on the financial statements or performance of the Company are described below:

- PFRS 16, *Leases*
  PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

  Lessor accounting under PFRS 16 is substantially unchanged from PAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in PAS 17. Therefore, PFRS 16 did not have an impact for leases where the Parent Company is the lessor.

  The Parent Company has various lease contracts for various office space and warehouses. Prior to adoption of PFRS 16, the Parent Company classified each of its leases (as lessee) at the inception date as operating lease.

  Upon adoption of PFRS 16, the Parent Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to the accounting policies in section *Leases*.

  The Parent Company adopted PFRS 16 using the modified retrospective approach and applied certain transition reliefs with the date of initial application on April 1, 2019. The Parent Company elected to use the practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying the old standards at the date of initial application. The Parent Company also elected to use recognition exemptions for lease contracts that have lease term of twelve (12) months or less and do not contain a purchase option ('short-term leases'), and for which the underlying assets are of low value ('low-value assets').

  Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate (IBR) at the date of initial application. The right-of-use (ROU) assets were recognized based on the amount equal to lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized.

  The Parent Company has also applied the following practical expedients, apart from those already mentioned above, as permitted by the standard, wherein it:

  - Used a single discount rate to a portfolio of leases with reasonably similar characteristics
  - Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application

  As a result of the adoption of PFRS 16, the Company aligned the estimated useful life of its leasehold improvements based on the legal or similar limits on the use (i.e., noncancelable portion of the lease term).

The effect of adopting PFRS 16 in the statement of financial position of the Parent Company as at April 1, 2019 follow:

	Increase/ (Decrease)
ASSETS	
Right-of-use assets (Note 8)	₱25,739,710
Prepaid rent (included in 'Other noncurrent assets')	(444,780)
	₱25,294,930
LIABILITIES	
Lease liability (Note 9)	₱25,294,930
	₱25,294,930

The lease liability as at April 1, 2019 can be reconciled to the operating lease commitments as of March 31, 2019, as follows:

Operating lease commitments as at March 31, 2019	₱27,306,993
Less: Commitments relating to leases of short-term and low-value assets	(693,741)
Total gross lease payables as of April 1, 2019	26,613,252
Weighted average incremental borrowing rate as at April 1, 2019	5.91%
Lease liability as at April 1, 2019	₱25,294,930

- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatment*
  The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*. It does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  The Parent Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The Parent Company assumes that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the Parent Company concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, the Parent Company shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the Parent Company expects to better predict the resolution of the uncertainty.

  Upon adoption of the Interpretation, the Parent Company considered whether it has any uncertain tax positions. The Parent Company determined that, based on its tax compliance, it is probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have an impact on the financial statements of the Parent Company.

Fair Value Measurement
For measurement and disclosure purposes, the Parent Company 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 Parent Company.

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 Parent Company 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 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 financial statements on a recurring basis, the Parent Company 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 parent company 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 statement of cash flows, cash and cash equivalents consist of cash and time deposits as defined above.

Financial Instruments
For all periods up to and including the year ended March 31, 2018, the Parent Company accounted for financial instruments under PAS 39, *Financial Instruments: Recognition and Measurement*. For the years ended March 31, 2020 and 2019, the Parent Company accounted for financial instruments in accordance with PFRS 9, *Financial Instruments*.

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

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

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

As of March 31, 2020 and 2019, the Parent Company only has financial assets and financial liabilities at amortized cost and financial assets at FVOCI.

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

In 2020, 2019 and 2018, there were no 'Day 1' differences recognized in the profit or loss in the statement of comprehensive income.

a) Financial assets

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

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

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are solely for principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount). In making this assessment, the Parent

Company determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

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

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

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

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

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

The financial assets of the Parent Company as of March 31, 2020 and 2019 consist of financial assets at amortized cost and financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).

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

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

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

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

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

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

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

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

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

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

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

Impairment of financial assets (policy applicable on or after April 1, 2018)
The Parent Company recognizes an allowance for ECLs for all debt instruments not held at FVTPL. ECL represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime ECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12

months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

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

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

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

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

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

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

<u>Impairment of Financial Assets *(policy applicable prior to April 1, 2018)*</u>
The Parent Company 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 Parent Company 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 Parent Company 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 in the statement of comprehensive income.

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 Parent Company. 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 Parent Company 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.

b) Financial liabilities

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

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

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

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

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

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

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

The Parent Company does not have financial liabilities at FVTPL as of March 31, 2020 and 2019.

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

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

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

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

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

Financial Instruments (policy applicable prior to April 1, 2018)

Date of recognition
The Parent Company recognizes a financial asset or financial liability in the statement of financial position when the Parent Company becomes a party to the contractual provisions of the instrument. 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 Parent Company. Settlement date accounting refers to (a) the recognition of an asset on the day it is received by the Parent Company, 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 Parent Company.

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 Parent Company 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 Parent Company has no financial assets and liabilities at FVPL and HTM investments as of March 31, 2018.

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 in profit or loss in the statement of comprehensive income.

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 Parent Company's AFS investments include investments in unquoted equity shares.

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 Parent Company 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.

This accounting policy applies to the Parent Company'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 Parent Company does not have an unconditional right to defer settlement for at least twelve months from reporting date.

This accounting policy applies primarily to the Parent Company's accounts payable and accrued expenses.

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 Parent Company 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 Parent Company 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 Parent Company 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 Parent Company'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 Parent Company 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 Parent Company's customers and is creditable against the income tax liability of the Parent Company.

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

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

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

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

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

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

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

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

Software

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

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

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

Impairment of Nonfinancial Assets

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

Where there is an indication of impairment, the Parent Company 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

Policies applicable beginning April 1, 2019

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

The Parent Company as a lessee

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

i. Right-of-use assets

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

(2) years and the lease term.

Depreciation of right-of-use assets is presented under 'Depreciation and amortization' in Cost of Goods Sold (Note 15) and General and Administrative Expenses (Note 17).

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

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

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

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

Policies applicable prior to April 1, 2019
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.

<u>Business Combinations</u>
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 Parent Company 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 Parent Company receives complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum period of one year.

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

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

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

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

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

<u>Equity</u>
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 Parent Company 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 Parent Company less any dividends declared.

<u>Revenue Recognition</u>
To account for the revenues arising from contracts with customers, the Parent Company applies the following five step model:

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

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Parent Company expects to be entitled in exchange for those goods or services. The Parent Company has concluded that it is the principal in its revenue arrangements because it controls the goods or services before transferring them to the customer. The following specific recognition criteria must also be met before revenue and other income are recognized:

<u>Revenue within the scope of PFRS 15:</u>

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

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

Sale of scrap
Revenue from sale of scrap is recognized upon delivery, when the control has passed to the buyer and the amount of revenue can be measured reliably.

Revenue Recognition (Prior to adoption of PFRS 15)
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Parent Company 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 Parent Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Parent Company 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.

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.

Revenue outside the scope of PFRS 15:

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

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

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

Costs and Expenses

Costs and expenses encompass losses as well as those expenses that arise in the course of the ordinary activities of the Parent Company. 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 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 Parent Company has no dilutive convertible common shares. Thus, basic and diluted EPS are the same.

Borrowing Costs

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

Retirement Costs

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

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

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

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

Retirement expenses comprise the following:

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

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

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

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

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

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

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

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

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

Income Taxes

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

Effective April 1, 2019, the Company periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

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

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

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

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

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

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

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

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

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

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

Foreign Currency-denominated Transactions and Translation

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

Operating Segment

Operating segments for management reporting purposes are organized into three major segments according to the nature and user of the products. Common income and expenses are allocated among business segments based on sales or other appropriate bases. Segment assets include operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, net of allowances, provisions and depreciation and amortization. Segment liabilities include all operating liabilities and consist principally of accounts payable and accrued liabilities. Information on business segments is presented in Note 27.

Provisions

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

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

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

Contingencies
Contingent liabilities are not recognized in the 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 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 Parent Company's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

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

Effective in fiscal year 2020

- Amendments to PFRS 3, *Definition of a Business*
  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after April 1, 2020, with earlier application permitted.

  These amendments will apply on future business combinations of the Parent Company.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*
  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after April 1, 2020, with earlier application permitted.

Effective beginning on or after June 1, 2020

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*
  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

Effective in fiscal year 2023

- PFRS 17, *Insurance Contracts*
  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

  The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

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

3. Significant Accounting Judgments, Assumptions and Estimates

The preparation of the financial statements in compliance with PFRS requires the Parent Company 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 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 Parent Company'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 financial statements:

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

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

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

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

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

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

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

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

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

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

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

Provisions for estimated liabilities amounted to ₱403.0 million and ₱385.2 million as of March 31, 2020 and 2019, respectively (see Note 12).

b. *NRV of inventory*
Inventories are carried at lower of cost or NRV. NRV of inventories are assessed regularly based on the prevailing selling prices of inventories less the estimated costs necessary to sell and to complete. Any increase in NRV will increase the carrying amount of inventories but only to the extent of their original acquisition costs. The carrying value of inventories as of March 31, 2020 and 2019 amounted to ₱1.7 billion and ₱1.6 billion, respectively (see Note 6). The amount of provision for inventory write-down included under cost of goods sold amounted to ₱107.4 million, ₱79.4 million and ₱16.4 million in 2020, 2019 and 2018, respectively (see Notes 6 and 15).

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

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

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

d. *Assessment for ECL on trade receivables*

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

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

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

The carrying amount of trade receivables amounted to ₱1.4 billion and ₱1.7 billion as at March 31, 2020 and 2019, respectively (see Note 5).

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

While the Parent Company 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 Parent Company's defined benefit plan resulted to a retirement liability amounting to ₱122.6 million and ₱101.6 million as of March 31, 2020 and 2019, respectively (see Note 12).

f. *Deferred tax assets*
The Parent Company 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 Parent Company. 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 ₱168.7 million and ₱112.1 million as of March 31, 2020 and 2019, respectively. The Parent Company did not recognize deferred tax asset on other temporary differences as of March 31, 2020 and 2019 since management believes that the benefit from such asset will not be realized in the future (see Note 24).

g. *Leases*

Applicable beginning April 1, 2019

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

The weighted-average incremental borrowing rate for lease liabilities initially recognized as of April 1, 2019 was 5.91% per annum.

The carrying amount of lease liabilities is ₱10.7 million at March 31, 2020 (see Note 9)

Applicable prior April 1, 2019

Classification of leases
In arrangements that are, or contain, leases, the Parent Company determines based on an evaluation of the terms and conditions of the arrangements whether or not the lessor retains all the significant risks and rewards of ownership of the properties which are leased out.

In classifying such arrangements as operating leases, the Parent Company considers the following:

- the lease does not transfer ownership of the asset to the lessee by the end of the lease term;
- the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable;
- the present value of the minimum lease payments is substantially lower than the fair value of the leased asset;
- the losses associated with any cancellation of the lease are borne by the lessor; and
- the lease term is not for the major part of the asset's economic useful life.

When the above terms and provisions do not apply, the Parent Company classifies the lease arrangements as finance leases.

4. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash in banks	**₱606,453,344**	₱611,325,267
Cash equivalents	**2,304,557,517**	2,188,101,027
	₱2,911,010,861	₱2,799,426,294

Cash in banks earned annual interest ranging from 0.05% to 0.50% and 0.5% to 2.0% in 2020 and 2019, respectively.

Cash equivalents pertain to time deposits made for varying periods with maturity of up to three months depending on the immediate cash requirements of the Parent Company. Interest on cash equivalents ranged from 0.6% to 2.6% in 2020, 0.5% to 2.0% in 2019 and from 0.5% to 2.6% in 2018.

Interest income from cash in banks and cash equivalents amounted to ₱72.8 million, ₱68.3 million and ₱55.0 million in 2020, 2019 and 2018, respectively (see Note 21). Unrealized foreign exchange gain (loss) resulting from translation of foreign currency-denominated cash in banks into Philippine peso amounted to (₱6.0 million), ₱16.3 million and ₱1.7 million in 2020, 2019 and 2018, respectively. Realized foreign exchange loss resulting from translation of foreign currency-denominated cash in banks into Philippine peso amounted to ₱24.0 million, ₱34.6 million and ₱11.3 million in 2020, 2019 and 2018, respectively (see note 21).

5. Receivables

This account consists of:

	2020	2019
Trade		
Domestic	**₱1,219,746,211**	₱1,326,253,654
Export (Note 22)	**108,537,336**	266,709,978
Non-trade		
Related parties (Note 22)	**63,801,390**	24,708,764
Third parties	**14,468,347**	3,130,455
Employees	**3,023,489**	47,880,453
Others	**34,793,698**	3,541,052
	1,444,370,471	1,672,224,356
Less allowance for credit losses	**(4,327,771)**	(4,926,000)
	₱1,440,042,700	₱1,667,298,356

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

The changes in the allowance for expected credit losses on trade receivables in 2020 and 2019 follow:

	2020	2019
Balances at beginning of year	**₱4,926,000**	₱4,739,000
Provision for (recovery from) credit losses (Notes 17 and 21)	**(598,229)**	526,315
Write-off	**–**	(339,315)
Balances at end of year	**₱4,327,771**	₱4,926,000

Unrealized foreign exchange gain (loss) on translation of receivables amounted to (₱0.3 million), ₱1.8 million and ₱0.3 million in 2020, 2019 and 2018, respectively. Realized foreign exchange gain (loss) on translation of receivables amounted to (₱1.0 million), (₱1.4 million) and ₱2.7 million in 2020, 2019 and 2018, respectively (see Note 21).

6. Inventories

This account consists of:

	2020	2019
At NRV:		
Finished goods and merchandise	**₱1,312,585**	₱17,294,276
At cost:		
Finished goods and merchandise	**1,001,546,666**	1,084,067,095
Raw materials	**602,944,562**	500,142,019
Supplies	**33,814,742**	25,370,596
Goods in process	**14,434,667**	10,564,748
	1,652,740,637	1,620,144,458
	₱1,654,053,222	₱1,637,438,734

The related cost of inventories recorded at NRV amounted to ₱26.8 million and ₱38.4 million as of March 31, 2020 and 2019, respectively. The amount of write-down of inventories included under cost of goods sold amounted to ₱107.4 million, ₱79.4 million and ₱16.4 million in 2020, 2019 and 2018, respectively (see Note 15). The amount of inventories recognized in cost of goods sold during the year amounted to ₱9.5 billion, ₱9.3 billion and ₱8.5 billion in 2020, 2019 and 2018, respectively (see Note 15).

7. Investment in Subsidiary

This account represents the Parent Company's investments in Precision Electronics Realty Corporation (PERC) (the Subsidiary) which is 40.0%-owned by the Parent Company.

PERC was incorporated in the Philippines on April 18, 1984. The Subsidiary is in the business of realty brokerage and leases out the land in which the manufacturing facilities of the Parent Company are located.

In 2020 and 2019, investment in PERC amounted to ₱5.1 million.

The summarized financial information of PERC is provided below. The information is based on amounts before intercompany eliminations.

