COVER SHEET
for
QUARTERLY REPORTS

SEC Registration Number

CS000023022

Company Name

PANASONIC MANUFACTURING PHILIPPINES CORPORATION AND SUBSIDIARY

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

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

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
444	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
Atty. Mamerto Mondragon	mzmlaw@yahoo.com	818-7739	(+63) 917 5772162

Contact Person's Address

Ortigas Avenue Extension, San Isidro, Taytay, Rizal

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17- Q

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

1. For the quarterly period ended **June 30, 2019**

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, 2019 (with comparative figures as of March 31, 2019 and period ended June 30, 2018 & 2017) and selected Notes to Consolidated Financial Statements are on pages 15 to 37.

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

Key Performance Indicators

Name of Index	Calculation	FY 2019 Apr – Jun	FY 2018 Apr – Jun
1. Rate of Sales Increase [a]	CY[b] Sales – LY[c] Sales ------------------------------ x 100% LY Sales	4.2%	8.9%
2. Rate of Profit Increase [a]	CY Profit Before Tax – LY Profit Before Tax -------------------------- x 100% LY Profit Before Tax	6.3%	-16.2%
3. Rate of Profit on Sales [a]	Profit Before Tax ------------------- x 100% Total Sales	4.1%	4.0%
4. Current Ratio	Current Assets --------------------- Current Liabilities	2.57:1	3.0:1
5. Dividend Ratio to Capital	Dividend ------------------- x 100% Average Capital	21.0%	37.2%

(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 2019, the Group sales increased by 4.2% from ₱ 3.211 billion last year to ₱3.347 billion.

(b) Rate of Profit Increase - This measures the increase in profit before tax versus the same period last year. Rate of profit increased by 6.3% mainly due to 6.7% decrease in material cost and favorable foreign exchange condition 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 increased to 4.1% from 4.0% 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 2.57:1 as of June 30, 2019 and 3.0:1 last March 31, 2019.

(e) Dividend Ratio to Capital - This measures the dividend payout ratio versus capital for the period. The Group paid 20.99% and 37.1% cash dividend for the 1st quarter of 2019 and 2018 respectively.

THREE MONTHS ENDED JUNE 30, 2019 vs. 2018

RESULTS OF OPERATION

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

Accounts	JUNE 2019 (Unaudited)	JUNE 2018 (Unaudited)	Difference (%)
Sales	**3,346,706**	3,211,203	**4.22%**
Cost of sales	**2,770,301**	2,677,176	**3.48%**
Gross profit	**576,405**	534,027	**7.94%**
General administrative expenses	**257,980**	271,020	**-4.81%**
Selling expenses	**191,336**	132,318	**44.60%**
Other income / (loss) – net	**10,287**	(1,489)	**790.92%**
Income before tax	**137,376**	129,200	**6.33%**
Income tax expense	**30,137**	27,080	**11.29%**
Income after tax	**107,239**	102,120	**5.0%**

Consolidated sales for the first quarter of FY 2019 amounted to ₱3.347 billion, increased by ₱136 million (4.2%) from ₱3.211 billion posted in the same quarter last year. This was mainly due to the improved retail sale of room air-conditioning products especially its exports sales.

Gross profit increased by 7.9% due mainly lower material cost and improved sales compared to last year.

General administrative expenses decreased by ₱13.0 million (-4.8%) mainly due to decrease of various fixed expenses.

Selling expenses increased by ₱59.0 million (44.6%) mainly due to increase in sales promotion expenses by ₱82.8 million. On the other hand, freight cost decreased by ₱28.9 million.

Net non-operating income increased by ₱11.8 million (790.92%) mainly due to interest earned from banks due to its good cash position versus last year.

The Group's net income before tax and net income after tax increased by ₱8.2 million (6.3%) and ₱5.1 million (5.0%) respectively due to 4.22% increase in sales amount, better gross profit versus last year, and increase in non-operating income by 790.92% versus last year.

