COVER SHEET
for
QUARTERLY REPORTS

SEC Registration Number

C S 0 0 0 0 2 3 0 2 2

Company Name

PANASONIC MANUFACTURING PHILIPPINES CORPORATION AND SUBSIDIARY

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

Ortigas Avenue Extension, Barrio Mapandan, BarAngay San Isidro, Taytay, RizaL

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
448	3rd Friday of June	March 31st

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Marlon M. Molano	marlon.molano@ph.panasonic.com	635-2260 to 65	(+63) 932 697 2115

Contact Person's Address

Ortigas Avenue Extension, San Isidro, Taytay, Rizal

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17- Q

QUARTERLY REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b)THEREUNDER

1. For the quarterly period ended **June 30, 2017**

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

4. Exact name of registrant as specified in its charter

PANASONIC MANUFACTURING PHILIPPINES CORPORATION

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

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

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

1920
Postal Code

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

9. **Ortigas Avenue Extension, Taytay, Rizal**
Former address changed since last report.

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

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

11. Are any or all of these securities listed on a Stock Exchange?

Yes [x] No [ ]

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

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

12. Check whether the registrant:

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

Yes [X] No [ ]

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

Yes [X] No [ ]

PART I – FINANCIAL INFORMATION

Item I. Financial Statements

The Unaudited Consolidated Financial Statements of Panasonic Manufacturing Philippines Corporation (PMPC) and its subsidiary, Precision Electronics Realty Corporation (PERC), as of and for the period ended June 30, 2017 (with comparative figures as of March 31, 2017 and period ended June 30, 2016 & 2015) and selected Notes to Consolidated Financial Statements are on pages 14 to 32.

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

Key Performance Indicators

Name of Index	Calculation	FY 2017 Apr – Jun	FY 2016 Apr – Jun
1. Rate of Sales Increase [(a)]	CY[(b)] Sales – LY[(c)] Sales ------------------------------ x 100% LY Sales	**-5.8%**	32.8%
2. Rate of Profit Increase [(a)]	CY Profit Before Tax – LY Profit Before Tax -------------------------- x 100% LY Profit Before Tax	**-33.8%**	95.2%
3. Rate of Profit on Sales [(a)]	Profit Before Tax -------------------- x 100% Total Sales	**5.2%**	7.5%
4. Current Ratio	Current Assets ---------------------- Current Liabilities	**3.4:1**	2.8:1 (as of March 31, 2017)
5. Dividend Ratio to Capital	Dividend -------------------- x 100% Average Capital	**70.0%**	20%

(a) Continuing operations only
(b) Current Year
(c) Last Year

(a) Rate of Sales Increase - This measures the sales growth versus the same period last year. For the first quarter of 2017, the Group sales decreased by 5.8% from ₱ 3.127 billion last year to ₱2.947 billion.

(b) Rate of Profit Increase - This measures the increase in profit before tax versus the same period last year. Rate of profit decreased by 33.8% mainly due to 5.8% decrease in sales and increase in cost of sales ratio by 4.9% versus last year.

(c) Rate of Profit on Sales - This measures the percentage of profit before tax versus total sales for the period. Rate of profit decreased to 5.2% from 7.5% of the same quarter last year.

(d) Current Ratio - This measures the liquidity of the Group and its ability to pay off current liabilities. The Company registered current ratio of 3.4:1 as of June 30, 2017 and 2.8:1 last March 31, 2017.

(e) Dividend Ratio to Capital - This measures the dividend payout ratio versus capital for the period. The Group paid 70.0% and 20.0% cash dividend for the 1st quarter of 2017 and 2016 respectively.

THREE MONTHS ENDED JUNE 30, 2017 vs. 2016

RESULTS OF OPERATION

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

Accounts	JUNE 2017 (Unaudited)	JUNE 2016 (Unaudited)	Difference (%)
Sales	**2,947,410**	3,127,366	**-5.8%**
Cost of sales	**2,219,649**	2,202,537	**0.8%**
Gross profit	**727,761**	924,829	**-21.3%**
General administrative expenses	**241,514**	214,849	**12.4%**
Selling expenses	**356,709**	512,444	**-30.4%**
Other income – net	**24,607**	35,400	**-30.5%**
Income before tax	**154,145**	232,936	**-33.8%**
Income tax expense	**20,444**	43,551	**-53.1%**
Income after tax	**133,701**	189,385	**-29.4%**

Consolidated sales for the first quarter of FY 2017 amounted to ₱2.947 billion, decreased by ₱180 million (-5.8%) from ₱3.127 billion posted in the same quarter last year.

Gross profit decreased by 21.3% due mainly to 5.8% decrease in sales and increase in cost of sales ratio for the period by 4.9%. Cost of sales increase was mainly due to higher market price of major raw material components used in our production especially imported materials due to peso devaluation.

General administrative expenses increased by ₱26.7 million (12.4%) due to increase in salaries and wages by ₱13.2 million and repair& maintenance cost by ₱11.1 million.