	2020	2019
Summarized financial position information		
Total current assets	₱45,999,030	₱42,191,574
Total noncurrent assets	233,177,867	233,177,867
Total current liabilities	3,923,029	764,417
Total noncurrent liabilities	153,990,175	153,990,175
Total equity	121,263,693	120,614,849
Summarized comprehensive income information		
Revenues	29,716,169	29,613,642
Cost and expenses - net	28,504,262	28,444,491
Income before income tax	1,211,907	1,169,151
Provision for income tax	563,063	541,491
Total comprehensive income	₱648,844	₱627,660

	2020	2019
Summarized cash flow information		
Operating	₱2,255,855	(₱608,237)
Net increase (decrease) in cash and cash equivalents	₱2,255,855	(₱608,237)

8. Property, Plant and Equipment

The rollforward of this account follows:

	2020						
	Factory Machinery, Equipment and Tools	Buildings and Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Construction in Progress	Right-of-Use Asset-Building	Total
Cost							
Balances at beginning of year	₱1,754,237,442	₱1,096,458,676	₱170,127,243	₱137,481,609	₱90,102,116	₱–	₱3,248,407,086
Effect of PFRS 16	–	–	–	–	–	25,739,710	25,739,710
Balance at beginning of year, as restated	1,754,237,442	1,096,458,676	170,127,243	137,481,609	90,102,116	25,739,710	3,274,146,796
Acquisitions (Note 29)	75,261,768	51,368,292	16,398,166	12,336,610	191,562,358	–	346,927,194
Retirements/disposals	(392,620)	(451,250)	(5,648,025)	(8,497,764)	(182,489)	–	(15,172,148)
Reclassifications from CIP	191,763,749	76,135,283	3,139,609	–	(271,038,641)	–	–
Balances at end of year	2,020,870,339	1,223,511,001	184,016,993	141,320,455	10,443,344	25,739,710	3,605,901,842
Accumulated depreciation							
Balances at beginning of year	1,457,013,010	785,223,965	157,728,705	112,605,442	–	–	2,512,571,122
Depreciation (Note 19)	164,237,262	50,032,792	16,297,300	12,460,650	–	14,963,151	257,991,155
Retirements/disposals	(376,441)	(451,250)	(5,658,105)	(8,326,082)	–	–	(14,811,878)
Balances at end of year	1,620,873,831	834,805,507	168,367,900	116,740,010	–	14,963,151	2,755,750,399
Net book value	₱399,996,508	₱388,705,494	₱15,649,093	₱24,580,445	₱10,443,344	10,776,559	₱850,151,443

	2019					
	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	₱1,556,367,620	₱869,189,302	₱165,701,292	₱133,881,290	₱80,898,084	₱2,806,037,588
Acquisitions (Note 29)	27,035,356	6,411,250	11,467,165	5,976,743	235,176,270	286,066,784
Retirements/disposals	(21,236,209)	(5,519,305)	(7,074,393)	(2,376,424)	–	(36,206,331)
Reclassifications from investment properties	–	192,509,045	–	–	–	192,509,045
Reclassifications from CIP	192,070,675	33,868,384	33,179	–	(225,972,238)	–
Balances at end of year	1,754,237,442	1,096,458,676	170,127,243	137,481,609	90,102,116	3,248,407,086
Accumulated depreciation						
Balances at beginning of year	1,348,519,112	581,857,875	153,526,140	99,235,943	–	2,183,139,070
Depreciation (Note 19)	127,564,196	47,767,687	11,223,297	15,333,610	–	201,888,790
Retirements/disposals	(19,070,298)	(5,519,305)	(7,020,732)	(1,964,111)	–	(33,574,446)
Reclassifications from investment properties	–	161,117,708	–	–	–	161,117,708
Balances at end of year	1,457,013,010	785,223,965	157,728,705	112,605,442	–	2,512,571,122
Net book value	₱297,224,432	₱311,234,711	₱12,398,538	₱24,876,167	₱90,102,116	₱735,835,964

In 2019, the Parent Company transferred investment properties to property, plant and equipment for its use in operations with cost and related accumulated depreciation amounting to ₱192.5 million and ₱161.1 million, respectively.

As of March 31, 2020, the construction in progress mainly pertains to the improvements of factory machinery, equipment and tools in Refrigerator Division and Aircon Division. As of March 31, 2019, the Parent Company's construction in progress pertains to the improvements of factory machinery and equipment due to the increase of production volume capacity in its Washing Machine Division, as well as in its General Engineering Division due to building renovation of Washing Machine and Electric Fan Production.

Additions in property, plant and equipment acquired on account amounted to ₱7.2 million and ₱32.9 million in 2020 and 2019, respectively (see Notes 11 and 29). Gain on disposal and retirement of property, plant and equipment amounted to nil in 2020 and 2018 and ₱0.2 million in 2019 (see Note 21). Considerations received from the disposal and retirement of property, plant and equipment amounted to ₱0.4 million, ₱2.8 million and ₱1.9 million in 2020, 2019 and 2018, respectively.

9. Leases

Parent Company as a Lessee

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

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

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

Rent expense charged against current operations amounted to ₱32.7 million, ₱67.7 million and ₱60.7 million, respectively in 2020, 2019 and 2018, respectively (see Notes 15 and 17). Rent expense in 2020 pertains to expenses from short-term leases and leases of low-value assets.

The following are the amounts recognized in statement of income:

	2020
Depreciation expense of right-of-use assets	₱14,963,151
Interest expense on lease liabilities	979,388
Expenses relating to low-value assets (included in 'Cost of Goods Sold - Others') (Note 15)	133,200
Expenses relating to short-term leases (included in 'General and Administrative Expenses') (Note 17)	2,417,700
Total amount recognized in statement of comprehensive income	₱18,493,439

The rollforward of lease liability follows:

	2020
Balances at beginning of year	₱25,294,930
Interest expense (Note 17)	979,388
Payments	(15,565,526)
Balance at end of year	₱10,708,792

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

	2020
Current lease liabilities	₱8,986,996
Noncurrent lease liabilities	1,721,796
	₱10,708,792

Shown below is the maturity analysis of the undiscounted lease payments as of March 31, 2020 and 2019:

	2020	2019
Within one (1) year	**₱9,855,562**	₱16,133,362
More than one (1) year	**1,885,905**	11,173,631
	₱11,741,467	₱27,306,993

Parent Company as a Lessor
In 2018, the Parent Company has an operating lease agreement for certain buildings and building improvements with PIDPH. The existing contract is effective from March 1, 2016 to February 28, 2018. On March 1, 2018, the lease agreement for specific building and building improvements was extended for one month until March 31, 2018. The contract was not renewed subsequent to expiration.

Rent income recognized in 2018 amounted to ₱25.2 million (see Note 21).

10. Other Current Assets and Other Noncurrent Assets

Other current assets consist of the following:

	2020	2019
Prepaid expenses	**₱31,853,447**	₱35,884,223
Creditable withholding taxes (CWTs)	**29,790,471**	84,113,884
Value-added input tax	**11,511,348**	–
Advances to suppliers and employees	**10,831,222**	1,494,834
	83,986,488	121,492,941
Less allowance for impairment losses	**3,500,000**	3,500,000
	₱80,486,488	₱117,992,941

Other noncurrent assets consist of the following:

	2020	2019
Deposits	**₱19,115,475**	₱18,331,355
Software	**2,635,531**	2,472,342
Deferred input VAT	**2,253,157**	5,735,165
Financial assets at FVOCI	**1,586,038**	4,785,583
	₱25,590,201	₱31,324,445

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

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

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

Software
The composition and movements of software follow:

	2020	2019
Cost		
Balances at beginning of year	**₱108,992,460**	₱115,010,349
Additions	**1,458,326**	–
Write-off	**(351,100)**	(6,017,889)
Balances at end of year	**110,099,686**	108,992,460
Accumulated amortization		
Balances at beginning of year	**106,520,118**	111,026,489
Amortization (Note 19)	**1,295,137**	1,511,518
Written-off	**(351,100)**	(6,017,889)
Balances at end of year	**107,464,155**	106,520,118
Net book value	**₱2,635,531**	₱2,472,342

Financial assets at FVOCI

Financial assets at FVOCI pertain to the Parent Company's investments in mandatory equity shares in utility companies. The Parent Company does not intend to dispose these assets as it will continue to avail of the services of the said utility companies. The changes in fair value recognized in other comprehensive income amounted to ₱3.2 million loss in 2020, ₱2.4 million gain in 2019 and nil in 2018. Fair value changes in financial assets at FVOCI are presented as components of 'Other comprehensive income' in Equity.

Dividend income earned from financial assets at FVOCI and AFS investments amounted to nil in 2020, 2019 and 2018.

11. Accounts Payable and Accrued Expenses

Accounts payable consist of:

	2020	2019
Trade		
Related parties (Note 22)	**₱209,302,448**	₱446,690,574
Third parties	**317,127,826**	460,321,519
Non-trade		
Related parties (Note 22)	**111,919,979**	111,533,777
Third parties	**7,164,214**	32,917,256
Accrued expenses		
Third parties	**1,655,688,404**	1,220,065,539
Related parties (Note 22)	**19,923,398**	25,962,559
Others		
Advances from customers	**40,716,120**	36,419,091
Dividends payable (Notes 14 and 22)	**2,513**	–
Output VAT	**–**	20,316,477
	₱2,361,844,902	₱2,354,226,792

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

Accrued expenses to third parties consist of:

	2020	2019
Advertising expenses and sales promotions	**₱1,038,747,000**	₱671,453,860
Suppliers	**584,189,814**	512,132,778
Salaries and other employee benefits	**26,392,075**	28,412,300
Freight expenses and releasing charges	**6,359,515**	8,066,601
	₱1,655,688,404	₱1,220,065,539

Unrealized foreign exchange gain (loss) on translation of payables amounted to ₱2.3 million, (₱6.3 million) and (₱3.4 million) in 2020, 2019 and 2018, respectively. Realized foreign exchange gain (loss) on translation of payables amounted to ₱3.2 million, ₱4.6 million and (₱8.8 million) in 2020, 2019 and 2018, respectively (see Note 21).

12. Retirement and Other Liabilities

Other liabilities account consists of:

	2020	2019
Current		
Provisions for estimated liabilities	**₱79,472,587**	₱86,064,919
Noncurrent		
Provisions for estimated liabilities	**323,575,349**	299,156,941
Other long-term employee benefits	**21,888,487**	19,463,492
	345,463,836	318,620,433
	₱424,936,423	₱404,685,352

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

	2020	2019
Current		
Warranty claims	**₱79,472,587**	₱86,064,919
Noncurrent		
Warranty claims	**21,846,413**	14,925,081
Others	**301,728,936**	284,231,860
	323,575,349	299,156,941
	₱403,047,936	₱385,221,860

The rollforward of this account follows:

	2020		
	Warranty Claims	**Others**	**Total**
Balances at beginning of year	**₱100,990,000**	**₱284,231,860**	**₱385,221,860**
Provisions for (reversals of) (Notes 16, 17 and 21)	**67,830,925**	**(42,711,933)**	**25,118,992**
Claims/usage/reclassifications	**(67,501,925)**	**60,209,009**	**(7,292,916)**
Balances at end of year	**₱101,319,000**	**₱301,728,936**	**₱403,047,936**

	2019		
	Warranty Claims	Others	Total
Balances at beginning of year	₱94,524,000	₱211,415,612	₱305,939,612
Provisions (Notes 16 and 17)	65,552,662	110,496,000	176,048,662
Claims/usage/reclassifications	(59,086,662)	(37,679,752)	(96,766,414)
Balances at end of year	₱100,990,000	₱284,231,860	₱385,221,860

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 Parent Company and prejudice the outcome of the litigations and assessments.

Retirement Liability

The Parent Company's retirement liability consists of:

	2020	2019
Retirement liability under defined benefit plan	₱113,594,542	₱92,406,056
Others	8,997,524	9,231,918
	₱122,592,066	₱101,637,974

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:

	2020	2019
Discount rate		
Beginning	5.8%	6.5%
Ending	4.9%	5.8%
Salary increase rate		
Beginning	5.0%	5.0%
Ending	5.0%	5.0%
Average expected future service years	7.5	7.8

Changes in retirement liability under defined plan in 2020 and 2019 are as follows:

	2020		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Balances at beginning of year	₱490,396,878	(₱397,990,822)	₱92,406,056
Net benefit cost in the statement of comprehensive income (Note 18)			
Current service cost	24,086,773	–	24,086,773
Net interest cost (income)	28,443,019	(23,083,468)	5,359,551
	52,529,792	(23,083,468)	29,446,324
Actual Contribution	–	(101,637,974)	(101,637,974)
Benefits paid	(22,664,466)	22,664,466	–

(Forward)

	2020		
	Present value of defined benefit obligation	**Fair value of plan assets**	**Net defined benefit liability (asset)**
Remeasurements in other comprehensive income			
Actuarial changes arising from changes in financial Assumptions	₱32,320,594	₱–	₱32,320,594
Experience adjustments	(7,720,749)	–	(7,720,749)
Return on plan assets	–	68,780,291	68,780,291
	24,599,845	68,780,291	93,380,136
Balances at end of year	₱544,862,049	(₱431,267,507)	₱113,594,542

	2019		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Balances at beginning of year	₱450,923,312	(₱477,300,918)	(₱26,377,606)
Net benefit cost in the statement of comprehensive income (Note 18)			
Current service cost	22,323,213	–	22,323,213
Net interest cost (income)	29,310,015	(31,024,560)	(1,714,545)
	51,633,228	(31,024,560)	20,608,668
Benefits paid	(31,279,701)	31,279,701	–
Remeasurements in other comprehensive income			
Actuarial changes arising from changes in financial assumptions	23,150,727	–	23,150,727
Experience adjustments	(3,622,950)	–	(3,622,950)
Actuarial changes arising from changes in demographic assumptions	(407,738)	–	(407,738)
Return on plan assets	–	79,054,955	79,054,955
	19,120,039	79,054,955	98,174,994
Balances at end of year	₱490,396,878	(₱397,990,822)	₱92,406,056

Changes in other retirement liability in 2020 and 2019 are as follows:

	Present value of defined benefit obligation	
	2020	2019
Balances at beginning of year	**₱9,231,918**	₱9,437,055
Net benefit cost in the statement of comprehensive income (Note 18)		
Current service cost	**772,991**	725,004
Net interest cost	**535,451**	613,409
	1,308,442	1,338,413
Benefits paid	**(188,316)**	(1,579,553)
Remeasurements in other comprehensive income		
Actuarial changes arising from changes in financial assumptions	**383,226**	277,842
Experience adjustments	**(1,737,746)**	(368,180)
Actuarial changes arising from changes in demographic assumptions	**–**	126,341
	(1,354,520)	36,003
Balances at end of year	**₱8,997,524**	₱9,231,918

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

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

	2020	2019
Discount rate		
Beginning	**5.8%**	6.4%
Ending	**4.9%**	5.8%
Salary increase rate		
Beginning	**5.0%**	5.0%
Ending	**5.0%**	5.0%
Average expected future service years	**7.5**	7.9
Average accumulated sick leaves	**37.5 days**	33.1 days
Average accumulated vacation leaves	**10.6 days**	8.9 days

Other long-term employee benefits incurred in 2020, 2019 and 2018 amounted to ₱4.2 million, ₱4.9 million and ₱1.1 million, respectively, presented under 'Salaries, wages and employee benefits' in the statement of comprehensive income (see Note 18).

The latest actuarial valuation reports of the Parent Company are prepared by an independent actuary as of March 31, 2020.

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, 2020 and 2019, assuming all other assumptions were held constant:

	Increase/ (Decrease)	2020	2019
Discount rates	+1.0%	**(₱517,709,837)**	(₱465,829,562)
	-1.0%	**594,130,495**	537,264,572
Future salary increases	1.0%	**593,689,290**	537,189,593
	-1.0%	**(517,413,316)**	(465,275,285)

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

	2020	2019
Less than 1 year	**₱39,280,853**	₱28,507,379
More than 1 years to 5 years	**271,787,160**	226,311,509
More than 5 years to 10 years	**397,966,036**	414,986,175
More than 10 years to 15 years	**261,451,302**	295,830,028
More than 15 years to 20 years	**103,363,730**	111,039,000

The average duration of the defined benefit obligation at the end of the reporting period is 9.0 years. The Parent Company expects to contribute ₱113.6 million to the defined benefit plan in 2021.