FINANCIAL POSITIONS

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

Accounts	JUNE 2019 (Unaudited)	MARCH 2019 (Audited)	Difference (%)
Cash and cash equivalents	**3,235,869**	2,831,509	**14.28%**
Receivables	**1,490,240**	1,667,305	**-10.62%**
Inventories	**1,215,767**	1,637,439	**-25.75%**
Other current assets	**146,243**	127,904	**14.34%**
Property & equipment	**1,001,353**	969,014	**3.34%**
Right of use assets	**43,353**	-	**100.0%**
Other noncurrent assets	**31,509**	31,324	**6.82%**
Accounts payable & accrued expenses	**2,104,212**	2,354,706	**-10.64%**
Provision for estimated liabilities	**565,521**	506,323	**11.69%**
R/E – Unappropriated	**369,857**	351,505	**5.22%**

The Group continues to maintain its strong financial position with total assets amounting to ₱7.276 billion and ₱7.377 billion as of June 30, 2019 and March 31, 2019 respectively. Total equity amounted to ₱4.531 billion in June 30, 2019 and ₱4.513 billion as of March 31, 2019.

Net increased on cash by ₱404.4 million (14.28%) mainly to good cash conversion cycle happen during the period.

Accounts receivable decreased by ₱177.1 million (-10.62%) due to good collection efficiency especially on its export sales.

Inventories decreased by ₱421.7 million (-25.75%) mainly due to good production that translated to a high sales of Air conditioners especially on its export sales.

Net increased on other current assets by ₱18.3 million (14.34%) mainly due to creditable withholding taxes for the period.

Net increased on property, plant and equipment by ₱32.3 million due to the continuous factory renovation and upgrade of factory facilities, machineries and equipment. Total purchases for the period amounted to ₱80.1 million while total amortization of depreciation expense for the period amounted to ₱47.8 million.

Net Right of use assets valued at 43.4 million.

Net decreased on accounts payable and accrued expenses by ₱250.5 million (-10.64%) mainly due to decrease in trade payable by ₱209.5 million.

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

Retained earnings – unappropriated increased by ₱18.4 million (5.22%) mainly due lower dividend declaration amounting to ₱88.7 million and high net income generated during the quarter.

THREE MONTHS ENDED JUNE 30, 2018 vs. 2017

RESULTS OF OPERATION

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

Accounts	JUNE 2018 (Unaudited)	JUNE 2017 (Unaudited)	Difference (%)
Sales	**3,374,441**	**2,947,410**	**14.5%**
Cost of sales	**2,677,176**	**2,219,649**	**20.6%**
Gross profit	**697,265**	**727,761**	**-4.2%**
General administrative expenses	**271,020**	**241,514**	**12.2%**
Selling expenses	**295,556**	**356,709**	**-17.1%**
Other income / (loss) – net	**(1,489)**	**24,607**	**-106.0%**
Income before tax	**129,200**	**154,145**	**-16.2%**
Income tax expense	**27,080**	**20,444**	**32.5%**
Income after tax	**102,120**	**133,701**	**-23.6%**

Consolidated sales for the first quarter of FY 2018 amounted to ₱3.374 billion, increased by ₱427 million (14.5%) from ₱2.947 billion posted in the same quarter last year. This was mainly due to the improved retail sale of room air-conditioning products and bigger capacity imported refrigerators and washers.

Gross profit decreased by 4.2% due mainly to 20.6% increase in cost of sales despite of the increase in sales for the period by 14.5%. 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 ₱29.5 million (12.2%) due to increase in various accounts such as brand license fee, technical assistance fee taxes and dues and outsourcing expenses.

Selling expenses decreased by ₱61.2 million (17.1%) mainly due to reduction in sales promotion expenses by ₱87.2 million. On the other hand, freight cost increased by ₱24.6 million.

Net non-operating income decreased by ₱26 million (106%) mainly due to foreign currencies rate loss by ₱19.9 million.

The Group's net income before tax and net income after tax decreased by ₱24.9 million (16.2%) and ₱31.6 million (23.6%) respectively due to 14.5% decrease in sales amount, increase in cost sales ratio by 20.6% and non-operating income reduction by 106% versus last year.

FINANCIAL POSITIONS

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

Accounts	JUNE 2018 (Unaudited)	MARCH 2018 (Audited)	Difference (%)
Cash and cash equivalents	**3,015,767**	3,356,080	**-10.1%**
Receivables	**1,545,885**	1,190,057	**29.9%**
Inventories	**1,155,988**	1,332,521	**-13.3%**
Other current assets	**164,257**	116,207	**41.4%**
Property & equipment	**892,165**	856,076	**4.2%**
Investment properties	-	31,391	**-100.0%**
Other noncurrent assets	**52,419**	52,045	**0.5%**
Accounts payable & accrued expenses	**1,994,878**	2,127,545	**-6.2%**
Provision for estimated liabilities	**382,348**	329,954	**15.9%**
R/E – Unappropriated	**359,161**	413,836	**-13.2%**

The Group continues to maintain its strong financial position with total assets amounting to ₱6.951 billion and ₱7.059 billion as of June 30, 2018 and March 31, 2018 respectively. Total equity amounted to ₱4.537 billion in June 30, 2018 and ₱4.591 billion as of March 31, 2018.