Selling expenses decreased by ₱155.7 million (30.4%) due to reduction in sales promotion and warranty expenses by ₱154.9 million and ₱13.6 million respectively. On the other hand, freight cost increased by ₱10 million.

Net non-operating income decreased by ₱10.8 million (30.5%) due to interest income on time deposit by ₱4.0 million and foreign currencies rate loss by ₱9.2 million.

The Group's net income before tax and income tax expense decreased by ₱78.8 million (33.8%) and ₱ 23.1 million (53.1%) respectively due to 5.8% decrease in sales amount, increase in cost sales ratio by 4.9% and non-operating income reduction by 30.5% versus last year.

FINANCIAL POSITIONS

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

Accounts	JUNE 2017 (Unaudited)	MARCH 2017 (Audited)	Difference (%)
Cash and cash equivalents	**3,418,600**	3,586,650	**-4.7%**
Receivables	**936,750**	1,021,726	**-8.3%**
Inventories	**1,022,906**	1,010,964	**1.2%**
Other current assets	**115,040**	72,957	**57.7%**
Property & equipment	**774,553**	770,581	**0.5%**
Investment properties	**47,043**	48,350	**-2.7%**
Other noncurrent assets	**32,009**	25,424	**28.5%**
Accounts payable & accrued expenses	**1,609,368**	2,036,315	**-21.0%**
Provision for estimated liabilities	**452,775**	366,597	**23.5%**
R/E – Unappropriated	**549,374**	416,088	**32.0%**

The Group continues to maintain its strong financial position with total assets amounting to ₱6.488 billion and ₱6.678 billion as of June 30, 2017 and March 31, 2017 respectively. Total equity amounted to ₱4.404 billion in June 30, 2017 and ₱4.270 billion as of March 31, 2017.

Cash decreased by ₱168.0 million (4.7%) due mainly to 70% cash dividend payment for the first quarter of fiscal year 2017 amounted to ₱295.9 million versus 20% of the same period last year.

Accounts receivable decreased by ₱85.0 million (8.3%) due to decrease in sales by 5.8%, domestic and export sales.

Other current assets increased by ₱42.1 million (57.7%) due mainly to ₱57.6 million collection of creditable withholding taxes for the period.

Property, plant and equipment – net increased by ₱4.0 million due to the continuous factory renovation and upgrade of factory facilities, machineries and equipment. Total purchases for the period amounted to ₱41.6 million while total amortization of depreciation expense for the period amounted to ₱37.6 million.

Other assets increased by ₱6.6 million (28.5%) due to increase in deposits paid by ₱5.5 million.

Accounts payable and accrued expenses decreased by ₱426.9 million (21.0%) mainly due to payment of cash dividend amounting to ₱295.9 million, decrease in trade payable by ₱91.0 million.

Provision for estimated expenses increased for product development and factory renovation.

Retained earnings – unappropriated increased by ₱133.3 million (32.0%) due to net income for the period.

THREE MONTHS ENDED JUNE 30, 2016 vs. 2015

RESULTS OF OPERATION

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

Accounts	JUNE 2016 (Unaudited)	JUNE 2015 (Unaudited)	Difference (%)
Sales	**3,127,366**	2,355,158	**32.8%**
Cost of sales	**2,202,537**	1,791,506	**22.9%**
Gross profit	**924,829**	563,652	**64.1%**
General administrative expenses	**214,849**	177,737	**20.9%**
Selling expenses	**512,444**	278,344	**84.1%**
Other income – net	**35,400**	11,760	**201.0%**
Income before tax	**232,936**	119,331	**95.2%**
Income tax expense	**43,551**	19,181	**127.1%**
Income after tax	**189,385**	100,150	**89.1%**

Consolidated sales for the first quarter of FY 2016 amounted to ₱3.127 billion, increased by ₱772.2 million (32.8%) from ₱2.355 billion posted in the same quarter last year. Sales increase due mainly to favorable retail sales of locally produced appliances particularly refrigerator and window air conditioners considering the period April – June as peak season for such product.

Gross profit improved by 64.1% due mainly to 32.8% increase in sales and decrease in Cost of Sales ratio for the period by 5.7%. Cost of sales decrease was mainly due to lower market price of major raw material components used in our production such as copper, metal sheets and resins.

General administrative expenses increased by ₱37.1 million (20.9%) was due mainly increase in technical assistance and brand license fee (₱19.6 million) due to increase in sales amount for the period.

Selling expenses increased by ₱234.1 million (84.1%) due to increase in direct selling expenses by ₱ 186.0 million due various promotion to achieve the Company's sales target for the period. In addition, freight cost increased by ₱28.2 million (36.9%) and warranty provision by ₱14.5 million.

Net non-operating income increased by ₱23.6 million (200.0%) due to interest income on time deposit by ₱6.8 million, foreign currencies rate by ₱7.9 million and other income of ₱8.7 million.

The Group's net income before tax and income tax expense increased by ₱113.6 million (95.2%) and ₱ 24.4 million (127.1%) respectively due to 32.8% increase in sales amount and decrease in cost sales ratio by 5.7%.