The distribution of plan assets by each class as at the end of the reporting period of the Parent Company are as follow (see Note 22):

	2020	2019
Cash and cash equivalents	**₱154,536,064**	₱82,126,449
Loans and receivables	**59,272,207**	56,203,400
Investments	**217,459,236**	259,660,973
	₱431,267,507	₱379,990,822

13. Capital Stock

Details of capital stock as of March 31, 2020 and 2019 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, 2020 and 2019, all Class B shares are issued to foreign nationals only. The Parent Company's Class A shares of stock are listed in the Philippine Stock Exchange.

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

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

The total number of shares registered under the SRC is 84,723,432 shares being held by 453 and 444 stockholders as of March 31, 2020 and 2019, respectively.

Capital management
The primary objective of the Parent Company'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 Parent Company considers the following as its capital as of March 31, 2020 and 2019:

	2020	2019
Capital stock	**₱422,718,020**	₱422,718,020
Additional paid-in capital	**4,779,762**	4,779,762
Retained earnings (Note 14)		
Appropriated	**3,750,000,000**	3,700,000,000
Unappropriated	**337,852,721**	350,781,429
	₱4,515,350,503	₱4,478,279,211

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

The Parent Company declared cash dividends amounting to ₱88.7 million, ₱157.1 million, and nil in 2020, 2019 and 2018, respectively (see Note 14).

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, 2020, 2019 and 2018, respectively.

14. Retained Earnings

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

The retained earnings inherited from NPPI before the effectivity of the merger amounting to ₱64.7 million are included in the statement of financial position under "unappropriated retained earnings". Such is not available for distribution to stockholders in the form of cash or property dividends. Based on the SEC guidelines and after considering this adjustment, the retained earnings available for dividend declaration as of March 31, 2020 and 2019 amounted to ₱77.8 million and ₱119.5 million, respectively.

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

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

d. On March 31, 2018, the Parent Company's BOD authorized and directed the reversal of the appropriated retained earnings amounting to ₱417.6 million. From the total appropriations of ₱3.7 billion as of March 31, 2018, ₱3.0 billion represents the reinstatement of the previous appropriations for in-plant production of plastic and metal parts, Parent Company's change of IT System and other future projects of the Parent Company. The remaining ₱682.6 million additional appropriations represents appropriations for replacement and upgrading of old machines, molds and dies and other future projects and activities intended to boost B2B sales as growth engine. These projects are expected to be completed by 2024.

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

	2020	2019
March 31, 2020, 20.99% cash dividends to stockholders of record as of April 22, 2019 payable on May 24, 2019 (₱0.21 per share)	**₱88,736,084**	₱–
March 31, 2019, 37.1% cash dividends to stockholders of record as of April 25, 2018 payable on May 11, 2018 (₱0.37 per share)	–	₱157,124,288
	₱88,736,084	₱157,124,288

15. Cost of Goods Sold

This account consists of:

	2020	2019	2018
Direct materials	**₱4,421,047,221**	₱4,357,168,075	₱4,335,635,483
Direct labor (Note 18)	**238,434,796**	165,882,757	161,155,988
Manufacturing overhead:			
Depreciation and amortization (Note 19)	**213,007,314**	174,875,484	142,087,832
Indirect labor (Note 18)	**187,835,092**	183,671,391	177,863,434
Research and development	**74,583,358**	27,085,844	36,772,785
Electricity, gas and water	**64,094,710**	52,366,191	47,392,696
Repairs and maintenance	**38,832,358**	27,555,130	27,635,370
Indirect materials	**24,609,071**	22,726,917	19,483,561
Supplies	**17,543,490**	15,804,579	16,872,629
Provision for inventory write-down (Note 6)	**15,805,533**	9,331,037	12,425,612
Travel	**13,277,711**	10,517,307	12,572,106
Insurance	**11,494,301**	8,873,335	9,244,807
Taxes and dues	**4,261,158**	4,590,472	3,811,046
Others	**60,443,065**	53,598,651	48,019,616
Total manufacturing overhead	**725,787,161**	590,996,338	554,181,494
Total manufacturing costs	**5,385,269,178**	5,114,047,170	5,050,972,965
Goods in process (Note 6):			
Beginning of year	**10,564,748**	19,786,525	12,284,449
End of year	**(14,434,667)**	(10,564,748)	(19,786,525)
Cost of goods manufactured	**5,381,399,259**	5,123,268,947	5,043,470,889

(Forward)

	2020	2019	2018
Finished goods and merchandise (Note 6):			
Beginning of year	**₱1,101,361,371**	₱963,587,145	₱695,662,958
Purchases	**3,965,590,561**	4,240,273,843	3,727,504,319
Provision for inventory write-down (Note 6)	**91,639,506**	70,101,349	4,012,274
End of year	**(1,002,859,251)**	(1,101,361,371)	(963,587,145)
	₱9,537,131,446	₱9,295,869,913	₱8,507,063,295

16. Selling Expenses

This account consists of:

	2020	2019	2018
Sales promotions	**₱641,408,369**	₱ 280,431,982	₱250,565,303
Freight and storage	**400,499,134**	528,209,608	465,853,964
Advertising and commissions (Note 22)	**156,088,105**	109,633,888	129,226,447
Provision for warranty claims (Note 12)	**67,830,925**	65,552,662	51,895,109
	₱1,265,826,533	₱983,828,140	₱897,540,823

17. General and Administrative Expenses

This account consists of:

	2020	2019	2018
Salaries, wages, and employee benefits (Note 18)	**₱361,024,343**	₱328,354,472	₱315,741,388
Technical assistance fees (Note 22)	**183,881,413**	174,043,531	172,718,271
Brand license fees (Note 22)	**87,067,735**	83,374,564	76,431,870
Repairs and maintenance	**81,329,931**	86,413,251	64,032,861
Outsourcing	**66,761,475**	59,103,176	46,480,522
Depreciation and amortization (Note 19)	**46,278,978**	28,524,824	33,782,580
Taxes and dues	**44,169,971**	38,431,217	28,552,944
Travel	**36,293,845**	36,897,385	38,149,388
Insurance	**17,317,756**	17,886,118	18,997,253
Allocated costs	**16,434,401**	15,578,410	13,979,523
Supplies	**13,684,111**	8,508,143	8,557,816
Communications	**6,864,080**	5,745,282	16,712,442
Electricity, gas and water	**6,432,376**	6,374,085	6,498,540
Freight and Storage	**2,717,158**	2,939,070	3,213,839
Rent	**2,417,700**	35,229,134	31,174,016
Interest expense on lease liability (Note 9)	**979,388**	–	–
Provision for other estimated liabilities (Note 12)	**–**	110,496,000	–
Provision for credit and impairment losses (Note 5)	**–**	526,315	–
Others	**62,212,036**	55,444,401	67,609,706
	₱1,035,866,697	₱1,093,869,378	₱942,632,959

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

18. Salaries, Wages and Employee Benefits

This account consists of:

	2020	2019	2018
Compensation	**₱637,149,431**	₱556,709,452	₱535,992,585
Net retirement benefit expense (Note 12)	**30,754,766**	21,947,081	26,183,930
Other employee benefits	**119,390,034**	99,252,087	92,584,295
	₱787,294,231	₱677,908,620	₱654,760,810

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

	2020	2019	2018
Cost of goods sold (Note 15)	**₱426,269,888**	₱349,554,148	₱339,019,422
General and administrative expenses (Note 17)	**361,024,343**	328,354,472	315,741,388
	₱787,294,231	₱677,908,620	₱654,760,810

19. Depreciation and Amortization

Details of depreciation and amortization follow:

	2020	2019	2018
Property, plant and equipment (Note 8)	**₱257,991,155**	₱201,888,790	₱170,865,746
Software (Note 10)	**1,295,137**	1,511,518	1,115,980
Investment properties	**–**	–	3,888,686
	₱259,286,292	₱203,400,308	₱175,870,412
Cost of goods sold (Note 15)	**₱213,007,314**	₱174,875,484	₱142,087,832
General and administrative expenses (Note 17)	**46,278,978**	28,524,824	33,782,580
	₱259,286,292	₱203,400,308	₱175,870,412

20. 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:

	2020	2019	2018
General and administrative expenses (Note 17)	**₱–**	₱–	₱7,625
Cost of goods sold (Note 15)	**–**	32,822	–
	₱–	₱32,822	₱7,625

21. Other Income - net

This account consists of:

	2020	2019	2018
Interest income (Notes 4 and 22)	**₱91,304,133**	₱86,729,700	₱74,053,006
Service income (Note 22)	**53,530,775**	46,930,202	52,186,830
Reversal of other estimated liabilities (Note 12)	**42,711,933**	–	–
Foreign currency exchange loss - net (Notes 4, 5 and 11)	**(25,846,639)**	(19,548,146)	(18,674,012)
Income from scrap sales	**8,015,541**	11,482,503	12,242,921
Recovery of allowance for credit and impairment losses (Note 5)	**598,229**	–	23,034,700
Gain (loss) on disposal/ retirement of property, plant and equipment and software (Note 8)	**–**	154,482	–
Rent income (Notes 9 and 22)	**–**	–	25,220,973
Miscellaneous income	**577,200**	577,700	3,001,153
	₱170,891,172	₱126,326,441	₱171,065,571

Miscellaneous income includes insurance claims and management fee.

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:

- Branch of Panasonic Appliances Vietnam Co., Ltd. In Hung Yen
- Panasonic Appliances (Thailand) Co.,Ltd.
- Panasonic Appliances Air-conditioning (Guangzhou) Co.,Ltd.
- Panasonic Appliances Air-conditioning (m) Sdn. Bhd.
- Panasonic Appliances India co., ltd.
- Panasonic Asia Pacific Pte. Ltd.
- Panasonic Consumer Marketing Asia Pacific
- Panasonic Corporation Appliances Company Head Office
- Panasonic Corporation Appliances Company Smart Life Network Bd Imaging Bu
- Panasonic Corporation Appliances Company Smart Life Network Bd Visual and Sound Bu
- Panasonic Corporation Global Procurement Company
- Panasonic Corporation Head Office
- Panasonic Ecology Systems (Thailand) Co.,Ltd.
- Panasonic Factory Solutions Asia Pacific

- Panasonic Hong Kong Co., Ltd.
- Panasonic India Pvt Ltd
- Panasonic Industrial Devices Automation Controls Sales Asiapacific
- Panasonic Industrial Devices Philippines Corporation
- Panasonic Life Solutions (Hong Kong) Co., Ltd.
- Panasonic Life Solutions Asia Pacific
- Panasonic Management (Thailand) Co.,Ltd.
- Panasonic Manufacturing Ayuthaya Co., Ltd.
- Panasonic Motor (Hangzhou) Co., Ltd.
- Panasonic Procurement Asia Pacific a Divisionof Panasonic Asia Pacific Pte. Ltd.
- Panasonic Procurement Malaysia Sdn.bhd.
- Panasonic Procurement (China)co., ltd.
- Panasonic System Solutions Asia Pacific
- Panasonic Taiwan Co.,Ltd. (Appliance)
- Panasonic Taiwan Co.,Ltd. avc networks company
- Panasonic Vietnam Co., Ltd.
- Panasonic Wanbao Appliances Compressor (Guangzhou) Co.,Ltd.
- Pt. Panasonic Gobel Eco Solutions Manufacturing Indonesia
- Pt. Panasonic Manufacturing Indonesia (Appliance)
- Pt. Panasonic Manufacturing Indonesia Eco System Division

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

	2020		
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
Ultimate Parent Company			
Non-trade receivables (Note 5)	Related to compensation and welfare expenses of certain employee, 30-days term, non-interest bearing, unsecured	₱13,551,227	₱4,272,571
	Related to promo support, 30-day term, non-interest bearing, unsecured	15,765,302	12,765,742
Trade payable (Note 11)	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	–	–
Non-trade payables (Note 11)	Related to brand license fees payable equivalent to 0.7% of the sales price of the products bearing the brand "KDK" and "Panasonic", non-interest bearing, payable semi-annually, unsecured	87,067,735	37,180,355
	Related to technical assistance fees payable equivalent to 3.0% of selected products, non-interest bearing, payable semi-annually, unsecured	165,599,780	74,739,624
Dividends payable (Note 11)	Dividends declared by the Parent Company	70,953,373	2,513
Accrued expenses (Note 11)	Related to compensation and welfare expenses of certain employees, payable quarterly, non-interest bearing, unsecured	64,792,798	11,030,339

	2020		
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	₱10,498,553	₱1,000,172
	Accrued expenses related to export sales of the ACD (e.g. warranty expenses)	3,419,138	2,136,454
	Related to training fees incurred, non-interest bearing, unsecured	2,611,524	–
Technical assistance fee (Note 17)	Related to technical assistance fees payable equivalent to 3.0% of selected products	183,881,413	–
Brand license fee (Note 17)	Related to brand license fees payable equivalent to 1.0% of the sales price of the products bearing the brand "KDK" and "Panasonic"	87,067,735	–
Subsidiary			
Advances to a subsidiary	Related to loans provided to subsidiary which were used for the acquisition of land, payable in 2026, with 12% interest, no impairment	–	153,990,175
Investment in a subsidiary (Note 7)	Related to investment of the Parent Company in its subsidiary, non-interest bearing, unsecured	–	5,122,271
Rent expense (Note 15)	Related to rental expenses on investment properties, 30-day term, non-interest bearing, unsecured, no impairment	28,860,000	–
Interest income (Note 21)	Related to monthly interest income on loans receivable	18,478,920	–
Management fee (Note 21)	Related to management fee charged by the Parent Company from services rendered in the form of general advice and assistance fee	577,200	–
Affiliates			
Trade receivables (Note 5)	Sale of air conditioner units products, 30-day term, non-interest bearing, unsecured, no impairment	1,042,752,733	108,537,336
Non-trade receivables (Note 5)	Related to service income from rendering services in the form of general advice and assistance fees, 30-day term, non-interest bearing, unsecured, no impairment	78,561,616	11,279,680
	Related to promo support, 30-day term, non-interest bearing, unsecured, no impairment	127,518,714	33,987,083
	Related to certain expenses paid in behalf of affiliates, 30-day term, non-interest bearing, unsecured, no impairment	12,485,465	1,190,494
	Related to MRO system charged by the Parent Company to a lessee-affiliate, 30-day term, non-interest bearing, unsecured, no impairment	3,605,534	305,820
Trade payable (Note 11)	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	4,123,686,759	209,302,448

	2020		
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
Accrued expenses (Note 11)	Related to expenses payable for management fee, 30-day term, non-interest bearing, unsecured	₱16,559,455	₱3,877,020
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	20,635,002	1,326,490
	Related to allocated costs charged to the Company for certain services, 30-day term, non-interest bearing, unsecured	11,389,158	552,923
	Accrued expenses related to product development cost of Aircon	45,444,016	–
Service income (Note 21)	Related to service income earned from rendering services in the form of general advice and assistance fees	53,530,775	–