Net decreased on cash by ₱340.3 million (10.1%) mainly due to 37.17% cash dividend payment for the first quarter of fiscal year 2018 amounted to ₱157.1 million.

Accounts receivable increased by ₱355.8 million (29.9%) due to increase in sales by 14.5% on domestic and export sales.

Net increased on other current assets by ₱48.1 million (84.0%) mainly due to creditable withholding taxes for the period.

Net increased on property, plant and equipment by ₱36.1.0 million due to the continuous factory renovation and upgrade of factory facilities, machineries and equipment and the reclassification of investment property previously rented by Panasonic Precision Devices Philippines Corporation (PPRDPH). Total purchases for the period amounted to ₱50.6 million while total amortization of depreciation expense for the period amounted to ₱45.6 million.

Net decreased on accounts payable and accrued expenses by ₱177.0 million (8.3%) mainly due to decrease in trade payable by ₱209.5 million.

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

Retained earnings – unappropriated decreased by ₱54.7 million (13.2%) mainly due to the declaration of dividend amounting to ₱157.1 million and lower net income generated during the quarter.

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 / (loss) – 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.

CASH FLOWS

A brief summary of cash flow movement is shown below

(In thousands pesos)	**2019**	2018
Net cash flows provided by operating activities	**574,744**	(132,041)
Net cash flows used in investing activities	**(80,322)**	(51,075)
Net cash flows used in financing activities	**(90,062)**	(157,197)

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)	**2019**	2018
Additions to property and equipment - net	**(80,138)**	(50,601)
Additions to other assets	**(184)**	(474)

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

(In thousands pesos)	**2019**	2018
Cash dividends paid	**(88,736)**	(157,124)

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 9, 2019.

PANASONIC MANUFACTURING PHILIPPINES CORPORATION

By:

Y. Takahashi

YOSHIYUKI TAKAHASHI
Treasurer & Executive Director

MA. VIRGINIA AREVALO
Compliance Officer

PANASONIC MANUFACTURING PHILIPPINES COPORATION AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

As of June 30, 2019 (Unaudited) and March 31, 2019 (Audited)
And for the Three Months ended June 30, 2018 and 2017 (Unaudited)

PANASONIC MANUFACTURING PHILIPPINES CORP. & SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In Thousand Pesos)

	(Unaudited) June 30, 2019	(Audited) March 31, 2019
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱3,235,869	₱2,831,509
Receivables - net (Notes 5)	1,490,240	1,667,305
Inventories - net (Note 6)	1,215,767	1,637,439
Other current assets (Note 8)	146,243	127,904
Total Current Assets	6,088,119	6,264,157
Non-current Assets		
Property, plant and equipment - net (Note 7)	1,001,353	969,014
Right of use Assets - net	43,353	-
Deferred tax assets – net	112,090	112,090
Other assets – net (Note 8)	31,509	31,324
Total Non-current Assets	1,188,306	1,112,429
	₱7,276,425	₱7,376,586
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 9)	₱2,104,212	₱2,354,706
Income tax payable	30,424	2,715
Other current liabilities	93,740	86,065
Finance lease liability	1,326	-
Total Current Liabilities	2,229,702	2,443,485
Noncurrent Liability		
Provisions for estimated liabilities (Note 10)	370,142	318,620
Retirement liability	101,638	101,638
Finance lease liability	43,598	-
Total Noncurrent Liabilities	515,379	420,258
	2,745,080	2,863,744
Stockholders' Equity		
Equity attributable to equity holders of the parent		
Capital stock - ₱1 par value (Note 11)	422,718	422,718
Additional paid-in capital	4,780	4,780
Other comprehensive income	(80,930)	(80,930)
Retained earnings (Note 12)		
Appropriated	3,742,400	3,742,400
Unappropriated	369,857	351,505
	4,458,825	4,440,473
Non-controlling interest	72,520	72,369
Total Stockholders' Equity	4,531,345	4,512,842
	₱7,276,425	₱7,376,586

See accompanying Notes to Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORP. & SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Three Months ended June 30, 2019, 2018 & 2017