FINANCIAL POSITIONS

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

Accounts	JUNE 2016 (Unaudited)	MARCH 2016 (Audited)	Difference (%)
Cash and cash equivalents	**3,590,122**	3,292,423	**9.0%**
Receivables	**1,131,949**	993,452	**13.9%**
Inventories	**723,234**	692,094	**4.5%**
Other current assets	**53,638**	32,734	**63.9%**
Property & equipment	**761,272**	752,800	**1.1%**
Investment properties	**52,314**	53,579	**-2.4%**
Other noncurrent assets	**26,692**	26,360	**1.3%**
Accounts payable & accrued expenses	**1,783,581**	1,510,803	**18.1%**
Provision for estimated liabilities	**313,229**	278,731	**12.4%**
R/E – Unappropriated	**601,654**	412,657	**45.8%**

The Group continues to maintain its strong financial position with total assets amounting to ₱6.483 billion and ₱5.987 billion as of June 30, 2016 and March 31, 2016 respectively. Total equity amounted to ₱4.181billion in June 30, 2016 and ₱ 3.991 billion as of March 31, 2016.

Accounts receivable increased by ₱138.5 million (13.9%) due to increase in sales by 32.8%, domestic and export sales.

Inventories increased by ₱31.1 million (4.5%) due to increase in sales requirement for the succeeding period.

Other current assets increased by ₱20.9 million (63.9%) due mainly to ₱10.2 million increased in prepaid expenses on management house rental and advance payments to suppliers by ₱6.9 million for building renovation.

Property, plant and equipment – net increased by ₱8.5 million due to the continuous factory renovation and upgrade of factory facilities, machineries and equipment. Total purchases for the period amounted to ₱43.7 million while total amortization of depreciation expense for the period amounted to ₱34.6 million.

Accounts payable and accrued expenses increased by ₱272.8 million (18.1%) mainly due to increase in provision for product and sales promotion by ₱201.2 million. The additional increase was due to increase in provision for income tax ₱43.8 million and other provisions for the period such as retirement, bonus, insurance, etc.

Provisions for estimated liabilities increased by ₱34.5 million (12.4%) due to the current year's provisions for warranty claims amounting to ₱15.1 million and product development by ₱16.9 million.

Retained earnings – unappropriated increased by ₱189.0 million (45.8%) due mainly to 132.8% sales achievement thus, the increase in profit.

THREE MONTHS ENDED JUNE 30, 2015 vs. 2014

RESULTS OF OPERATION

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

Accounts	JUNE 2015 (Unaudited)	JUNE 2014 (Unaudited)	Difference (%)
Sales	**2,355,158**	2,130,891	**10.5%**
Cost of sales	**1,791,506**	1,526,886	**17.3%**
Gross profit	**563,652**	604,005	**-6.7%**
General administrative expenses	**177,737**	156,106	**13.9%**
Selling expenses	**278,344**	356,606	**-21.9%**
Other income – net	**11,760**	6,586	**78.6%**
Income before tax	**119,331**	97,879	**21.9%**
Income tax expense	**19,181**	15,748	**21.8%**
Income after tax	**100,150**	82,131	**21.9%**

Consolidated sales for the first quarter of FY 2015 amounted to ₱2.355 billion, increased by ₱224.3 million (10.5%) from ₱2.131 billion posted in the same quarter last year. Sales increase due mainly to favorable retail sales of locally produced appliances particularly refrigerator and window air conditioners considering the period April – June as peak season for such product.

Gross profit is reduced by 6.7% due mainly to 4.4% increase in Cost of Sales ratio for the period. Cost of sales increase was mainly due to higher cost of certain Business-to-Business (B2B) products such as imported system sales and raw materials.

General administrative expenses increased by ₱21.6 million (13.9%) was due mainly to last year's reversal of provision for estimated liabilities amounting to ₱11.5 million.

Selling expenses decreased by ₱78.3 million (21.9%) brought by the decrease in direct selling expenses by ₱83.7 million (31.2%) due to change of scheme in 2015 as outright deduction from invoice for certain promotion expense. On the other hand freight cost increased by ₱12.8 million (20.2%) due to higher sales achievement for the period.

Net non-operating income increased by ₱5.2 million (78.6%) due to interest income on time deposit by ₱1.1 million and other income of ₱4.1 million.

The Group's net income before tax and income tax expense increased by ₱21.5 million (21.9%) and ₱ 3.4 million (21.8%) respectively due to 10.5% increase in sales amount and decrease in selling expenses by ₱78.3 million (21.9%).