	2019		
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
Ultimate Parent Company			
Non-trade receivables (Note 5)	Related to compensation and welfare expenses of certain employee, 30-days term, non-interest bearing, unsecured	₱29,157,733	₱6,629,927
	Related to promo support, 30-day term, non-interest bearing, unsecured	41,495,540	1,380,418
Trade payable (Note 11)	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	43,040,984	408,116
Non-trade payables (Note 11)	Related to brand license fees payable equivalent to 0.7% of the sales price of the products bearing the brand "KDK" and "Panasonic", non-interest bearing, payable semi-annually, unsecured	76,431,870	37,613,910
	Related to technical assistance fees payable equivalent to 3.0% of selected products, non-interest bearing, payable semi-annually, unsecured	174,043,531	73,919,867
Dividends payable (Note 11)	Dividends declared by the Parent Company	125,632,588	–
Accrued expenses (Note 11)	Related to compensation and welfare expenses of certain employees, payable quarterly, non-interest bearing, unsecured	53,118,608	8,550,061
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	13,504,059	1,232,286
	Accrued expenses related to export sales of the ACD (e.g. warranty expenses)	3,357,520	3,357,520
	Related to training fees incurred, non-interest bearing, unsecured	2,168,853	70,626
Technical assistance fee (Note 17)	Related to technical assistance fees payable equivalent to 3.0% of selected products	174,043,531	–

	2019		
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
Brand license fee (Note 17)	Related to brand license fees payable equivalent to 1.0% of the sales price of the products bearing the brand "KDK" and "Panasonic"	₱83,374,564	₱–
Subsidiary			
Advances to a subsidiary	Related to loans provided to subsidiary which were used for the acquisition of land, payable in 2026, with 12% interest, no impairment	–	153,990,175
Investment in a subsidiary (Note 7)	Related to investment of the Parent Company in its subsidiary, non-interest bearing, unsecured	–	5,122,271
Rent expense (Note 15)	Related to rent expense paid by the Parent Company, payable monthly, non-interest bearing, unsecured	31,912,505	–
Interest income (Note 21)	Related to monthly interest income on loans receivable	18,479,420	–
Management fee (Note 21)	Related to management fee charged by the Parent Company from services rendered in the form of general advice and assistance fee	577,200	–
Affiliates			
Trade receivables (Note 5)	Sale of airconditioner units products, 30-day term, non-interest bearing, unsecured, no impairment	73,786,449	266,709,978
Non-trade receivables (Note 5)	Related to service income from rendering services in the form of general advice and assistance fees, 30-day term, non-interest bearing, unsecured, no impairment	57,244,192	5,411,215
	Related to promo support, 30-day term, non-interest bearing, unsecured, no impairment	193,632,733	8,321,564
	Related to certain expenses paid in behalf of affiliates, 30-day term, non-interest bearing, unsecured, no impairment	12,754,032	2,965,640
Trade payable (Note 11)	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	4,955,738,885	446,282,458
Accrued expenses (Note 11)	Related to expenses payable for management fee, 30-day term, non-interest bearing, unsecured	15,578,410	2,703,750
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	51,508,127	9,907,893
	Accrued expenses related to product development cost of Aircon	7,764,583	140,423
Service income (Note 21)	Related to service income earned from rendering services in the form of general advice and assistance fees	46,930,202	–

	2018		
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
Ultimate Parent Company			
Non-trade receivables	Related to compensation and welfare expenses of certain employee, 30-days term, non-interest bearing, unsecured	₱13,923,296	₱3,580,392
	Related to promo support, 30-day term, non-interest bearing, unsecured	76,789,758	4,022,903
	Related to expenses incurred in Corporate Social Responsibility activities, 30-day term, non-interest bearing, unsecured	514,943	–
Trade payable	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	2,348,723	527,593
Non-trade payables	Related to brand license fees payable equivalent to 0.7% of the sales price of the products bearing the brand "KDK" and "Panasonic", non-interest bearing, payable semi-annually, unsecured	76,431,870	36,291,353
	Related to technical assistance fees payable equivalent to 3.0% of selected products, non-interest bearing, payable semi-annually, unsecured	172,718,271	82,920,290
Dividends payable	Dividends declared by the Parent Company	–	31,172
Accrued expenses	Related to compensation and welfare expenses of certain employees, payable quarterly, non-interest bearing, unsecured	53,253,037	7,725,875
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	10,205,821	1,260,241
	Accrued expenses related to export sales of the ACD (e.g. warranty expenses)	2,550,377	2,550,377
	Related to certain expenses paid in behalf of the Company, 30-day term, non-interest bearing, unsecured, no impairment	–	–
	Related to training fees incurred, non-interest bearing, unsecured	1,088,919	702,407
Technical assistance fee (Note 17)	Related to technical assistance fees payable equivalent to 3.0% of selected products	172,718,271	–
Brand license fee (Note 17)	Related to brand license fees payable equivalent to 1.0% of the sales price of the products bearing the brand "KDK" and "Panasonic"	76,431,870	–
Subsidiary			
Advances to a subsidiary	Related to loans provided to subsidiary which were used for the acquisition of land, payable in 2026, with 12% interest, no impairment	–	153,990,175
Investment in a subsidiary	Related to investment of the Parent Company in its subsidiary, non-interest bearing, unsecured	–	5,122,271
Rent expense (Note 15)	Related to rent expense paid by the Parent Company, payable monthly, non-interest bearing, unsecured	28,860,000	–

	2018		
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
Interest income (Note 21)	Related to monthly interest income on loans receivable	₱19,059,620	₱–
Management fee (Note 21)	Related to management fee charged by the Parent Company from services rendered in the form of general advice and assistance fee	577,200	–
Affiliates			
Trade receivables	Sale of airconditioner units products, 30-day term, non-interest bearing, unsecured, no impairment	937,007,281	192,923,529
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	62,802,637	4,419,333
	Related to promo support, 30-day term, non-interest bearing, unsecured, no impairment	160,693,995	43,436,378
	Related to certain expenses paid in behalf of affiliates, 30-day term, non-interest bearing, unsecured, no impairment	10,163,074	1,245,278
Trade payable	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	134,153,513	534,221,817
Accrued expenses	Related to expenses payable for management fee, 30-day term, non-interest bearing, unsecured	4,525,466,715	534,221,817
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	13,979,523	2,686,240
	Accrued expenses related to product development cost of Aircon	35,719,995	3,786,670
Rent income (Note 21)	Related to rental income on investment properties, 30-day term, non-interest bearing, unsecured, no impairment	25,220,973	–
Service income (Note 21)	Related to service income earned from rendering services in the form of general advice and assistance fees	52,186,830	–

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, 2020 and 2019 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 2020, 2019 and 2018, the Parent Company 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, 2020 and 2019. 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.

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

	2020	2019	2018
Short-term employee benefits	₱58,169,352	₱64,978,844	₱80,424,774
Post-employment benefits	4,390,861	4,865,047	6,451,950
	₱62,560,213	₱69,843,891	₱86,876,724

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

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

The Parent Company's retirement plan is in the form of different investments being managed by the Parent Company. The Board of Trustees (BOT) of the retirement plan is mandated to approve the plan, trust agreement, investment plan including any amendments or modifications thereto, and any other activities of the plan. Certain members of the BOD of the Parent Company are represented in the BOT. The BOT manages the plan based on the mandate as defined in the trust agreement. The retirement fund has 58.0% interest in the subsidiary of the Parent Company amounting to ₱7.4 million and 5.1% interest in the Parent Company amounting to ₱21.6 million as of March 31, 2020 and carried at fair value. The Retirement Fund recognized a remeasurement loss amounting to ₱68.8 million and ₱79.1 million in 2020 and 2019, respectively.

The value of the net plan assets of the fund by each classes as at the end of the reporting period are presented in Note 12.

As of March 31, 2020 and 2019, certain loans and receivables amounting to ₱59.3 million and ₱56.2 million, respectively, are receivables of the retirement fund from certain employees of the Parent Company. These are being deducted from the monthly salary of the employees and are payable within 12 months. Investments include equity instruments which have quoted market prices except for the investment in PERC amounting to ₱60.0 million and ₱59.7 million as of March 31, 2020 and 2019, respectively. The fair value of investment in quoted equity instruments as of March 31, 2020 and 2019 amounted to ₱112.3 million and ₱133.6 million, respectively. Investments also include investment properties pertaining to a parcel of land held for capital appreciation amounting to ₱9.0 million as of March 31, 2020 and 2019.

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, 2020 and 2019.

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:

	2020	2019	2018
Current			
RCIT	**₱121,341,081**	₱147,028,049	₱–
Gross income tax (GIT)	**18,606,449**	20,658,316	17,468,279
MCIT	**–**	–	42,759,056
Deferred	**(26,740,088)**	(42,007,077)	(8,178,668)
	₱113,207,442	₱125,679,288	₱52,048,667

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

	2020	2019	2018
Income tax at statutory income tax rate	**₱71,704,445**	₱82,071,829	₱94,171,550
Additions to (reductions in) income taxes resulting from:			
Movement in unrecognized deferred tax assets	**78,791,189**	93,849,785	23,919,974
Income from PEZA registered activities	**(23,262,547)**	(34,686,453)	(26,282,825)
(Forward)			

	2020	2019	2018
Income subjected to final tax	**(₱16,303,888)**	(₱14,937,423)	(₱11,142,674)
Non-deductible expenses (non-taxable income)	**2,278,243**	(618,450)	(28,617,358)
	₱113,207,442	₱125,679,288	₱52,048,667

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

	2020	2019
Deferred tax assets:		
Retirement liability (Note 12)	**₱84,597,324**	₱41,412,605
Provisions for estimated liabilities and other accruals	**43,243,688**	34,514,493
Unamortized past service cost	**26,482,046**	30,645,274
Allowance for inventory losses	**20,504,037**	13,766,900
Allowance for credit and probable losses	**1,298,331**	1,477,800
Unrealized foreign currency exchange loss - net	**1,146,962**	–
	177,272,388	121,817,072
Deferred tax liabilities:		
Net book value of replacement and burned property, plant and equipment	**8,527,347**	8,535,823
Unrealized foreign currency exchange gain - net	–	1,190,767
	8,527,347	9,726,590
	₱168,745,041	₱112,090,482

As of March 31, 2020 and 2019, the Parent Company did not recognize deferred tax assets amounting to ₱402.3 million and ₱117.8 million, respectively, on temporary differences related to provisions for estimated liabilities and other accruals. The Parent Company 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 Parent Company has certain activities entitled to tax benefits and nontax incentives granted by PEZA. As such, no deferred tax assets were set up on certain gross deductible temporary differences amounting to ₱0.7 million and ₱1.3 million in 2020 and 2019, respectively.

25. Contingencies

The Parent Company 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 Parent Company'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:

	2020	2019	2018
Net income attributable to the equity holders of the Parent Company (a)	₱125,807,376	₱147,893,475	₱261,856,501
Weighted average number of common shares (b) (Note 13)	422,718,020	422,718,020	422,718,020
Basic/diluted earnings per share (a/b)	₱0.30	₱0.35	₱0.62

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 parent company financial statements.

27. Reporting Segments

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

Products under each business segment are as follows:

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

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

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

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

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

	2020				
	Consumer	SSG	Others	Adjustments/ Eliminations	Total
Statement of Comprehensive Income					
Net sales	₱11,363,548	₱396,001	₱147,399	₱–	₱11,906,948
Cost of goods sold (Note 15)	(9,040,829)	(332,392)	(163,910)	–	(9,537,131)
Selling expenses (Note 16)	(1,277,536)	(42,855)	54,564	–	(1,265,827)
General and administrative expenses (Note 17)	(943,338)	(44,568)	(47,961)	–	(1,035,867)
Other income - net (Note 21)	172,152	2,671	(3,932)	–	170,891
Income before income tax	₱273,997	(₱21,143)	(₱13,840)	₱–	239,014
Provision for income tax (Note 24)					113,207
Net income					₱125,807
Statement of Financial Position					
Segment assets	₱6,805,488	₱313,701	₱1,258	₱168,745[1]	₱7,289,192
Segment liabilities	2,855,248	39,555	25,279	–	2,920,082
Other Segment Information					
Capital expenditures[2] (Notes 8, 9 and 10)	₱345,116	₱1,534	₱1,736	₱–	₱348,386
Depreciation and amortization[3] (Note 19)	255,573	2,747	966	–	259,286
Interest income[4] (Note 21)	91,304	–	–	–	91,304

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

	2019				
	Consumer	SSG	Others	Adjustments/ Eliminations	Total
Statement of Comprehensive Income					
Net sales	₱11,021,262	₱338,466	₱161,086	₱–	₱11,520,814
Cost of goods sold (Note 15)	(8,474,529)	(258,933)	(562,408)	–	(9,295,870)
Selling expenses (Note 16)	(993,438)	(1,892)	11,502	–	(983,828)
General and administrative expenses (Note 17)	(997,465)	(30,516)	(65,888)	–	(1,093,869)
Other income - net (Note 21)	115,410	3,565	7,351	–	126,326
Income before income tax	₱671,240	₱50,690	(₱448,357)	₱–	273,573
Provision for income tax (Note 24)					125,679
Net income					₱147,894
Statement of Financial Position					
Segment assets	₱6,776,505	₱347,045	₱24,880	₱112,090[1]	₱7,260,520
Segment liabilities	2,702,590	85,754	72,206	2,620[2]	2,863,170
Other Segment Information					
Capital expenditures[3] (Notes 8, 9 and 10)	₱197,172	₱3,168	₱85,727	₱–	₱286,067
Depreciation and amortization[4] (Note 19)	141,412	790	61,198	–	203,400
Interest income[5] (Note 21)	86,729	–	–	–	86,729

1. Segment assets do not include deferred tax assets amounting to ₱112.1 million.
2. Segment liabilities do not include income tax payable amounting to ₱2.6 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.

	2018				
	Consumer	SSG	Others	Adjustments/ Eliminations	Total
Statement of Comprehensive Income					
Net sales	₱9,890,400	₱476,116	₱123,561	₱–	₱10,490,077
Cost of goods sold (Note 15)	(8,011,080)	(396,997)	(98,986)	–	(8,507,063)
Selling expenses (Note 16)	(905,259)	(64)	7,782	–	(897,541)
General and administrative expenses (Note 17)	(839,349)	(71,574)	(31,710)	–	(942,633)
Other income - net (Note 18)	169,785	1,249	32	–	171,066
Income before income tax	₱304,497	₱8,730	₱679	₱–	313,906
Provision for income tax (Note 24)					52,049
Net income					₱261,857
Statement of Financial Position					
Segment assets	₱6,464,169	₱331,049	₱23,734	₱124,634[1]	₱6,943,586
Segment liabilities	2,321,691	73,668	62,029	9,963[2]	2,467,351
Other Segment Information					
Capital expenditures[3] (Notes 8, 9 and 10)	₱246,178	₱2,005	₱1,499	₱–	₱249,682
Depreciation and amortization[4] (Note 19)	174,931	826	113	–	175,870
Interest income[5] (Note 21)	74,053	–	–	–	74,053

1. *Segment assets do not include deferred tax assets amounting to ₱124.6 million.*
2. *Segment liabilities do not include income tax payable amounting to ₱9.9 million.*
3. *Capital expenditures include acquisition of property, plant and equipment and software costs.*
4. *Depreciation and amortization is divided between cost of goods sold and general and administrative expenses.*
5. *Interest income is included in other income.*

Geographic Information

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

	2020	2019	2018
Philippines	**₱10,864,195**	₱10,392,122	₱9,553,070
Hongkong	**1,031,580**	1,105,739	930,088
Africa	**11,173**	–	6,919
Nigeria	–	22,953	–
	₱11,906,948	₱11,520,814	₱10,490,077

The Parent Company has two customers each representing 10.0% or more of the Parent Company's total revenue amounting to ₱3.8 billion in 2020 and ₱3.7 billion in 2019.