	JUNE (UNAUDITED)		
	2019	2018	2017
CONTINUING OPERATIONS			
NET SALES	**₱3,346,706**	₱3,211,203	₱2,947,410
COST OF GOODS SOLD (Note 13)	**2,770,301**	2,677,176	2,219,649
GROSS PROFIT	**576,405**	534,027	727,761
SELLING EXPENSES (Note 14)	**191,336**	132,318	356,709
GENERAL AND ADMINISTRATIVE EXPENSES (Note 15)	**257,980**	271,020	241,514
INCOME FROM OPERATIONS	**127,089**	130,689	129,538
OTHER INCOME/(LOSS) – Net (Note 17)	**10,287**	(1,489)	24,607
INCOME BEFORE INCOME TAX	**137,376**	129,200	154,145
PROVISION FOR INCOME TAX	**30,137**	27,080	20,444
NET INCOME	**107,239**	102,120	133,701
OTHER COMPREHENSIVE INCOME:			
Net unrealized gains on available-for-sale investments	-	-	-
TOTAL COMPREHENSIVE INCOME	**₱107,239**	₱102,120	₱133,701
Attributable to:			
Equity holders of the parent	**₱107,088**	₱101,977	₱133,286
Minority interest	**151**	143	415
Earnings Per Share (Note 19)	**₱0.25**	₱0.24	₱0.32

(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 2019	(Unaudited) June 2018	(Unaudited) June 2017
Capital Stock (Note 11)	**₱422,718**	₱422,718	₱422,718
Additional Paid-in Capital	**4,780**	4,780	4,780
Net unrealized Gains on AFS Investments	**3,825**	1,381	1,381
Re-measurement loss on Retirement liability	**(84,755)**	(16,007)	(73,218)
RETAINED EARNINGS (Note 12)			
Appropriated:			
Balance at beginning of period	**3,742,400**	3,692,400	3,427,400
Appropriations			
Reversals			
Balance at end of period	**3,742,400**	3,692,400	3,427,400
Unappropriated:			
Balance at beginning of period	**351,505**	414,308	416,088
Net income	**107,088**	101,977	133,286
Other comprehensive income	-	-	
Reversals	-	-	
Appropriations	-	-	
Cash dividends	**(88,736)**	(157,124)	
Balance at end of period	**369,857**	359,161	549,374
	4,112,257	4,051,561	3,,976,774
Minority interest	**72,520**	72,135	71,102
Total Stockholders' Equity	**₱4,531,345**	₱4,536,568	₱4,403,538

See accompanying Notes to Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORP. & SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three Months Ended June 30, 2019 and 2018

(In thousand pesos)

	JUNE (UNAUDITED)	
	2019	**2018**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱137,376	₱129,200
Adjustments for:		
Depreciation and amortization (Note 18)	51,626	45,978
Interest income (Note 17)	(14,734)	(8,171)
Net movement for estimated liabilities	59,198	52,396
Operating income before working capital changes	233,466	219,403
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	177,065	(355,828)
Inventories	421,671	176,533
Other current assets	(18,338)	(48,050)
Increase (decrease) in:		
Accounts payable and accrued expenses	(223,718)	(105,190)
Net cash generated in operations	590,147	(113,132)
Income taxes paid	(30,137)	(27,080)
Interests received	14,734	8,171
Net cash provided by (used in) operating activities	574,744	(132,041)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment –net	(80,138)	(50,601)
Decrease (increase) in other assets	(184)	(474)
Net cash used in investing activities	(80,322)	(51,075)
CASH FLOW FROM FINANCING ACTIVITIES		
Cash dividends paid	(88,736)	(157,124)
Finance lease liabilities paid	(1326)	(73)
Cash used in financing activities	(90,062)	(157,197)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	404,360	(340,313)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,831,509	3,356,080
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱3,235,869	₱3,015,767

See accompanying Notes to Financial Statements.

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

1. Corporate Information

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

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

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

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation
The accompanying unaudited consolidated interim financial statements of the Parent Company and the Subsidiary (collectively referred to as the "Group") as of and for the period ended June 30, 2018 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

Effective in fiscal year 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from April 1, 2019, with earlier application permitted.

- PFRS 16, *Leases*
  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.
  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.
  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.
  A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event

  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after April 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

  The amendments should be applied retrospectively and are effective from April 1, 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes,* and 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

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

- *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*
    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after April 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after April 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

  An entity applies those amendments for annual reporting periods beginning on or after April 1, 2019, with early application is permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*
  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after April 1, 2019, with early application permitted.