FINANCIAL POSITIONS

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

Accounts	JUNE 2015 (Unaudited)	MARCH 2015 (Audited)	Difference (%)
Cash and cash equivalents	**3,044,263**	2,822,927	**7.8%**
Receivables	**934,710**	811,799	**15.2%**
Inventories	**540,829**	714,234	**-24.3%**
Other current assets	**74,964**	60,237	**24.4%**
Property & equipment	**794,773**	811,335	**-2.0%**
Investment properties	**52,535**	53,703	**-2.2%**
Other noncurrent assets	**27,087**	27,998	**-3.3%**
Accounts payable & accrued expenses	**1,208,366**	1,174,875	**2.9%**
Provision for estimated liabilities	**204,949**	159,176	**23.%**
Technical assistance payable	**37,027**	48,113	**-23.0%**

The Group continues to maintain its strong financial position with total assets amounting to ₱5.621 billion and ₱5.455 billion as of June 30, 2015 and March 31, 2015 respectively. Total equity amounted to ₱ 3.904billion in June 30, 2015 and ₱ 3.804 billion as of March 31, 2015.

Accounts receivable increased by ₱123.6 million (15.2%) due to increase in sales by 10.5% and advances to Retirement Plan of ₱30.0 million.

Inventories decreased by ₱173.4 million (24.3%) due to the Company's continuous effort to improve its sales achievement and purchasing system.

Other current assets increased by ₱14.7 million (24.4%) due mainly to ₱9.1 million increased in prepaid expenses on management house rental and creditable withholding taxes for the period by ₱8.5 million.

Property, plant and equipment increased ₱16.6 million due to factory renovation and upgrade of factory facilities, machineries and equipment while total amortization of depreciation expense for the period amounted to ₱33.2 million.

Accounts payable and accrued expenses increased by ₱33.5 million (2.9%) mainly due to various provisions for the period such as retirement, bonus, insurance, etc.

Provisions for estimated liabilities increased by ₱45.8 million (28.8%) from ₱159.2 million as of March 31, 2015 to ₱204.9 million of June 30, 2015 mainly due to the current year's provisions for foreign exchange loss and warranty claims amounting to ₱25.5 million and ₱7.8 million respectively.

Technical assistance fee payable decreased by ₱11.1 million (23.0%) as of June 30, 2015 due mainly to balance as of March 31, 2015 was based on six months sales amount while as of June 30, 2015 was based on a three months sales only (twice a year payment).

CASHFLOWS

A brief summary of cash flow movement is shown below

(In thousands pesos)	**2017**	2016
Net cash flows provided by operating activities	**129,522**	329,670
Net cash flows provided by (used in) investing activities	**(664)**	53,481
Net cash flows used in financing activities	**(296,908)**	(85,452)

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

Net cash flows used in investing activities included the following:

(In thousands pesos)	**2017**	2016
Interest received	**8,586**	12,555
Additions to property and equipment - net	**(2,665)**	41,258
Additions to other assets	**(6,585)**	(332)

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

(In thousands pesos)	2017	2016
Cash dividends paid	**(295,903)**	(84,544)

RETAINED EARNINGS

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

The appropriated retained earnings pertain to the appropriation for plant expansion and modernization and upgrade of factory facilities and equipment of the Parent Company.

OTHER MATTERS

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

   The causes for any material change from period to period of the relevant accounts were discussed in the Management's Discussion and Analysis of Financial Conditions and Results of Operation.

b. There were no known events, trends, and demands, commitments or uncertainties that might affect or might have a material impact on the Company's liquidity or cash flows within the next twelve (12) months, except those stated in Management's Discussion and Analysis of Financial Conditions and Results of Operations.

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

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

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

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

g. There were no significant elements of income or loss that did not arise from the Company's continuing operations.

h. There were no seasonal aspects that have had a material effect on the Company's financial condition or results of operations.

PART II – OTHER INFORMATION

NOT APPLICABLE

SIGNATORIES

Pursuant to the requirements of the Securities Regulation Code, Panasonic Manufacturing Philippines Corporation has duly caused this report to be signed on its behalf by the following persons in their capacities stated below in Taytay, Rizal on August 11, 2017.

PANASONIC MANUFACTURING PHILIPPINES CORPORATION

By:

Y. Takahashi

YOSHIYUKI TAKAHASHI
Treasurer & Executive Director

MARLON M. MOLANO
Assistant Director

PANASONIC MANUFACTURING PHILIPPINES COPORATION AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

As of June 30, 2017 (Unaudited) and March 31, 2017 (Audited)
And for the Three Months ended June 30, 2016 and 2015 (Unaudited)

PANASONIC MANUFACTURING PHILIPPINES CORP. & UBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In Thousand Pesos)