Disaggregated revenue information

The table below shows the net sales information of the Parent Company based on the revenue streams identified (in thousands):

	2020			
	Consumer	**SSG**	**Others**	**Total**
B2B sales	**₱394,148**	**₱396,001**	**₱61,721**	**₱851,870**
B2C sales	**10,969,400**	–	**85,678**	**11,055,078**
	₱11,363,548	**₱396,001**	**₱147,399**	**₱11,906,948**

	2019			
	Consumer	SSG	Others	Total
B2B sales	₱10,643,675	₱338,466	₱69,181	₱11,051,322
B2C sales	377,587	–	91,905	469,492
	₱11,021,262	₱338,466	₱161,086	₱11,520,814

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 Parent Company. The BOD endeavors to remain steadfast in its commitment to provide leadership, direction and strategy by regularly reviewing the Parent Company's performance. For this purpose, the BOD convenes at least once a month.

The Parent Company 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 Parent Company's principal financial instruments consist of cash and cash equivalents, receivables and financial assets at FVOCI. The main purpose of these financial instruments is to raise finances for the Parent Company's operations. The Parent Company 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 Parent Company's financial instruments are credit risk, liquidity risk and market risk. The Parent Company also monitors the market price risk arising from all financial instruments.

<u>Credit Risk</u>
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 Parent Company, which comprise of cash and cash equivalents, receivables, financial assets at FVOCI and other assets, the Parent Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of the instrument.

The Parent Company manages credit risk by assessing the creditworthiness of its counterparties. The Parent Company trades only with recognized, creditworthy third parties. It is the Parent Company'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, 2020 and 2019, the Parent Company does not hold collateral or other credit enhancement for cash and cash equivalents, receivables and refundable Meralco deposits (included in other noncurrent assets). Thus, carrying values represent maximum exposure to credit risk. The Parent Company acquired credit insurance for its domestic trade receivables, which covers both fully secured and partially secured receivables. Other than for domestic trade receivables, the Parent's maximum exposure to credit risk is equivalent to the carrying value of the Parent's financial assets as of March 31, 2020 and 2019.

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 Parent Company'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 Parent Company's financial strength and undermine public confidence.

As of March 31, 2020, the Parent Company had two customers that owed it for a total amount of ₱386.2 million that accounts for more than 30.4% of the total trade receivables outstanding. As of March 31, 2019, the Parent Company had two customers that owed it more than ₱220.0 million each that each accounts for more than 16.0% of the total trade receivables outstanding.

As of March 31, 2020 and 2019, the Parent Company'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
2020	**₱1,328,283,547**	**₱1,046,242,417**	**₱282,041,130**	**₱1,046,242,417**
2019	1,592,963,632	1,169,679,625	423,284,007	1,169,679,625

Credit risks from cash in banks and cash equivalents are minimal since these are placed and recoverable from banks. Accordingly, these financial assets are considered to be low credit risk investments. The ECL allowance of these financial assets are measured using 12-month ECL (Stage 1) which is considered insignificant as at April 1, 2019 and March 31, 2020.

For receivables, an impairment analysis is performed at each reporting date using a provision matrix to measure ECL.

The table below shows the information about the Parent Company's credit risk exposures on trade receivables using a provision matrix:

	2020				
	Current	**More than 30 days**	**More than 60 days**	**More than 90 days**	**Total**
Trade receivables					
Expected credit loss rate	0.23%	16.49%	26.51%	30.18%	
Total gross carrying amount	₱1,315,150,441	₱7,271,132	₱3,229,981	₱2,631,993	₱1,328,283,547
Expected credit losses	2,886,410	699,554	379,842	361,965	4,327,771

	2019				
	Current	More than 30 days	More than 60 days	More than 90 days	Total
Trade receivables					
Expected credit loss rate	0.27%	20.60%	35.42%	44.06%	
Total gross carrying amount	₱1,590,274,057	₱1,887,036	₱428,102	₱374,437	₱1,592,963,632
Expected credit losses	4,220,660	388,729	151,634	164,977	4,926,000

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 Parent Company's normal credit terms.

Other assets - pertains to deposits in refundable Meralco deposits and advances to employees which are considered as "high grade" since collectability of the refund is reasonably assured.

Liquidity Risk
The Parent Company'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 Parent Company to ensure availability of funds needed to meet working capital requirements.

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

The tables below summarize the maturity profile of the Parent Company's financial assets and liabilities, based on the contractual undiscounted collections and payments:

	2020				
	Less than 30 days	1 to 3 months	3 to 12 months	Beyond 1 year	Total
Financial Assets					
Cash in banks	₱606,453,344	₱–	₱–	₱–	₱606,453,344
Cash equivalents*	2,105,971,082	200,278,360	–	–	2,306,249,442
Receivables					
Trade					
Domestic	1,203,726,695	9,801,559	1,890,186	–	1,215,418,440
Export	108,537,336	–	–	–	108,537,336
Non-trade	116,086,924	–	–	–	116,086,924
	4,140,775,381	210,079,919	1,890,186	–	4,352,745,486
Financial assets at FVOCI	–	–	–	1,586,038	1,586,038
Advances to a subsidiary	–	–	–	153,990,175	153,990,175
Other assets	19,115,475	–	–	–	19,115,475
	4,159,890,856	210,079,919	1,890,186	155,576,213	4,527,437,174
Financial Liabilities					
Lease Liability*	1,323,033	2,646,068	5,318,625	1,760,000	11,047,726
Accounts payable and accrued expenses**	1,257,207,563	29,386,032	1,053,460,106	17,531,531	2,357,585,232
	1,258,530,596	32,032,100	1,058,778,731	19,291,531	2,368,632,958
	₱2,901,360,260	₱178,047,819	(₱1,056,888,545)	₱136,284,682	₱2,158,804,216

**Includes future interest*
***Excludes statutory liabilities amounting to ₱4.3 million*

	2019				
	Less than 30 days	1 to 3 months	3 to 12 months	1 to 5 years	Total
Financial Assets					
Cash and cash equivalents	₱2,100,306,970	₱702,680,000	₱–	₱–	₱2,802,986,970
Receivables					
Trade					
Domestic	1,321,327,654	–	–	–	1,321,327,654
Export	266,709,978	–	–	–	266,709,978
Non-trade	79,260,724	–	–	–	79,260,724
	3,767,605,326	702,680,000	–	–	4,470,285,326
Financial assets at FVOCI	–	–	–	4,785,583	4,785,583
Advances to a subsidiary	–	–	–	153,990,175	153,990,175
Other assets	–	–	–	18,331,355	18,331,355
	3,767,605,326	702,680,000	–	177,107,113	4,647,392,439
Financial Liabilities					
Accounts payable and accrued expenses**	1,575,074,301	25,527,111	689,516,362	41,972,576	2,332,090,350
	1,575,074,301	25,527,111	689,516,362	41,972,576	2,332,090,350
	₱2,192,531,025	₱677,152,889	(₱689,516,362)	₱135,134,537	₱2,315,302,089

**Includes future interest*
***Excludes statutory liabilities amounting to ₱24.8 million*

Market Risk
Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of financial instruments. The Parent Company 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 Parent Company. The Parent Company ensures that the financial assets denominated in foreign currencies are sufficient to cover the financial liabilities denominated in foreign currencies.

As of March 31, 2020 and 2019, the foreign currency-denominated financial assets and financial liabilities in original currencies and their Philippine Peso (PHP) equivalents are as follows:

	2020			
	USD	**JPY**	**SGD**	**Equivalents in PHP**
Financial assets				
Cash and cash equivalents	**20,786,957**	**1,417,406**	**-**	**1,054,153,981**
Receivables	**2,517,275**	**5,106,633**	**-**	**129,992,977**
	23,304,232	**6,524,039**	**-**	**1,184,146,958**
Financial liabilities				
Accounts payable and accrued expenses	**11,320,498**	**188,429,811**	**28,500**	**663,947,467**

	2019		
	USD	JPY	Equivalents in PHP
Financial assets			
Cash and cash equivalents	20,403,274	1,268,694	1,071,777,332
Receivables	6,544,491	50,133,369	367,509,441
	26,947,765	51,402,063	1,439,286,773
Financial liabilities			
Accounts payable and accrued expenses	14,863,588	8,608,446	784,446,323

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 Parent Company'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
2020	+8%	**₱44,987,825**
	-8%	**(52,811,795)**
2019	+8%	₱46,994,025
	-8%	(55,166,899)

	Increase/ decrease in JPY rate	Effect on income before tax
2020	**+7%**	**(₱5,633,639)**
	-7%	**6,481,713**
2019	+7%	₱1,335,961
	-7%	(1,537,073)

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 Parent Company'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 Parent Company's equity other than those already affecting profit or loss.

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

The effect on equity (as a result of a change in fair value of equity instruments held as financial assets at FVOCI and available-for-sale at March 31, 2020 and 2019, respectively) due to a reasonably possible change in equity indices is not material to the financial position of the Parent Company.

Fair Value Measurement
The methods used by the Parent Company in estimating the fair value of its assets and liabilities follow:

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

Financial assets at FVOCI
Fair values are based on quoted prices published in the markets.

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

29. Notes to Statements of Cash Flows

Cash flows from investing activities include acquisitions of property, plant and equipment on account amounting to ₱7.2 million and ₱32.9 million in 2020 and 2019, respectively (see Notes 8 and 11).

The table below provides for the changes in liabilities from financing activities:

	March 31, 2020			
	Beginning balance	Cash flows	Non-cash changes	Ending balance
Lease liability (Note 9)	₱25,294,930	(₱14,586,138)	₱–	₱10,708,792
Dividends payable (Notes 11 and 14)	–	(88,733,571)	88,736,084	2,513
Total liabilities from financing activities	₱25,294,930	(₱103,319,709)	₱88,736,084	₱10,711,305

	March 31, 2019			
	Beginning balance	Cash flows	Non-cash changes	Ending balance
Finance lease liability	₱450,502	(₱450,502)	₱–	₱–
Dividends payable (Note 11)	31,172	(157,155,460)	157,124,288	–
Total liabilities from financing activities	₱481,674	(₱157,605,962)	₱157,124,288	₱–

	March 31, 2018			
	Beginning balance	Cash flows	Non-cash changes	Ending balance
Finance lease liability	₱2,755,846	(₱2,305,344)	₱–	₱450,502
Dividends payable	295,919,916	(295,888,744)	–	31,172
Total liabilities from financing activities	₱298,675,762	(₱298,194,088)	₱–	₱481,674

30. Approval of the Release of Financial Statements

The accompanying financial statements were approved and authorized for issue by the Parent Company's BOD on July 28, 2020.

31. Events after the Reporting Period and Other Matter

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon until April 12, 2020, which was subsequently extended to May 15, 2020, unless earlier lifted or extended. Subsequent to May 15, 2020, a modified enhanced community quarantine (MECQ) was imposed in NCR and other areas until May 31, 2020. Effective June 1, 2020, NCR was placed under general community quarantine. These measures have caused disruptions to business and economic activities, and its impact on businesses continue to evolve.

The Parent Company has assessed the events surrounding the outbreak did not have significant impact on its financial position and performance as of and for the fiscal year ended March 31, 2020. Considering the evolving nature of its outbreak, the Parent Company is continuously assessing and monitoring the impact to its financial position, performance and cash flows. The Parent Company will continue to monitor the situation.

On June 28, 2016, the Parent Company received a Preliminary Assessment Notice (PAN) from the BIR covering taxable year 2011 for deficiency tax in income tax, VAT, expanded and compensation withholding taxes and documentary stamp taxes. Subsequently, on July 27, 2016, the Parent

Company received a Formal Letter of Demand (FLD). On August 25, 2016, the Parent Company filed a protest letter on the findings noted and requested reconsideration and reinvestigation based on legal and factual grounds. On July 22, 2020, the Parent Company received a final decision on disputed assessment (FDDA) from the BIR for its assessment on income tax, value added tax, withholding tax, on compensation and compromise penalty for the taxable year 2011 in the total amount of ₱9.9 million. In the opinion of management, this is the most likely amount that the Parent Company will settle with the BIR. Management has assessed that the information obtained as an adjusting event which have a significant impact to the Parent Company's financial position and performance as of and for the year ended March 31, 2020.

32. Supplementary Tax Information Required Under Revenue Regulations 15-2010

In compliance with BIR Revenue Regulations 15-2010, the following is the information on taxes and license fees paid or accrued in 2020.

Value Added Tax (VAT)
The Company is VAT- registered company with VAT output tax declaration of ₱1,489,399,659 in 2020 based on the amount reflected in the Net Sales account of ₱12,411,663,827.

The Company has zero-rated sales amounting to ₱1,057,123,605 for 2020 pursuant to the provisions of New Internal Revenue Code (NIRC) Section 106.

Zero-rated sales of goods and services consist of export sales and those rendered to entities whose exemptions are provided under special laws or international agreements to which the Philippines is a signatory.

The Company's sale of goods and services declared in VAT returns include sales of scrap.

The amount of VAT input taxes claimed are broken down as follows:

Balance at April 1, 2019	₱5,735,165
Current year's domestic payments for:	
Goods for manufacture or further processing	936,414,332
Services lodged under other accounts	276,486,003
Goods other than for resale or manufacture	5,340,008
Capital goods subject to amortization	4,688,566
Capital goods not subject to amortization	13,453,752
Claims for tax credit/ refund and other adjustments	(1,228,353,321)
Balance at March 31, 2020	₱13,764,505

Other Taxes and Licenses

Other taxes and licenses for 2020 included in general and administrative expenses and cost of goods sold are as follows:

Local taxes:	
Municipal taxes	₱36,430,052
Real property taxes	1,402,212
Association dues	2,288,210
Car registration fees	312,211
Community tax certificate	12,730
Others	1,131,563
	41,576,978
National taxes:	
Fringe benefit taxes	6,827,862
Alien employment permit	25,789
Annual registration fee	500
	6,854,151
	₱48,431,129

Withholding Taxes

	Remittances	Balances
Tax on compensation and benefits	₱86,604,060	₱9,040,280
Expanded withholding taxes	67,834,334	2,482,995
Final withholding taxes	35,550,208	1,249,017
	₱189,988,602	₱12,772,292

Tax Audit and Investigation

On July 14, 2014, the Company received a Formal Letter of Demand (FLD) from BIR covering taxable year 2008 for deficiency in income tax, VAT, expanded withholding tax, final VAT, final withholding tax and documentary stamp tax. Accordingly, the Company filed a protest letter contesting the deficiency tax assessments and penalties as Management believes that it has submitted documents and schedules that would substantially support its protest against the deficiency tax assessments in the said FLD. On August 30, 2019 the Company received a letter from the BIR stating the final assessment to be at ₱12.9 million. On October 21, 2019, the Company has settled the said assessment.

On September 30, 2019, the Company received a preliminary assessment notice (PAN) from the BIR covering taxable year 2013 for deficiency tax in income tax, VAT, expanded withholding tax, documentary stamp tax and miscellaneous tax in the total amount of ₱8.0 million. On October 8, 2019, the Company has settled the said assessment.

On July 22, 2020, the Parent Company received a final decision on disputed assessment (FDDA) from the BIR for its assessment on income tax, value added tax, withholding tax, on compensation and compromise penalty for the taxable year 2011 in the total amount of ₱9.9 million. In the opinion of management, this is the most likely amount that the Parent Company will settle with the BIR (see the Note 31).