<u>*Effective in fiscal year 2020*</u>

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

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

  These amendments will apply on future business combinations of the Group.

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

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

<u>Effective in fiscal year 2021</u>

- PFRS 17, *Insurance Contracts*
  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

  The core of PFRS 17 is the general model, supplemented by:
  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

<u>Deferred effectivity</u>

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

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

3. Summary of Significant Accounting and Financial Reporting Policies

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

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

4. Cash and Cash Equivalents

This account consists of: (in thousand)

	(Unaudited) June 2019	(Audited) March 2019
Cash on banks	**₱895,350**	₱615,908
Cash equivalents	**2,340,519**	2,215,601
	₱3,235,869	₱2,831,509

5. Receivables

This account consists of: (in thousands)

	(Unaudited) June 2019	(Audited) March 2019
Trade		
Domestic	**₱1,325,273**	₱1,326,254
Export	**87,011**	266,710
Non-trade		
Related parties	**34,567**	24,709
Third parties	**5,158**	47,880
Employees	**1,587**	3,130
Others	**40,345**	3,548
	1,493,941	1,672,231
Less allowance for doubtful accounts	**3,701**	4,926
	₱1,490,240	₱1,667,305

6. Inventories

This account consists of: (in thousands)

	(Unaudited) June 2019	(Audited) March 2019
At NRV:		
Finished goods and merchandise	-	₱17,294
At cost:		
Finished goods and merchandise	**₱829,244**	1,084,067
Raw materials	**347,458**	500,142
Goods in-process	**16,303**	10,565
Supplies	**22,762**	25,371
	1,215,767	1,620,145
	₱1,215,767	₱1,637,439

7. Property, Plant and Equipment

This account consists of (Php1,000):

As of June 30, 2019	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	₱1,754,237	₱1,096,459	₱170,127	₱137,482	₱90,102	₱3,484,436
Acquisitions		2,850	1,291	3,515	1,334	71,148	80,138
Retirements/disposals		(275)	-	-	(3,959)	-	(4,234)
Reclassification		15,489	-	-	-	(15,489)	-
Balances at end of period	**236,029**	**1,772,301**	**1,097,750**	**173,642**	**134,857**	**145,761**	**3,560,340**
Accumulated Depreciation And Amortization							
Balance at beginning of period	₱2,851	₱1,457,013	₱785,224	₱157,729	₱112,605	-	₱2,515,422
Depreciation (Note 18)		31,238	11,570	2,419	2,542		47,769
Retirements/disposals		(275)	-	-	(3,929)	-	(4,204)
Reclassification		-	-	-	-	-	-
Balances at end of period	**2,851**	**1,487,976**	**796,794**	**160,148**	**111,218**	**-**	**2,558,987**
Net Book Value							
(Unaudited) June 2019	**₱233,178**	**₱284,325**	**₱300,956**	**₱13,494**	**₱23,639**	**₱145,761**	**₱1,001,353**
(Audited) March 2019	₱233,178	₱297,224	₱311,235	₱12,399	₱24,876	₱90,102	₱969,014

8. Other Current Assets and Other Assets

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

	June 2019	March 2019
Other current assets		
Creditable withholding taxes (CWTs)	110,933	83,793
Prepaid expenses	30,510	42,656
Advances to suppliers and employees	₱4,840	₱1,495
Tax credit certificate (TCC)	3,460	3,460
	149,743	131,404
Less: Allowance for probable loss	3,500	3,500
	₱146,243	₱127,904

Other assets		
Deposits	₱18,019	₱18,331
Deferred input VAT	6,435	5,735
Financial assets at FVOCI	4,786	4,786
Software	2,269	2,472
	₱31,509	₱31,324

The composition and movements of Intangible Assets - software follow:

	June 2019	March 2019
Cost		
Balances at beginning of year	₱115,010	₱115,010
Additions	31	-
Retirement	(6,018)	-
Balances at end of year	109,023	115,010
Accumulated amortization		
Balances at beginning of year	112,538	111,026
Amortization (Note 20)	233	1,512
Retirement	(6,017)	-
Balances at end of year	106,754	112,538
Net book value	₱2,269	₱2,472

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

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

Accounts payable consists of:

	June 2019	March 2019
Trade payable		
Related parties	**₱236,398**	₱446,691
Third parties	**235,106**	457,389
Non-trade payable		
Related parties	**70,293**	111,534
Third parties	**7,612**	32,917
Accrued expense		
Third parties	**1,438,156**	1,220,132
Related parties	**19,552**	25,963
Others		
Advances from customers	**49,877**	39,666
Dividends payable	**3**	-
Output VAT	**47,215**	20,414
	₱2,104,212	₱2,354,706

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 2019	March 2019
Accrued advertising expenses and sales promotions	**₱818,441**	₱671,454
Payable to suppliers	**576,515**	512,199
Accrued freight expenses	**4,629**	8,067
Salaries and other employee benefits	**37,640**	28,412
Other accrued expenses	**931**	-
	₱1,438,156	₱1,220,132

10. Retirement and Other Liabilities

This account consists of:

	June 2019	March 2019
Current		
Other liabilities		
Provisions for estimated liabilities	**₱93,740**	**₱86,065**
Noncurrent		
Retirement liability	**101,638**	101,638

(Forward)

	June 2019	March 2019
Other liabilities		
Provisions for estimated liabilities	₱357,456	₱299,157
Other long-term employee benefits	12,687	19,463
	471,781	420,258
	₱565,521	₱506,323

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

	June 2019	March 2019
Current		
Warranty claims	₱93,740	₱86,065
Noncurrent		
Warranty claims	23,964	14,925
Others	333,492	284,232
	357,456	299,157
	₱451,196	₱385,222

The roll-forward of this account follows:

	June 2019		
	Warranty Claims	Others	Total
Balances at beginning of year	₱100,990	₱284,232	₱385,222
Provisions (Notes 15 and 16)	17,126	77,646	94,772
Claims/usage/reclassifications	(413)	(28,387)	(28,800)
Balances at end of year	₱117,704	₱333,491	₱451,196

	March 2019		
	Warranty Claims	Others	Total
Balances at beginning of year	₱94,524	₱211,415	₱305,940
Provisions (Notes 15 and 16)	65,552	110,496	176,049
Claims/usage/reclassifications	(59,086)	(37,679)	(96,766)
Balances at end of year	₱100,990	₱284,232	₱385,222

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

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

11. Capital Stock

Details of capital stock follow:

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

a. The Class A shares of stock can be issued to Philippine nationals only, while the Class B shares of stock can be issued to either Philippine or foreign nationals. As of June 30, 2019, 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, 2019, the total number of shares registered under the SRC is 84,723,432 shares being held by 444 stockholders.

The Parent Company declared cash dividends amounting to ₱88.7 million and ₱157.1 million in the first quarter of fiscal year 2019 and 2018, respectively.

12. Retained Earnings

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

The retained earnings inherited from NPPI before the effectivity of the merger amounting to ₱64.7 million are included in the consolidated statement of financial position under "unappropriated retained earnings". Such is not available for distribution to stockholders in the form of cash or property dividends. Based on the SEC guidelines and after considering this adjustment, the retained earnings available for dividend declaration as of March 31, 2019 and 2018 amounted to ₱56.9 million and ₱199.1 million, respectively.

In 2019 and 2018, the consolidated retained earnings include the retained earnings of PERC amounting to ₱42.4 million, respectively which are not available for dividend declaration.

b. On March 29, 2019, the Parent Company's BOD authorized and directed the reversal of the appropriated retained earnings amounting to ₱332.8 million. On the same date, the BOD authorized the appropriation of retained earnings amounting to ₱3.7 billion, ₱3.3 billion of which represents the reinstatement of the previous appropriations for in-plant production of plastic and metal parts, the Group's change of IT System and other future projects of the Parent Company, while the additional ₱382.8 million appropriations represents appropriations for expansion of warehouses to cope with business growth and the replacement and upgrading of old machines, molds and dies and other expected undertakings to expand production including target increase in B2B sales volume. These projects are expected to be completed by 2024.

c. 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, Group's change of IT

System and other future projects of the Parent Company. The remaining ₱682.6 million additional appropriations represents appropriations for replacement and upgrading of old machines, molds and dies and other future projects and activities intended to boost B2B sales as growth engine. These projects are expected to be completed by 2024.

d. On March 31, 2017, the Parent Company's BOD authorized and directed the reversal of the appropriated retained earnings amounting ₱196.4 million. From the total appropriations of ₱3.4 billion as of March 31, 2017, ₱3.0 billion represents the reinstatement of the previous appropriations for in-plant production of plastic and metal parts, Group's change of IT System and other future projects of the Parent Company. The remaining ₱431.4 million additional appropriations represents appropriations for replacement and upgrading of old machines, molds and dies and other future projects and activities intended to boost B2B sales as growth engine. These projects are expected to be completed by 2024.