	(Unaudited) June 30, 2017	(Audited) March 31, 2017
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱3,418,600**	₱3,586,650
Receivables - net (Notes 5)	**936,750**	1,021,726
Inventories - net (Note 6)	**1,022,906**	1,010,964
Other current assets (Note 10)	**115,040**	72,957
Total Current Assets	**5,493,296**	5,692,297
Non-current Assets		
Property, plant and equipment - net (Note 8)	**774,553**	770,581
Investment properties – net (Note 9)	**47,043**	48,350
Deferred tax assets – net	**140,974**	140,974
Other assets – net (Note 10)	**32,009**	25,424
Total Non-current Assets	**994,579**	985,329
	₱6,487,875	₱6,677,626
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 11)	**₱1,609,368**	₱2,036,315
Income tax payable	**20,444**	2,153
Finance lease liability	**1,300**	2,305
Total Current Liabilities	**1,631,112**	2,040,773
Noncurrent Liability		
Retirement liability	**63,844**	63,903
Provisions for estimated liabilities (Note 12)	**388,930**	302,694
Finance lease liability	**451**	451
Total Noncurrent Liabilities	**453,225**	367,048
	2,084,337	2,407,821
Stockholders' Equity		
Equity attributable to equity holders of the parent		
Capital stock - ₱1 par value (Note 13)	**422,718**	422,718
Additional paid-in capital	**4,780**	4,780
Other comprehensive income	**(71,837)**	(71,837)
Retained earnings (Note 13)		
Appropriated	**3,427,400**	3,427,400
Unappropriated	**549,374**	416,088
	4,332,426	4,199,150
Non-controlling interest	**71,102**	70,656
Total Stockholders' Equity	**4,403,538**	4,269,806
	₱6,487,875	₱6,677,626

See accompanying Notes to Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORP. & UBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Three Months ended June 30, 2017, 2016 & 2015

	JUNE (UNAUDITED)		
	2017	2016	2015
CONTINUING OPERATIONS			
NET SALES	**₱2,947,410**	₱3,127,366	₱2,355,158
COST OF GOODS SOLD (Note 15)	**2,219,649**	2,202,537	1,791,506
GROSS PROFIT	**727,761**	924,829	563,652
SELLING EXPENSES (Note 16)	**356,709**	512,444	278,344
GENERAL AND ADMINISTRATIVE EXPENSES (Note 17)	**241,514**	214,849	177,737
INCOME FROM OPERATIONS	**129,538**	197,536	107,571
OTHER INCOME – Net (Note 19)	**24,607**	35,400	11,760
INCOME BEFORE INCOME TAX	**154,145**	232,936	119,331
PROVISION FOR INCOME TAX	**20,444**	43,551	19,181
NET INCOME	**133,701**	189,385	100,150
OTHER COMPREHENSIVE INCOME:			
Net unrealized gains on available-for-sale investments	-	-	-
TOTAL COMPREHENSIVE INCOME	**₱133,701**	₱189,385	₱100,150
Attributable to:			
Equity holders of the parent	**₱133,286**	₱189,774	₱101,900
Minority interest	**(415)**	(389)	(750)
Earnings Per Share (Note 21)	**₱0.32**	₱0.45	₱0.24

(In Thousand Pesos except Earnings per Common Share Amount)

See accompanying Notes to Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORP. & SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousand pesos)

	(Unaudited) June 2017	(Unaudited) June 2016	(Audited) March 2017
Capital Stock (Note 13)	**₱422,718**	₱422,718	₱422,718
Additional Paid-in Capital	**4,780**	4,780	4,780
Net unrealized Gains on AFS Investments	**1,381**	1,381	1,381
Re-measurement loss on Retirement Liability	**(73,218)**	(111,595)	(73,218)
RETAINED EARNINGS (Note 14)			
Appropriated:			
Balance at beginning of period	**3,427,400**	3,192,400	3,192,400
Appropriations			431,382
Reversals			(196,382)
Balance at end of period	**3,427,400**	3,192,400	3,427,400
Unappropriated:			
Balance at beginning of period	**416,088**	412,657	412,657
Net income	**133,286**	188,996	495,957
Other comprehensive income			38,377
Reversals			196,382
Appropriations			(431,382)
Cash dividends			(295,903)
Balance at end of period	**549,374**	601,654	416,088
	4,332,436	4,111,338	4,199,150
Minority interest	**71,102**	69,570	70,656
Total Stockholders' Equity	**₱4,403,538**	₱4,180,908	₱4,269,806

See accompanying Notes to Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORP. & SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three Months Ended June 30, 2017 and 2016
(In thousand pesos)

	JUNE (UNAUDITED)	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱154,145**	₱232,936
Adjustments for:		
Depreciation and amortization (Note 20)	**37,316**	36,105
Interest income (Note 19)	**(8,586)**	(12,555)
Net movement for estimated liabilities	**86,236**	34,498
Operating income before working capital changes	**269,111**	290,984
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	**84,976**	(138,497)
Inventories	**(11,942)**	(31,140)
Other current assets	**(42,083)**	(20,904)
Decrease in:		
Accounts payable and accrued expenses	**150,096**	272,778
Net cash generated in operations	**149,966**	372,221
Income taxes paid	**(20,444)**	(43,551)
Net cash provided by operating activities	**129,522**	329,670
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment –net	**(2,665)**	41,258
Interests received	**8,586**	12,555
Decrease in other assets	**(6,585)**	(332)
Net cash provided by (used in) investing activities	**(664)**	53,481
CASH FLOW FROM FINANCING ACTIVITIES		
Cash dividends paid	**(295,903)**	(84,544)
Finance lease liabilities paid	**(1,005)**	(908)
Cash used in financing activities	**(296,908)**	(85,452)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(168,050)**	297,699
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**3,586,650**	3,292,423
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱3,418,600**	₱3,590,122

See accompanying Notes to Financial Statements.