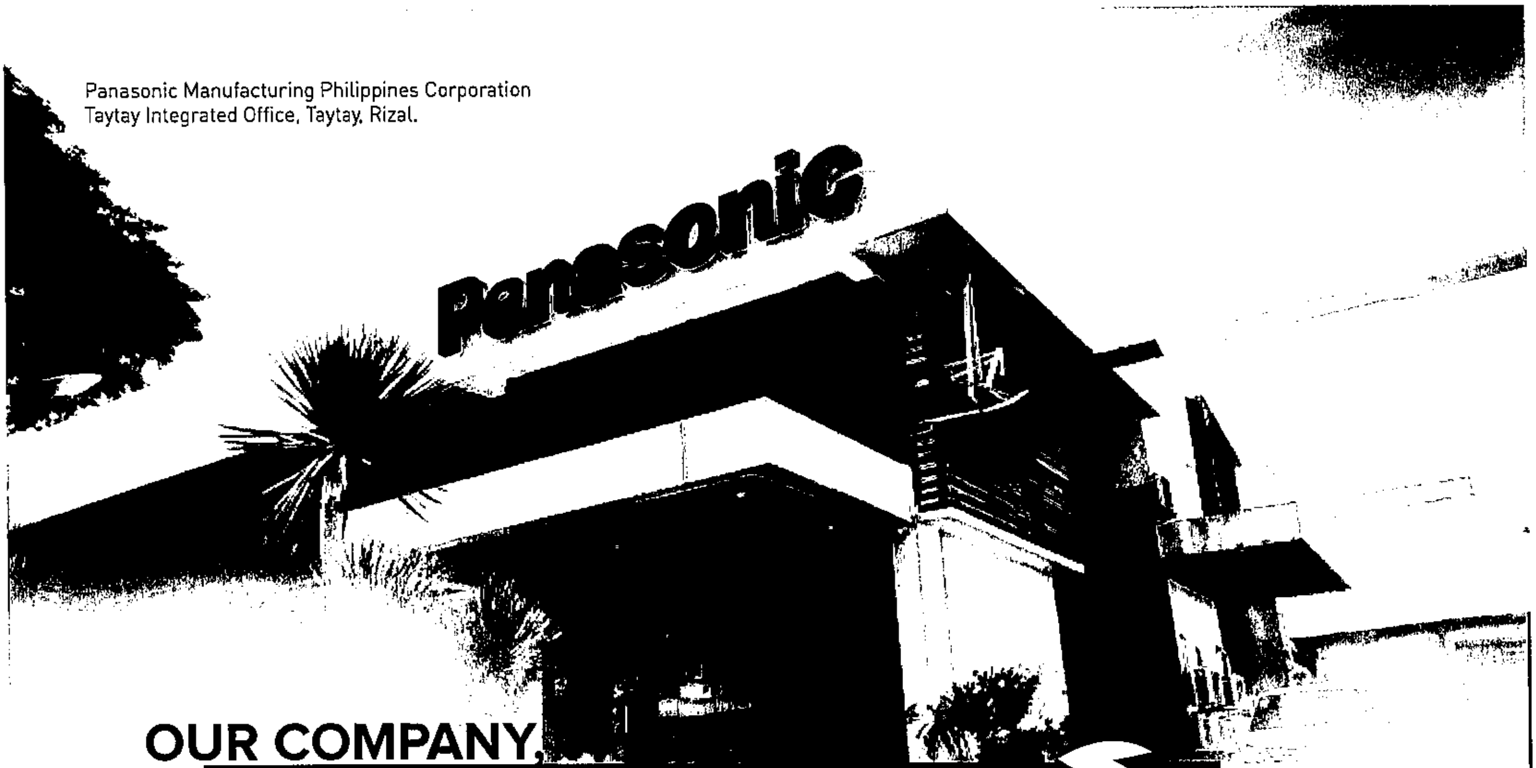
Annex "C"

Panasonic

Panasonic Manufacturing Philippines Corporation

FISCAL YEAR 2019 ANNUAL REPORT

FY 2019 ended March 31, 2020



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

OUR COMPANY, *Our Commitment*

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

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

CONTENTS

Financial Highlights

FISCAL YEARS 2019, 2018 & 2017

TOTAL OPERATIONS	FY 2019	FY 2018	FY 2017
NET SALES	11,906,948,322	11,520,813,753	10,490,076,674
NET INCOME AFTER TAX	126,456,220	148,521,135	264,032,362
Attributed to:			
Equity Holders of the Parent Company	126,066,914	148,144,539	262,726,845
Minority Interest	389,306	376,596	1,305,517
EARNINGS PER SHARE	0.30	0.35	0.62
TOTAL EQUITY	4,485,251,641	4,512,842,195	4,591,099,806
Book Value Per Share	10.61	10.68	10.86
WORKING CAPITAL (EOY) (Current Assets - Current Liabilities)	3,677,364,787	3,820,671,844	3,790,985,047
CURRENT ASSETS RATIO	2.57	2.56	2.72

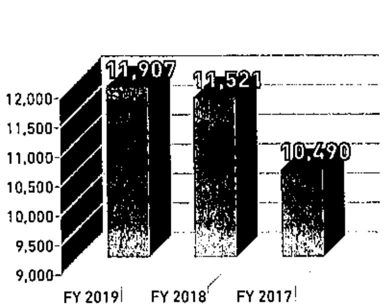
CASH DIVIDENDS

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

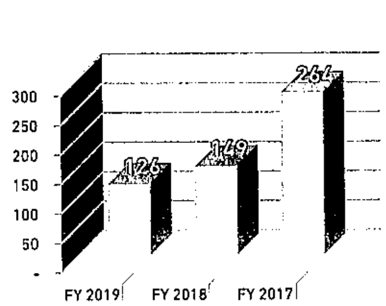
2018 - 20.99% regular cash dividend. Declaration date: April 22, 2019 ; Record date: May 7, 2019

2017 - 37.17% regular cash dividend. Declaration date: April 11, 2018 ; Record date: April 25, 2018

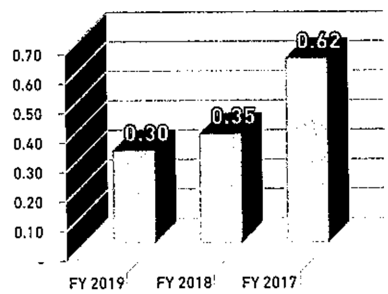
TOTAL SALES (in millions)



NET INCOME (in millions)



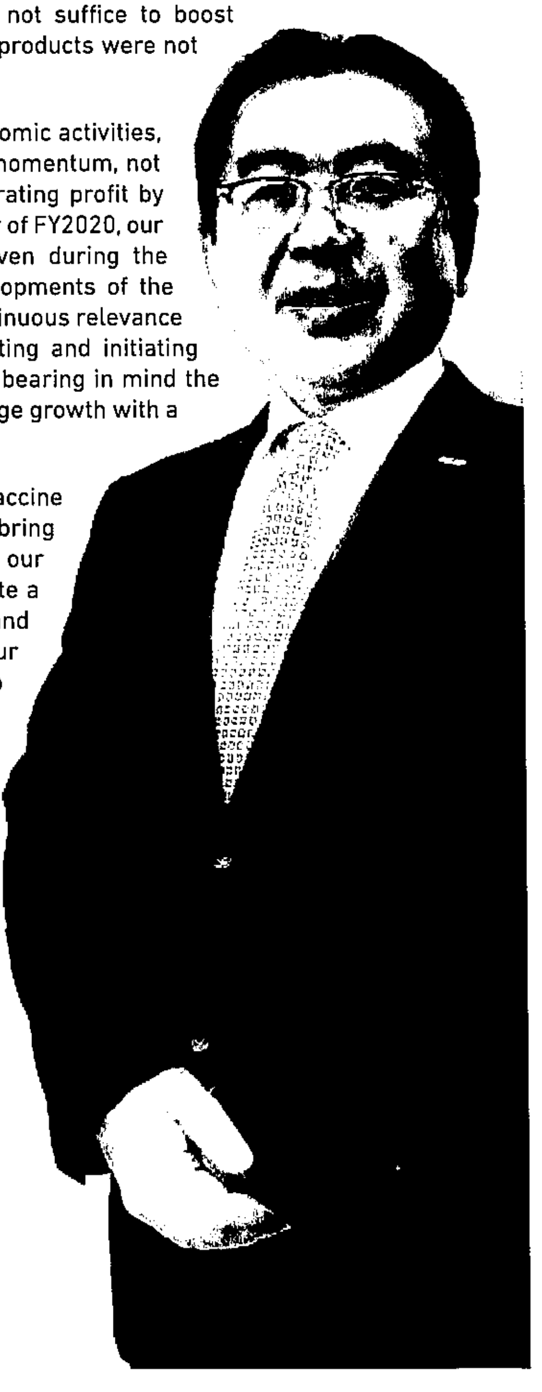
NET EARNINGS (per share)



MESSAGE TO *Stockholders*

I would like to thank you for your continuing support, understanding, and trust in Panasonic Manufacturing Philippines Corporation (PMPC) along with my utmost hope that you are doing well and staying safe amid this Coronavirus Disease 2019 (COVID-19) pandemic.

Looking back at the start of our fiscal year (FY) 2019 operation, there were actually positive indicators of a better economic situation for the Philippines. So, in line with our management slogan: "Challenge growth with a sense of speed," together with all the members of our PMPC Team, we mustered our best not only in creating ideas, but also in taking actions with a sense of speed. However, the favorable scenario was spoiled by challenging external factors: contractions in public spending, and the limited mobility of people as containment measure against COVID-19, especially in the last quarter of our business operation for FY2019, which eventually marred the capacity of your Company to realize our various targets. As a result, we were not able to sustain the double-digit growth rate that we succeeded to realize in 5 consecutive years. Our products continued to receive support and patronage from our customers. However, there were external circumstances that were beyond our control that reversed favorable expectations for both our domestic and export sales. Our sales for window air conditioner, in particular, were lower than last year at 93 percent, which resulted in a decline in operating profit by 43 million pesos. But we must be thankful that despite our shortcomings and challenges, we had some gains, too, such as the opening of our Washing Machine-Electric Fan Factory at our Sta. Rosa Plant, as well as the launching of the training center for air conditioners at our HDC Building. Likewise, we were able to generate a total sales performance of 11.9 billion pesos, which was 103 percent of the 11.5 billion pesos posted in FY2018. Such growth, however, did not suffice to boost significantly our profit after tax, which declined by 22 million pesos as many of our products were not able to improve profitability.



In FY2020, despite the limitations the pandemic has wrought on social and economic activities, we are determined to realize a better scenario and challenge ourselves to regain momentum, not only to bounce back to double-digit sales growth, but also to realize positive operating profit by focusing on improving our business performance. In fact, throughout the first quarter of FY2020, our PMPC COVID-19 Crisis Committee has continued to conduct virtual meetings even during the temporary closure of our PMPC factories and offices so as to monitor the developments of the persisting situation. And our PMPC Team is working painstakingly to ensure the continuous relevance of your Company's business in the Philippines. Thus, we are aggressively creating and initiating sales-generating opportunities by adapting to the "new normal" in doing business, bearing in mind the goal of achieving our Mid-Term Plan target. We will strive even harder as we challenge growth with a sense of speed.

Well, many experts claim that a return to normalcy may take some time until a vaccine for COVID-19 is widely available, which could mean that the virus will continue to bring unforeseen challenges to our business operation. But as we navigate the rest of our current fiscal year, we will take this critical period as a good opportunity to generate a synergy with speed through unselfish contributions, and prove that this strange and difficult situation has also its merits, especially for our target growth. And may our business principles, particularly our collective wisdom, serve as guide to acknowledge that each and every member of our PMPC Family has a purpose, and all of us are important individual components of your Company.

Lastly, as I reflect on this fiscal year, once again with humbleness in spirit, I would like to reiterate my commitment to serve your Company and promote our principles of making people first before products, working according to rules, and generating appropriate profit by providing products that can make our customers safe, healthy, happy, and enjoy convenience with peace of mind.

Once again, on behalf of all the dynamic members of our PMPC Team, I thank you so much for your continued support, trust, and confidence.

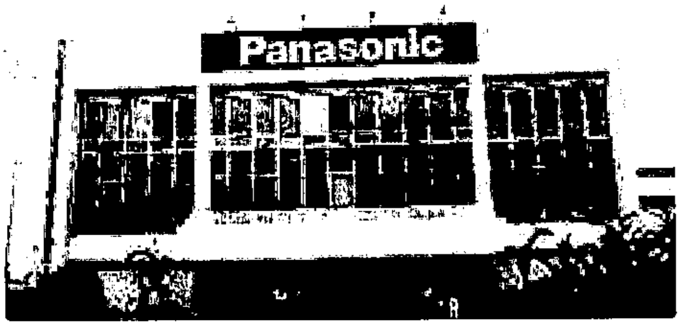
MARAMING SALAMAT SA INYONG LAHAT! Please stay healthy and safe.

Sincerely,

Masatoshi Sasaki
President

FY 2019 PMPC HIGHLIGHTS OF OPERATION:

Challenge Growth with a Sense of Speed



PMPC's business operation in FY2019 commenced with the commitment to challenge growth with a sense of speed, but was punctuated by the COVID-19 pandemic that threatened people around the globe and inflicted detrimental impact on our local and global economy. Supply chains were also disrupted, which greatly affected the operation of various industries, and PMPC was not spared. But looking back, PMPC painstakingly carried out its various activities and programs, hindered yet bullish...

Challenging growth through responsible management

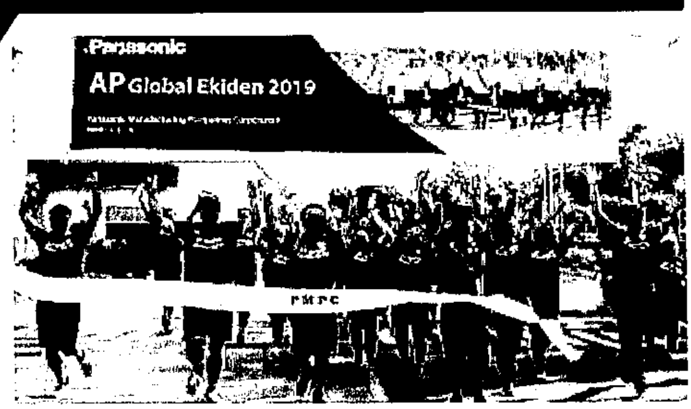
PMPC challenged growth by operating on the awareness that a company is duty-bound to make society prosperous, peaceful, and happy. This sense of mission set off as the company welcomed the arrival of its newly appointed President, Mr. Masatoshi Sasaki, during a special general assembly held on April 1, 2019 at PMPC-Auditorium Taytay, Rizal. Mr. Sasaki laid down his management fundamentals by presenting the "5 Priorities of Management," which include safety, employee satisfaction, quality, compliance, and reasonable earnings.

Members of PMPC management attended the General Assembly Meeting of Panasonic Appliances Company via HD-GLINK conference on April 3, 2019, which was broadcasted live to various global sites, including PMPC.

On April 3, 2019, TUV granted PMPC the confirmation of acceptance for ISO27001 Surveillance Audit 2nd Follow-up, which established that our Company's Information Security Management System (ISMS) is being implemented properly.

PMPC Cost Busters team plugged its promotional campaign from April 1 to May 31, 2019 for FY2019 by giving free CB T-shirts to all regular employees, who shared their ideas on how to reduce cost and improve efficiency in the workplace.