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

20.99% cash dividend on April 22, 2019 to stockholders of record as of May 7, 2019 and paid on May 24, 2019 (₱0.2099 per share).

37.1% cash dividend on April 11, 2018 to stockholders of record as of April 15, 2018 and paid on May 11, 2018 (₱0.3717 per share).

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).

f. No subsequent event after June 30, 2019.

13. Cost of Goods Sold

This account consists of: (in thousands)

	(Unaudited) June 2019	(Unaudited) June 2018
Material costs	**₱1,238,290**	₱1,327,815
Direct labor (Note 16)	**67,722**	45,444
Manufacturing overhead:		
Indirect labor (Note 16)	**50,520**	46,568
Depreciation and amortization (Note 18)	**42,145**	39,380
Research and development	**31,252**	3,680
Electricity, gas and water	**17,128**	14,711
Repairs and maintenance	**12,523**	6,216
Indirect materials	**9,400**	7,435
Supplies	**5,210**	4,996
Outsourcing	**4,700**	3,568
Traveling	**3,525**	2,714
Insurance	**2,804**	2,168
Taxes and dues	**1,316**	1,111
Rent	**831**	775
Provision for obsolescence of materials	**(4,321)**	1,153
Others	**3,824**	1,283
Total manufacturing overhead	**180,857**	135,757
	1,486,869	1,509,016

Goods in process:		
Beginning of period	10,565	19,787
End of period	(15,486)	(15,939)
Cost of goods manufactured	1,481,948	1,512,863
Finished goods and merchandise:		
Beginning of period	1,122,042	963,587
Add purchases – net	1,014,520	1,046,329
End of period	(848,210)	(845,603)
	₱2,770,301	₱2,677,176

14. **Selling Expenses**

This account consists of: (in thousands)

	(Unaudited) June 2019	(Unaudited) June 2018
Freight	₱110,174	₱139,044
Advertising	37,525	26,383
Provision for warranty costs	6,770	1,651
Sales promotion, rebates and discounts	36,867	(34,760)
	₱191,336	₱132,318

15. **General and Administrative Expenses**

This account consists of: (in thousands)

	(Unaudited) June 2019	(Unaudited) June 2018
Salaries, wages and employees' benefits	₱83,858	₱83,635
Technical assistance fees	54,284	54,853
Brand license fees	23,819	23,182
Information processing expenses	19,681	20,622
Outsourcing	17,640	13,599
Taxes and dues	13,160	11,395
Depreciation and amortization (Note 20)	9,481	6,598
Traveling	9,260	10,303
Rent	3,822	8,674
Allocated Cost – Regional Headquarter	4,227	4,370
Insurance	5,254	4,267
Supplies	2,090	1,853
Repairs and maintenance	2,117	1,765
Provision for other estimated liabilities	1,959	5,889
Electricity, gas and water	1,769	1,506
Communication	1,469	552
Freight and storage	720	1,267
Others	3,370	16,690
	₱257,980	₱271,020

16. Personnel Expenses

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

	(Unaudited) June 2019	(Unaudited) June 2018
Compensation	**₱146,162**	₱135,865
Other salaries	**33,614**	22,223
Retirement and severance	**8,162**	7,656
Other benefits	**14,163**	9,902
	₱202,100	₱175,647

17. Other Income (Expenses)

This account consists of: (in thousands)

	(Unaudited) June 2019	**(Unaudited) June 2018**
Interest income	**₱14,734**	**₱8,171**
Scrap sales	**3,009**	**1,986**
Miscellaneous – net	**3,595**	**3,403**
Forex gain / (loss)	**(11,051)**	**(15,049)**
	₱10,287	**(₱1,489)**

18. Deprecations and Amortization Expenses

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

	(Unaudited) June 2019	**(Unaudited) June 2018**
Cost of goods sold (Note 13)	**₱42,145**	**₱39,380**
Operating expenses (Note 15)	**9,481**	**6,598**
	₱51,626	**₱45,978**