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

1. Corporate Information

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

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

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

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation
The accompanying unaudited consolidated interim financial statements of the Parent Company and the Subsidiary (collectively referred to as the "Group") as of and for the period ended June 30, 2017 has been prepared on a historical cost basis, except for available-for-sale (AFS) investments which are measured at fair value. The accompanying unaudited consolidated financial statements are presented in Philippine Peso (₱), which is also the Parent Company's functional currency. The functional currency of PERC is also the Philippine peso.

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

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

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

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

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

Future Changes in Accounting Policies effective fiscal year 2020

PFRS 16, *Leases*

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

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

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

Deferred Effectivity

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

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

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

3. Summary of Significant Accounting and Financial Reporting Policies

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

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

4. Cash and Cash Equivalents

This account consists of: (in thousand)

	(Unaudited) June 2017	(Audited) March 2017
Cash on hand	**₱1,691**	₱0
Cash in banks	**382,657**	364,150
Short-term investments	**3,034,252**	3,222,500
	₱3,418,600	₱3,586,650

5. Receivables

This account consists of: (in thousands)

	(Unaudited) June 2017	(Audited) March 2017
Trade		
Domestic	**740,495**	₱833,487
Export	**119,920**	117,143
Non-trade		
Related parties	**65,902**	61,607
Third parties	**34,813**	32,645
Employees	**3,005**	2,853
Others	**389**	1,765
	964,524	1,049,500
Less allowance for doubtful accounts	**27,774**	27,774
	₱936,750	₱1,021,726

6. Inventories

This account consists of: (in thousands)

	(Unaudited) June 2017	(Audited) March 2017
NRV		
Finished goods and merchandise	**₱529,013**	461,092
Raw materials	**235,447**	221,077
Goods in-process	**9,603**	12,285
Supplies	**13,483**	10,452
Goods in transit	**235,360**	306,058
	₱1,022,906	₱1,010,964

7. Available-for-sale investments

This account consists of: (in thousands)

	(Unaudited) June 2017	(Audited) March 2017
Meralco	₱1,217	₱1,217
PLDT	1,121	1,121
	₱2,341	₱2,341

8. Property, Plant and Equipment

This account consists of (Php1,000):

As of June 30, 2017	Land and Improvements	Factory Machinery, Equipment and Tools	Building and Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Construction in Progress	Total
Cost							
Balance at beginning of period	₱236,029	₱1,456,629	₱779,486	₱161,452	₱122,949	₱31,667	₱2,788,212
Acquisitions		10,784	3,132	2,768	4,584	20,324	41,592
Transfer in/(out)		37,155	10,756			(47,911)	-
Disposals and write-off		(1,913)		(5,876)	(6,559)		(14,298)
Balances at end of period	236,029	1,502,655	793,374	158,394	120,974	4,080	2,815,506
Accumulated Depreciation And Amortization							
Balance at beginning of period	₱2,851	₱1,260,850	₱514,470	₱150,382	₱89,078	-	₱2,017,631
Depreciation (Note 17)		22,610	7,987	2,082	3,330		36,009
Sale/write-offs/adjustments		(1,913)		(9,764)	(1,008)		(12,685)
Balances at end of period	2,851	1,281,547	522,457	142,699	91,400	-	2,040,954
Net Book Value							
(Unaudited) June 2017	₱233,178	₱221,108	₱270,917	₱15,695	₱29,574	₱4,080	₱774,552
(Audited) March 2017	₱233,178	₱195,779	₱265,016	₱11,071	₱33,870	₱31,667	₱770,581

9. Investment Properties

This account consists of: (Php 1,000)

As of June 30, 2017	Building	Building Improvements	Total
Cost			
Balance at beginning and end of period	**₱115,251**	**₱121,188**	**₱236,439**
Accumulated Depreciation And Amortization			
Balances at beginning of period	71,341	116,748	188,089
Depreciation and amortization	1,194	113	1,307
End of the period	**72,535**	**116,861**	**189,396**
Net Book Value			
(Unaudited) June 2017	**₱42,716**	**₱4,327**	**₱47,043**
(Audited) March 2017	₱43,910	₱4,440	₱48,350

10. Other Current Assets and Other Assets

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

	June 2017	March 2017
Other current assets		
Advances to suppliers	₱30,020	₱39,700
Prepaid expenses	24,427	30,503
Tax credit certificate (TCC)	3,460	3,460
Creditable withholding taxes (CWTs)	60,052	2,438
Advances to employees	581	356
	118,540	76,457
Less: Allowance for probable loss	3,500	3,500
	₱115,040	₱72,957

	June 2017	March 2017
Other assets		
Deposits	₱20,646	₱15,183
Deferred input VAT	8,149	7,333
Available-for-sale investments	2,341	2,341
Software	873	567
	₱32,009	₱25,424

The composition and movements of Intangible Assets - software follow:

	June 2017	March 2017
Cost		
Balances at beginning of year	₱110,477	₱110,032
Additions	444	445
Retirement	-	-
Balances at end of year	110,921	110,477
Accumulated amortization		
Balances at beginning of year	109,910	107,520
Amortization (Note 20)	138	2,390
Retirement	-	-
Balances at end of year	110,048	109,910
Net book value	₱873	₱567