On April 12, 2019, our Customer Service (CS) Group held a nationwide policy meeting at our head office in Taytay, Rizal, to announce its FY2019 policies and strategies. The occasion was attended by CS members from area offices and head office.



PMPC continued to pledge its commitment, with a sense of unity in mind, as the company participated in the Panasonic Appliances (AP) Company Global Ekiden 2019. Members of management and workers' union passed sash to each

other, which was a gesture of their commitment to achieve the business plan set for FY2019 on April 13, 2019 at PMPC-Sta. Rosa in Laguna.

PMPC held a blessing ceremony for the newly transferred Washing Machine & Electric Fan Factory at PMPC-Sta. Rosa in Laguna on April 13, 2019.

On April 30, 2019, PMPC Management Policy for FY2019 was held at PMPC-Taytay Auditorium. Leading the event was newly appointed President Masatoshi Sasaki, who presented the review of FY2018 business operation and PMPC's management policy for FY2019. During the event, the Panasonic Appliances (AP) Company Group Business Manager's Award in the Performance Award Category of Panasonic Foundation Anniversary 2019 was presented. The award recognized PMPC members, who had made extraordinary contributions to the kaizen activities for production efficiency, sales, drive force, and factory management in Air Conditioner Business Division of PMPC. Recipients of the award received a plaque and token from Panasonic Asia Pacific (PAPAP) handed by Mr. Sasaki.

Our Company held its annual stockholders' meeting on June 21, 2019 at PMPC Auditorium in Taytay, Rizal. PMPC President Mr. Masatoshi Sasaki met with over 260 stockholders, representatives, and partners from SGV & Co, and presented the highlights of FY2018 business operations, which were characterized by internal and external factors. Consequently, he presented the management's target for FY2019 along with its plan to sustain a double-digit sales performance, realize a positive operating profitability, and pursue a positive free cash flow for total PMPC. Elected 2019-2020 Board of Directors were Mr. Masatoshi Sasaki (Chairman of the Board), Mr. Hiroyuki Tagishi, Mr. Yasuo Tonooka, Mr. Yukio Hirose, Mr. Yoshiyuki Takahashi, Mr. Hiroshi Yamada, and Mr. Masaru Toyota; Independent Directors: Mr. Emiliano Volante and Miss Elizabeth Gildore; Corporte Secretary: Atty, Mamerto Mondragon; and External Auditor: Sycip, Gorres, Velayo and Co. (SGV & Co.)

A simple ceremony was held on September 13, 2019 to celebrate our Company's 52nd anniversary. In the morning, PMPC President Masatoshi Sasaki gave his message of thanksgiving and honored the individual and group awardees. In the afternoon, the activities were highlighted by the holding in separate venues of the Family Day (a simple gathering and plant tour attended by the family members of some selected employees in Taytay and Sta. Rosa factories), and the awarding ceremonies for the recipients of our 2019 Panasonic Scholarship Asia. In his anniversary message, Mr. Sasaki urged every member of PMPC Family to give importance to our 52nd Anniversary by renewing their commitment to achieve better performance. He also mentioned: "If we continue to have a 'hungry spirit' always craving for better performance, then we cannot fail...."

To continuously encourage the practice of A Better Dialogue (ABD) starting September (Anniversary Month) 2019 and every month thereafter, the PMPC President had been hosting a monthly "Birthday Breakfast Meeting" for direct employees/union members whose birthdays fall in the corresponding month.

Panasonic Appliances (AP) Company President Masahiro Shinada visited our Company on October 4, 2019. At the special assembly held for him, Mr. Shinada emphasized 4 key messages that every PMPC employee should take to heart to transform the Company and develop Filipino businesses: (1) Feel free to express yourself... don't hesitate to speak up what you think; (2) Value your relationship with others; (3) Don't be afraid to challenge. We can learn from mistakes; and (4) Accumulate small successes.

PMPC held its first ever Halloween Party on October 30, 2019. The event was festive with performances from a live band, Halloween-themed dance competition and sumptuous food. Employees and management donned Halloween inspired outfits as they enjoyed a scary good time. In his message, Mr. Sasaki pointed out that the event reminded PMPC employees not to fear the unknown. "In fact, although we are wearing scary costumes, we are not actually scared, but we are having fun. So this is similar with our thought when we find our target very high and challenging," he said.

In observance of November as "Quality Month," the message of Panasonic Corporation (PC) President Kazuhiro Tsuga was shared to all PMPC members. Mr. Tsuga reiterated the need to react on quality perspective and take prompt measures to resolve issues during the Quality Month, review the daily work procedures by thinking about what each individual must do to live up to customer expectations.

Our Company celebrated the traditional Christmas Party with pyjama as theme on December 20, 2019. The party was highlighted by various dance performances and special numbers. Apart from the noise and merriment, the occasion saw the giving away of raffle prizes like 570 desk fans, 7 air conditioners, 7 refrigerators and 15 washing machines to lucky employees.

Representatives of the 5th Cost ITAKONA Workgroup from different Panasonic companies visited PMPC from January 13-16, 2020. The Workgroup aims to share VE activities of Panasonic Asia Pacific factories, pick up the good points along with their determination to generate additional VE activities for PMPC.

Air Conditioner Business Division was officially launched as Panasonic Air Conditioning Philippines (PACPH) during the Dealers' Convention held at the Marriott Hotel on January 17, 2020. PACPH is dedicated to provide sustainable quality air for life solutions for Filipinos. Alongside the launch of PACPH was the inauguration of Panasonic Air Conditioning Training Center (PACTPH), which goals are to provide skills development to technical personnel, engineers and staff, as well as provide information on Panasonic air conditioners. With a newly renovated HDC Building, PMPC will continue to focus on human development.

PMPC Management and PMPC Workers Union representatives inked the new CBA on February 18, 2020 in Taytay, Rizal, signifying both parties' intention to foster harmony in the workplace. Witnessing the event were PMPC President Mr. Masatoshi Sasaki, Treasurer and Executive Director Yoshiyuki Takahashi, Executive Director Hiroshi Yamada, then VP for Sales and Marketing Masaru Toyota, Accounting Sub-head Julieta Beltran, and ACBD Head Angelo Tamayo.

In the culmination of FY2019, PMPC had formed its COVID-19 Crisis Committee which sought to promote effective communication in dealing with the pandemic.

Challenging growth through innovative products

PMPC has continued to attune to the rapidly changing market environment, whether in the realm of technology or production, and keep finding new solutions and investments to foster growth.

Our Company has continued to promote the advantage of nanoe™ technology through mall activation activities at strategic locations in Metro Manila to communicate and highlight the innovative edge of nanoe™ technology and create familiarity with the Panasonic air conditioner line.

PMPC intensified its summer campaign with series of summer promotions on social media, web articles, newspaper ads, and in-store promotions. Gary Valenciano was the face of our summer campaign along with other influencers on social media.

On April 11-13, 2019, PMPC participated in the 45th National Convention and Construction Expo (CONEX) 2019 with the theme "Architects in Focus" held at SMX Convention Center in Pasay City. The expo provided total air conditioning solutions to thousands of architects and designers from various parts of the world. During the expo, we highlighted our nanotechnology features, introduced the new 4.5HP, 5HP and 6HP inverter floor standing model for the single split-type package air conditioning category, and conducted product survey of the ceiling concealed ducted type.

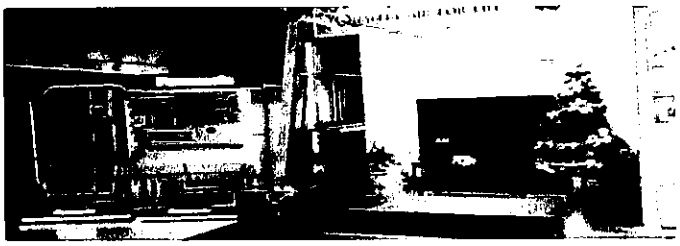
Through our System Solutions Group (SSG), we launched the smallest and lightest projector series on July 17-18, 2019, and particularly showcased the latest laser portable projector VMZ series, which boasts as the world's smallest projector series with unique technologies, reliable operations and versatile functions.

On September 14, 2019, we held a couple of Lumix events at Robinsons Galleria in Cebu City with Lumix Ambassadors Alex Ruello, Stanley Ong, Xander Angeles, and Jason Magbanua, who presented live demo shoots for S1R and S1H cameras. Regional Camera specialist Cliff Pek also gave pointers and highlights on Lumix S1H. Other attendees at the event were mostly hybrid and professional photographers as well as videographers. Demo units of Lumix models were displayed for touch and try.

Micro-influencers Bea Benedicto and Gela Munoz promoted Panasonic beauty products on Lazada livestream on October 15, 2019. They talked about the Panasonic products' benefits for the skin and hair made possible through nanoe™ technology. The livestream drew inquiries and positive comments which would benefit the market for men.

Lumix won the "Most Interactive Group" award at CameraHaus' biggest event of the year: the Photolympics 2019 held at Ayala Malls Manila Bay, Pasay City on November 23, 2019. The event, which started with a photowalk and street cheer challenge, showcased the talent and energy of different brands. Freebies were given to participants upon registration with Lumix ambassador Stanley Ong sharing his stories and techniques in using Lumix.

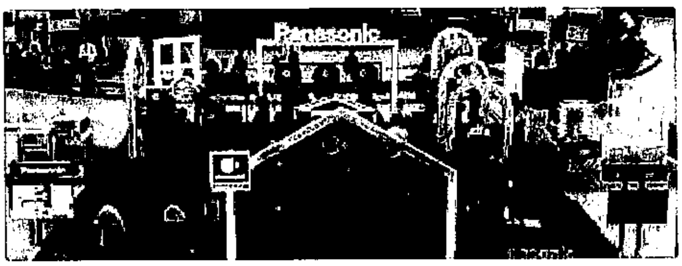
Challenging growth through co existence and co prosperity



PMPC staged its lineup of air conditioners, refrigerators, washing machines, beauty, cooking, and television products during the Duty Free and SM Megatrade exhibits, which ran from October 24 to November 24, 2019.

Our SSG joined the IIEE 44th Annual Convention held at SMX Convention Center on November 27-30, 2019. The annual convention was attended by more than 6,000 members and was participated in by various local and international exhibitors.

In celebrating Christmas with good cheers and tidings, we intensified our 'Maalagang Pasko' campaign and presence on radio, digital platforms, on-line/in-store promotions, and nationwide circulation of year-end catalogue to increase the demand for Panasonic brand during the season. The campaign was top-billed by Panasonic Ambassadors Gary and Kiana Valenciano.



Upholding the notion that an enterprise only succeeds when those companies around it are also flourishing in an environment of co-existence and co-prosperity, PMPC continued to collaborate and foster the spirit of common understanding with various partners in FY2019.

On April 2 - 5, 2019, our Company led in showcasing the hottest trends and cutting-edge technology to fashion professionals and tech enthusiasts in the four-day event of the 10th season Panasonic Manila Fashion Festival with the theme Fashion Formation Decoded held at Edsa Shangri-La Hotel in Mandaluyong City. Panasonic products such as Lumix cameras, beauty products, TVs, small appliances, refrigerators and washing machine were also displayed at the venue. Moreover, a photography contest showcased Panasonic Lumix cameras. Users shared their hands-on experiences. This season, Panasonic Philippines invited children from the KnK-Philippines Kokkyo naki Kodomotachi or "Children without Borders," a non-profit, non-government organization, to experience the thrill of a real fashion show up close.

Our System Solutions Group (SSG) held a two-day event (April 5 - 6, 2019) to present FY2018 performance review, discuss FY2019 objectives and to strengthen its relationship with the Company's business partners. Panasonic System Solutions Asia Pacific (PSSAP) Managing Director Yoshinori Yamana, also joined the team building activity headed by SSG at Pico De Loro, Nasugbu, Batangas.

In three separate occasions, PMPC accommodated our business partners, namely Robinsons Appliances, Abenson, and Anson's, and offered them a tour of our factories in Taytay and Sta. Rosa, as they got a glimpse of our actual production and warehouse.

To enhance Panasonic's after sales activity and retain customer loyalty, our CS Group continued to conduct a nationwide seminar on "How to Handle Customer Complaints" for PASC receptionists and technicians throughout April and May 2019. Some 47 technicians and 65 receptionists enriched their skills in responding to customer requests and complaints, and were reminded of Panasonic customer satisfaction: customers' first principle, basic service philosophy (true service) and service with a smile.

PMPC joined the two-day event to showcase Panasonic Lumix Camera in the CameraHaus Photo Festival along with the theme "Celebrate Philippine Culture through Photography" on May 18-19, 2019 at the Ampitheater, BGC, Taguig City. Panasonic dazzled its booth with summer fruits from Central Luzon and amped up the crowd with a traditional game of Kadang-Kadang. Lumix ambassadors also imparted the importance of photo details during the festival.

To boost brand awareness, our Company sponsored the 2019 Philippine Basketball Association (PBA) Cup Finals from May 1-15, 2019, at Smart Araneta Coliseuum in Quezon City. Panasonic air conditioning products were advertised during intervals of the game through a livestream via Youtube and Facebook site of the PBA.

On June 19, 2019, our Company partnered with Shea Mira Corporation in our desire to broaden the distribution channel of our Panasonic Beauty premium models and to scale up brand awareness by catering to the right market in the field of aesthetics in the Philippines.

Our Company fronted premium beauty and cooking products during the opening ceremony to promote healthy lifestyle at the 2019 Philippines Ladies Tennis League Opening Ceremony.

PMPC and our business partners renewed our commitment in promoting the principle behind our solid partnership, which is the spirit of co-existence and co-prosperity during the Suppliers Meeting held on June 28, 2019 at PMPC-Auditorium, Taytay, Rizal. In addressing for the first time our Company's business partners, PMPC President Masatoshi Sasaki asked their support and cooperation to achieve our various targets in FY2019. He also emphasized the need to work as a solid team to achieve successful and meaningful operation in the years to come.

Our Company presented the concept of providing total air conditioning solutions during the HVAC/ Rexpo at SMX Convention Center in Lanang, Davao on September 6 - 8, 2019. HVAC/R Philippines expo is the ultimate venue for innovations in air and cooling technologies and is deemed as the country's largest construction show. Panasonic bagged the top prize in the Best Booth Award.

Our Company sponsored the livestreaming of the Rugby World CUp 2019 in Makati Shangri-la and Shangri-La The Fort, which run from September 20 to November 2, 2019.

Our Panasonic air conditioner once again exhibited its total array of air conditioner models to engineers, developers and mechanical consultants during the 67th PSME National Convention held at the SMX Convention Center Mall of Asia on October 17 - 19, 2019.

Our Team Panasonic joined other companies for the PSVARE Basketball Tournament held at Niagara Building in Caloocan City on October 31, 2019. Close to 10 teams participated in the inter-company competition.

Our Home Appliance Group conducted Range Review Meeting with key dealers Abenson, Western, and Robinsons on December 12 -13, 2019 at Edsa Shangri-la Hotel. Sales performance, products' key features and benefits were reviewed during the meeting.

Our 2020 AC Convention was held on January 17, 2020 at Manila Marriott Hotel. New air conditioner products were launched. It was attended by dealers, business partners, consultants, and guest from medical institutions. The new product launch aimed at affirming the effectiveness of nanotechnology, which is a key feature of Panasonic air conditioner products.

Challenging growth through environment health and safety activities

PMPC 'eco ideas' declaration "Towards 2050 Environmental Vision" along with the Company's desire to develop a CSR-conscious workforce and adherence to government regulations guided PMPC in conducting its various environment, health, and safety activities in FY2019.

On April 13, 2019, 50 PMPC local managers including top management celebrated the Earth Day by engaging in a Filipino-style "boodle fight," in which food was shared on banana leaves using only their bare hands. This simple celebration showed our Company's environmental awareness by not utilizing disposable utensils and water to rinse dishes. It was held after the AP Global Ekiden at PMPC Sta. Rosa, Laguna.

In May, PMPC's Environment and Safety Team led several activities to respond to the protection of the environment and promote health and safety compliances of the Company.

On May 16, 2019 representatives from each centers and business divisions together with PMPC President Masatoshi Sasaki attended the First Quarter Environment, Health and Safety Quarterly Meeting to improve organizational communication.

On July 6, 2019, PMPC held an Environment Day event at the La Mesa Watershed Reservation, located in the northern fringes of Quezon City, Caloocan, and Rodriguez, Rizal. The event included tree planting, mountain biking and environmental education. About two hundred employees from our Company's Taytay Factory joined as volunteers. The event started with the speech of PMPC President Masatoshi Sasaki, who expressed his utmost gratitude for the continuing support and cooperation of all the participants. The event, which fostered environmental awareness, saw the following specific activities: Tree planting (800 seedlings); Eco Academy (200 seedlings nursery activity); and mountain biking (15 km.).

Challenging growth through corporate citizenship programs

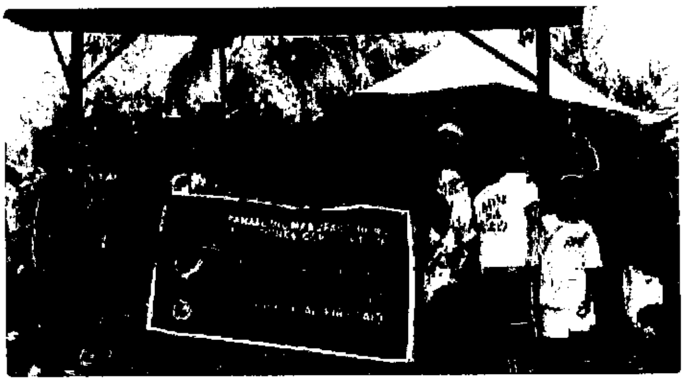
Adhering to our Panasonic Founder Konosuke Matsushita belief that "human beings do not live by bread alone" and a corporation is essentially a public enterprise, PMPC continued to foster growth along with these perspectives as it carried out its corporate citizenship programs in FY2019.

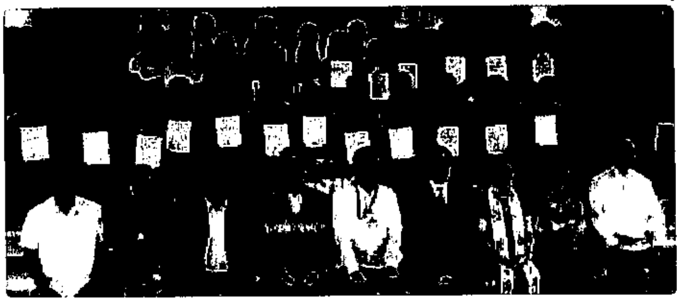
From May to June, PMPC provided Jansenville Elementary School, Muzon Elementary School, Taytay Elementary School with 12 waste bins each to promote environmental awareness including proper disposal of waste and recycling. The event was held in support of the Department of Education's program on "Brigada Eskwela" (School Brigade).

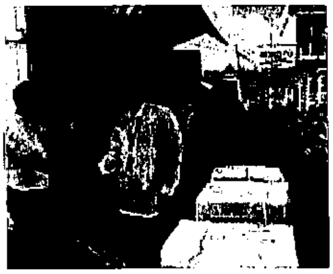
The Panasonic Scholarship Asia Program Awarding Ceremonies for FY2019 was held on September 13, 2019 at PMPC-Taytay Auditorium. The occasion saw the grant of scholarships to 20 deserving students: 12 slots for the Vocational Category; and 8 slots for the Undergraduate Category.

The amount generated from the pledges of employees through our Munting Handog, Laking Tuwa ang Dulot project was matched by PMPC to help children and youth, who were victims of earthquake in Mindanao. The fund was coursed through the Kidapawan-based Team EQ Volunteers, who had been providing long-term adequate educational and capability building and related-services, particularly psychological first aid and relief goods.

PMPC responded to appeals for relief from communities affected by the eruption of Taal Volcano. Products donated were coursed through Agoncillo Mayor Daniel Reyes, and Tanauan Vice Mayor Herminigildo Trinidad Jr. while the cash donation from the matching program of our Company and PMPC employees was coursed through the Department of







Social Welfare and Development's Secretary Rolando Joselito Bautista.

On November 21, 2019, PMPC conducted Eco Learning Program at the University of the Assumption in San Fernando, Pampanga, and a total of 490 Grade 4 and 6 elementary students participated in the event. Topics discussed were the causes and effects of global warming along with PMPC's eco product and "eco-ideas" factory presentation. Similarly, on January 10, 2020, PMPC partnered with Siena College in Taytay, Rizal in an Eco Learning Program with 602 Grade 4 and 6 students participating. PMPC President Masatoshi Sasaki graced the event and conveyed his message of hope of a better world to the schoolchildren. Then on January 31, 2020, our Company conducted Eco Learning Program also at Kapalaran Elementary School in Taytay, Rizal with a total of 824 participants.

Challenging growth through our commitment to people before products

PMPC challenged its employees to keep in mind the Company's tenet of putting people first in business and cultivating the potential ability and development of every employee of PMPC.

Members of our CS Technical Group participated in the Panasonic Appliances Vietnam Co., Ltd. (PAPVN) Top Load Fully Auto Washing Machine training on April 24, 2019 at PMPC- Taytay. The seminar taught participants how to effectively respond to customer inquiries. Ideas learned from the training would be shared to Panasonic Authorized Service Centers (PASCs) nationwide.

Participant from our CS Service Support attended the three-day CS and quality seminar held on April 24 - 26, 2019 in Panasonic Malaysia. The occasion also saw in attendance members of Panasonic Sales Asian Region and Panasonic-affiliated companies, who presented performances for FY2018 and plans/programs for FY2019. Mr. Kimio Tsuboko facilitated the CS seminar and discussed the framework of BBP, basics of customer satisfaction, and Panasonic customer service principles.

The success of a company is a combination of good management and contributions from employees. With this, Supply Chain Solution Center proactively joined training workshops under the Philippine Institute of Supply Management with the last module on Logistics Management & Strategies held on May 30 - 31, 2020.

To equip members of PMPC's Quality Control Circle (QCC) teams with the skills and knowledge in applying quality control concepts, tools and techniques for problem solving and transform concepts in a more systematic and practical approach, Mr. Paolo De Silva of Quality Assurance Center conducted a QCC training for employees on May 2, 2019 at PMPC-Taytay.

On May 23, 2019, Miss Remedios Hernandez of QAC conducted the Managing and Conducting Internal Audit seminar based on ISO 9001:2015 Requirements and ISO 9001:2011 Guidelines to guide internal auditors in conducting Quality Management System (QMS) audit based on the requirement of the said guidelines.

Panasonic CMD member Nozomi Kawamura visited PMPC to conduct the nanotechnology lecture and demo to members of sales and marketing, including the Company's top management on June 19, 2019 at PMPC-Taytay. The lecture enlightened PMPC members on the functions and benefits of nanoe™ technology.

Our Company sent participants also to the 2019 "Certified Professional Manager (CPM) Mini-MBA Program,

which was conducted in eight Saturdays from September to October 2019. The program was the supplementary module of the "Accelerated Management Development Program" being offered and facilitated by our regional office.

Our Company's team building module for the FY2019 Middle Management Course (MMC) was held on October 5, 2019 at First Pacific Leadership Academy in Antipolo City, Rizal. The event was aimed at helping our new team leaders handle their subordinates and be able to work effectively as part of a team with aligned goals and purpose, and generate improvements in productivity, camaraderie, and motivation. The workshop gave participants the chance to display their leadership skills in achieving company goals.

Two of our engineers from service groups also participated in the FY2019 Cost ITAKONA Implementation Workgroup held from June 2019 to March 2020. The Workgroup was aimed at strengthening cost management activities and product cost through discussion, exploration of new tools and focus on collective wisdom to resolve implementation issues in the region.

Moreover, a couple of engineers from our business divisions (Air Conditioner BD and W. Machine/E. Fan BD) took part in the two sessions (August 27 - 29, 2019 and October 15 - 17, 2019) of "A-Next Manufacturing Managers' Training in Indonesia to provide them of the essential concepts of "A-Next Manufacturing" programs, along with the expectations that they will promote manufacturing innovation activities in PMPC aggressively.

Members of our management team, Mr. Homer Ponesto (Corporate Procurement Center) and Mr. Ramil Telan (Logistics Group) successfully completed, too the 2-module (September 23-25, 2019 and January 8-10, 2020) Accelerated Management Development Management Program for FY 2019 which was held in Singapore. The program facilitated a better understanding of the roles and responsibilities of future Panasonic leaders.

On February 14, 2020, PDCA (Plan-Do-Check-Act) Approach to Problem Solving seminar was held to equip participants on how to improve people, processes, products and services. The event was aimed at enabling organizations to test possible solutions, assess results, and apply these on their respective work.

A seminar on Internal Communication was held on February 18, 2020 to guide participants on how to become more effective communicators at work, develop listening skills, resolve conflicts, and build relationships. Interpersonal communication within a business organization is essential to define a good working relationship.

Aimed at fostering mutual understanding and trusting relationship between subordinates and superiors, the A Better Dialogue (ABD) workshop was conducted on February 18, 2020. Through the ABD concept, the quality and quantity of communications between employees and managers can be improved, which could help in accelerating efforts in developing strong organizations and culture required to realize business strategies along with personnel development.

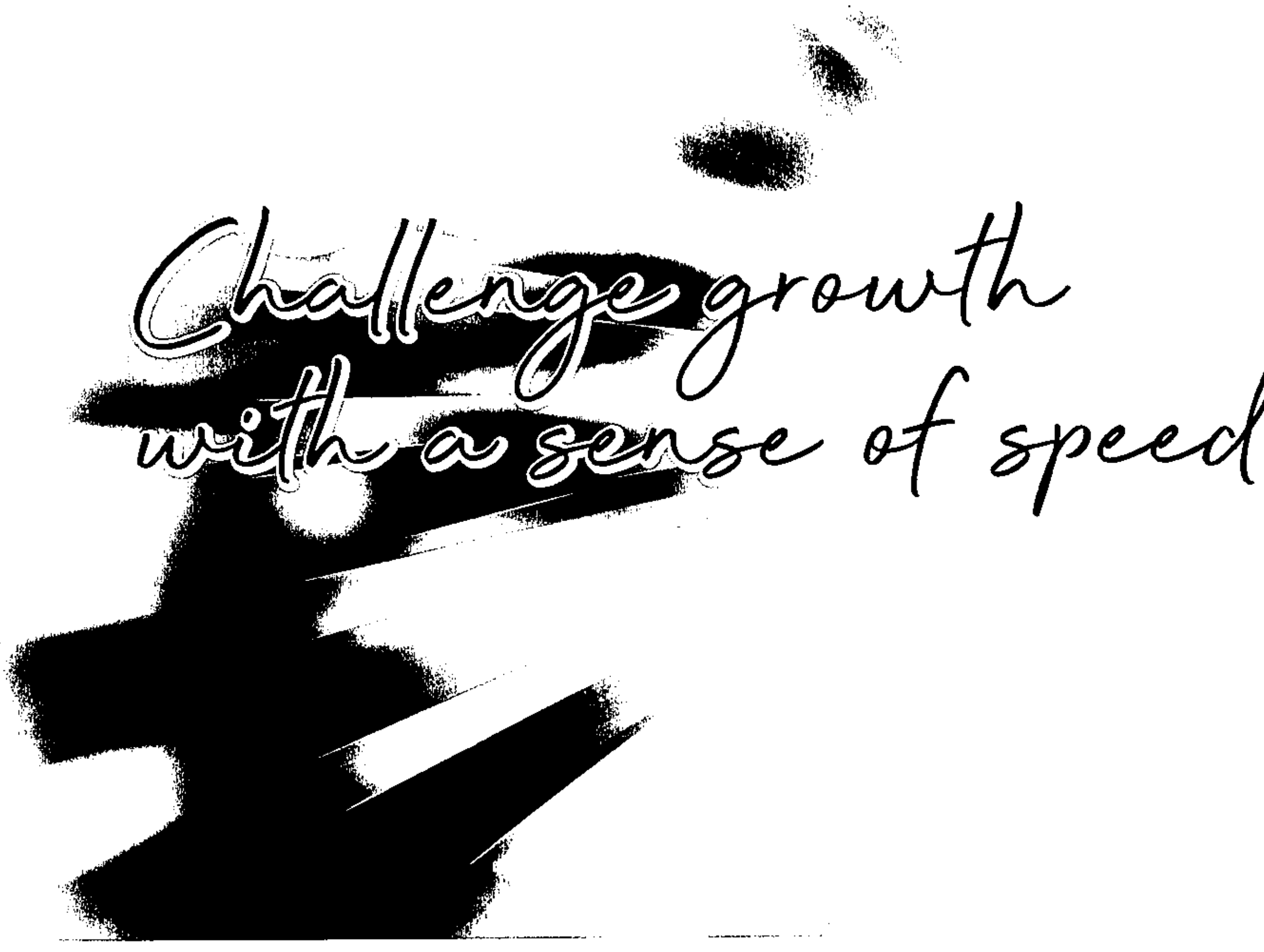
Candidates for promotion attended the BBP seminar facilitated by HR-Training Team Manager Lorenz Magsingit on February 19, 2020 to guide them in their daily endeavors as they aspire lead and contribute for the future prosperity and growth of Panasonic. The seminar highlighted the core values of Panasonic founder Konosuke Matsushita's basic business philosophies and teachings and sought to instill these to employees' thinking and behavior.

A seminar on Strategic Marketing was facilitated by Mansmith and Felders CEO Chiqui Go on January 21, 2020. Key persons from Sales and Marketing group attended the seminar, which stimulated the participants' competencies in strategic thinking and education, as well as improved business through methodical market analysis.

Since managing stress is important for one's well-being, immune system and longevity, PMPC Company Physician Dr. Lourdes Daya gave a talk on stress management techniques on January 16, 2020. She emphasized the importance of managing one's thoughts, and practicing a healthy lifestyle to cope with anxiety.

QMS Basic Internal Audit was conducted on February 13, 2020 to enable participants to learn the systems and procedures of our Company and governing bodies; evaluate the outcome of process and activities, including compliance with laws, rules, and regulations.

It is true that we cannot really project things to happen exactly what we desire, but let us keep pressing forward, and do things beyond what is expected of us. PMPC has proven its worth to society a number of times... it did it again in FY2019 along with our desire to remain anchored with our mission, embracing our Founder Konosuke Matsushita's belief that "we do well in good times, but do even better in bad times". Indeed, the COVID-19 scare continues to inflict detrimental impact on our business operation. But we have to continue looking at the brighter side, by working together, including our business partners, and learn the right strategies to prevent paralysis from creeping in to our operation. We must be extra careful when it comes to our health and safety, but let's continue to make our activities pro-active by determining and responding to our customers' needs. It is our responsibility to work hard with our business partners, and promote activities and programs for our common benefits and continuously challenging growth with a sense of speed!



Drive our Future

Panasonic Manufacturing Philippines Corporation

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