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

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

Accounts payable consists of:

	June 2017	March 2017
Trade payable		
Third parties	**₱323,637**	₱348,833
Related parties	**334,394**	400,559
Non-trade payable		
Related parties	**63,784**	101,339
Accrued expense		
Third parties	**812,804**	798,896
Related parties	**11,131**	16,431
Others		
Advances from customers	**41,899**	62,102
Dividends payable	**–**	295,920
Output VAT	**21,719**	12,325
	₱1,609,368	₱2,036,315

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

Accrued expense to third parties consists of:

	June 2017	March 2017
Accrued advertising expenses and sales promotions	**₱330,846**	₱377,376
Payable to suppliers	**370,719**	316,706
Accrued freight expenses	**15,558**	18,309
Salaries and other employee benefits	**33,031**	31,973
Other accrued expenses	**62,650**	54,532
	₱812,804	₱798,896

12. Provisions for Estimated Liabilities

The rollforward of this account follows:

	June 2017		
	Warranty Claims	**Provisions for Other Estimated Liabilities**	**Total**
Balances at beginning of year	**₱104,852**	**₱197,842**	**₱302,695**
Provisions	**10,496**	**147,949**	**158,445**
Usage	**(10,406)**	**(61,803)**	**(72,210)**
Balances at end of year	**₱104,942**	**₱283,988**	**₱388,930**

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

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

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

13. Capital Stock

Details of capital stock follow:

	Par 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 June 30, 2017, all Class B shares are issued to foreign nationals only. The Group's Class A shares of stock are listed in the Philippine Stock Exchange.

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

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

As of June 30, 2017, the total number of shares registered under the SRC is 84,723,432 shares being held by 448 stockholders.

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

14. Retained Earnings

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

   The retained earnings inherited from NPPI before the effectivity of the merger amounting to ₱ 64.7 million are included in the consolidated statement of financial position under "unappropriated retained earnings". Such is not available for distribution to stockholders in the form of cash or property dividends.

b. On March 31, 2017, the Parent Company's BOD authorized and directed the reversal of the appropriated retained earnings amounting to P196.4 million. From the total appropriations of P3.4 billion as of March 31, 2017, P3.0 billion represents the reinstatement of the previous appropriations for in-plant production for plastic and metal parts, Group's change of IT System and other future projects of the Parent Company. The remaining P431.4 million additional appropriations represent appropriation for replacement and upgrading of old machines, molds a dies and other future projects and activities intended to boost B2B sales as growth engine. These projects are expected to be completed starting 2018 onwards.

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

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

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

   70% cash dividend on March 31, 2017 to stockholders of record as of April 18, 2017 and paid on May 10, 2017 (₱0.70 per share).

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

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

f. No subsequent event after June 30, 2017.

15. Cost of Goods Sold

This account consists of: (in thousands)

	(Unaudited) June 2017	(Unaudited) June 2016
Material costs	**₱1,253,049**	₱1,332,357
Direct labor (Note 18)	**42,906**	43,729
Manufacturing overhead:		
Indirect labor (Note 18)	**43,693**	44,167
Depreciation and amortization (Note 20)	**30,736**	28,874
Electricity, gas and water	**12,072**	13,451
Indirect materials	**5,409**	6,959
Supplies	**4,775**	4,672
Repairs and maintenance	**4,519**	7,998
Research and development	**4,181**	24,195
Traveling	**3,258**	4,600
Outsourcing	**3,171**	3,095
Provision for obsolescence of materials	**3,140**	3,326
Insurance	**1,951**	2,045
Taxes and dues	**894**	835
Rent	**440**	422
Others	**1,113**	4,734
Total manufacturing overhead	**119,352**	149,373
	1,415,307	1,525,459
Goods in process:		
Beginning of period	**12,284**	18,689
End of period	**(9,075)**	(8,967)
Cost of goods manufactured	**1,418,516**	1,535,181
Finished goods and merchandise:		
Beginning of period	**692,841**	532,183
Add purchases – net	**664,434**	565,421
End of period	**(556,142)**	(430,248)
	₱2,219,649	₱2,202,537

16. Selling Expenses

This account consists of: (in thousands)

	(Unadited) June 2017	(Unaudited) June 2016
Sales promotion, rebates and discounts	**₱215,687**	₱370,598
Freight	**114,439**	104,390
Advertising	**24,009**	21,291
Provision for warranty costs	**2,574**	16,165
	₱356,709	₱512,444

17. General and Administrative Expenses

This account consists of: (in thousands)

	(Unadited) June 2017	(Unaudited) June 2016
Salaries, wages and employees' benefits	**₱81,281**	₱68,129
Technical assistance fees	**51,859**	58,104
Brand license fees	**19,012**	14,866
Repairs and maintenance	**17,367**	6,225
Outsourcing	**9,425**	6,202
Traveling	**8,519**	8,400
Taxes and dues	**8,081**	7,552
Depreciation and amortization (Note 20)	**6,580**	7,231
Rent	**6,228**	6,811
Allocated Cost – Regional Headquarter	**3,785**	3,154
Communication	**3,030**	4,741
Insurance	**2,826**	2,178
Supplies	**2,488**	1,592
Electricity, gas and water	**1,432**	1,891
Provision for other estimated liabilities	**477**	5,702
Freight and storage	**522**	2,216
Others	**18,602**	9,856
	₱241,514	₱214,850

18. Personnel Expenses

Details of personnel expenses are as follows: (in thousands)

	(Unaudited) June 2017	(Unaudited) June 2016
Compensation	**₱130,268**	₱119,799
Other salaries	**18,560**	17,548
Retirement and severance	**8,589**	7,867
Other benefits	**10,463**	10,811
	₱167,880	₱156,025

19. Other Income (Expenses)

This account consists of: (in thousands)

	(Unaudited) June 2017	(Unaudited) June 2016
Interest income	**₱8,586**	₱12,555
Rent income – PPPRDPH (Peza)	**6,791**	7,304
Forex gain	**4,801**	6,063
Scrap sales	**3,409**	2,225
Miscellaneous – net	**1,020**	7,253
	₱24,607	₱35,400

20. Deprecations and Amortization Expenses

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

	(Unaudited) June 2017	(Unaudited) June 2016
Cost of goods sold (Note 15)	**₱30,736**	₱28,874
Operating expenses (Note 17)	**6,580**	7,231
	₱37,316	₱36,105

21. Earnings per Share

Earnings per share amounts were computed as follows:
(In thousands except Earnings per share)

	(Unaudited) June 2017	(Unaudited) June 2016
Net income (a)	**₱133,701**	₱189,385
Weighted average number of common shares (b)	**422,718**	422,718
Earnings per share (a/b)	**₱0.32**	₱0.45

22. Reporting Segments

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

Products under each business segment are as follows:

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

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

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

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

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

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

2017	GCMS	SSG	ES	OTHERS	TOTAL
Sales	₱2,785,435	₱125,460	₱17,103	₱19,412	₱2,947,410
Cost of goods sold	2,113,268	92,229	15,905	(1,753)	2,219,649
Gross profit (loss)	672,167	33,231	1,198	21,165	727,761
Operating expenses (income) - net	550,314	31,215	(110)	(7,803)	573,616
Income (loss) from operations	₱121,853	₱2,016	₱1,308	₱28,968	₱154,145

2016	GCMS	SSG	ES	OTHERS	TOTAL
Sales	₱2,995,434	₱82,715	₱9,265	₱39,952	₱3,127,366
Cost of goods sold	2,093,135	63,048	8,779	37,575	2,202,537
Gross profit (loss)	902,299	19,667	486	2,377	924,829
Operating expenses (income) - net	682,396	22,317	(434)	(12,386)	691,893
Income (loss) from operations	₱219,903	(₱2,650)	₱920	₱14,763	₱232.936

23. Subsequent Events

None

24. Financial Risk Management Objectives and Policies

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

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

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

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

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

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

Market Risk

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

Foreign currency risk

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

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

(in thousands)

	JUNE 2017		
	USD	**JPY**	**Equivalents in PHP**
Financial assets			
Cash in banks and cash equivalents	**1,962**	**8,758**	**103,042**
Receivables – net	**2,499**	**-**	**128,723**
	4,461	**8,758**	**231,765**
Financial liabilities			
Accounts payable and accrued expenses	**6,549**	**1,263**	**331,358**

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

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

(in thousand pesos)

	Increase/ decrease in USD rate	Effect on income before tax
June 2017	**+8%**	**₱8,237**
	-8%	**(8,237)**
March 2017	+8%	₱29,776
	-8%	(34,954)

	Increase/ decrease in JPY rate	Effect on income before tax
June 2017	**+7%**	**(₱236)**
	-7%	**236**
March 2017	+7%	(₱4,723)
	-7%	5,434

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

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

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

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

The effect on equity (as a result of a change in fair value of equity instruments held as available-for-sale at June 30, 2017 and March 31, 2017) due to a reasonably possible change in equity indices is not material to the consolidated financial position of the Group.

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

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

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

Fair Value Measurement

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

Cash and cash equivalent and, receivables

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

AFS investments

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

Investment properties

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

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

Accounts payable and accrued expenses and technical assistance fees payable

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

Finance lease liability

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

PANASONIC MANUFACTURING PHILIPPINES & SUBSIDIARY
AGING OF ACCOUNTS RECEIVABLE
As of June 30, 2017

	Amount (Php 1,000)
Trade Receivables:	
Current Due	789,776
01 – 30 days	33,088
31 – 60 days	11,411
61 – 90 days	3,979
Over 90 days	22,161
	860,415
Less: Allowance for doubtful accounts	(27,774)
Total	**832,641**
Other Receivables:	
Receivable from affiliates	65,902
Third parties	34,813
Employees	3,005
Others	389
	104,109
Total	**936,750**