19. Earnings per Share

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

	(Unaudited) June 2019	**(Unaudited) June 2018**
Net income (a)	**₱107,239**	**₱102,120**
Weighted average number of common shares (b)	**422,718**	**422,718**
Earnings per share (a/b)	**₱0.25**	**₱0.24**

20. Reporting Segments

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

Products under each business segment are as follows:

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

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

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

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

The Group's segment information for the periods ended June 30, 2019 and 2018 are as follows *(in thousands):*

Three Months ended June 30, 2019 vs. 2018 (Unaudited)

	2019				
	Consumer	**SSG**	**Others**	**Adjustments/ Eliminations**	**Total**
Consolidated Statement of Comprehensive Income					
Net sales	₱3,180,461	₱128,210	₱36,855	₱–	₱3,346,706
Cost of goods sold (Note 15)	(2,630,795)	(105,724)	(33,782)	–	(2,770,301)
Selling expenses (Note 16)	(197,217)	(7,008)	12,889	–	(191,336)
General and administrative expenses (Note 17)	(228,153)	(11,199)	(18,628)	–	(257,980)
Other income - net (Note 19)	10,212	34	41	–	10,287
Income before income tax	₱135,688	₱4,313	₱(2,625)	₱–	137,376
Provision for income tax					30,137
Net income					₱107,239

2018

	Consumer	SSG	Others	Adjustments/ Eliminations	Total
Consolidated Statement of Comprehensive Income					
Net sales	₱3,017,223	₱80,170	₱113,810	₱–	₱3,211,203
Cost of goods sold (Note 15)	(2,521,751)	(61,399)	(94,026)	–	(2,677,176)
Selling expenses (Note 16)	(83,125)	(7,700)	(41,493)	–	(132,318)
General and administrative expenses (Note 17)	(238,762)	(7,441)	(24,817)	–	(271,020)
Other income - net (Note 19)	321	321	(2,131)	–	(1,489)
Income before income tax	₱124,272	₱3,951	₱977	₱–	129,200
Provision for income tax					27,080
Net income					₱102,120

21. Subsequent Events

None

22. Financial Risk Management Objectives and Policies

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

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

The Group's principal financial instruments consists of cash and cash equivalents, receivables and AFS investments. The main purpose of these financial instruments is to raise finances for the Group's operations. The Group has various other financial instruments such receivables, accounts payable and accrued expenses, dividends payable and technical assistance payable which arise from normal operations.
The main risks arising from the Group's financial instruments are liquidity risk, market risk and credit risk. The Group also monitors the market price risk arising from all financial instruments.

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

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

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

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

As of June 30, 2019 and March 31, 2019, the foreign currency-denominated financial assets and financial liabilities in original currencies and their Philippine Peso (PHP) equivalents are as follows:

(in thousands)

	June 2019		
	USD	**JPY**	**Equivalents in PHP**
Financial assets			
Cash in banks and cash equivalents	**18,673**	**1,559**	**957,564**
Receivables – net	**1,863**	**1,314**	**96,091**
	20,536	**2,873**	**1,053,655**
Financial liabilities			
Accounts payable and accrued expenses	**11,178**	**1,722**	**573,073**

	March 2019		
	USD	JPY	Equivalents in PHP
Financial assets			
Cash in banks and cash equivalents	20,403	1,269	1,071,777
Receivables – net	6,544	50,133	367,509
	26,947	51,402	1,439,287
Financial liabilities			
Accounts payable and accrued expenses	14,864	8,608	784,446

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

The effect on equity (as a result of a change in fair value of equity instruments held as financial assets at FVOCI and available-for-sale at June 30, 2019 and March 31, 2019 respectively) due to a reasonably possible change in equity indices is not material to the consolidated financial position of the Group.

Credit Risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss. With respect to credit risk arising from financial assets of the Group, which comprise of cash and cash equivalents, receivables, financial assets at FVOCI

and other assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of the instrument.

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

As of June 30, 2019, the Group does not hold collateral or other credit enhancement for cash and cash equivalents, AFS investments, receivables and refundable Meralco deposits (included in other assets). Thus, carrying values represent maximum exposure to credit risk. The Group acquired credit insurance for its domestic trade receivables, which covers both fully secured and partially secured receivables. Other than for domestic trade receivables, the Group's maximum exposure to credit risk is equivalent to the carrying value of the Group's financial assets as of reporting dates.

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

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

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

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

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

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

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

PANASONIC MANUFACTURING PHILIPPINES & SUBSIDIARY
AGING OF ACCOUNTS RECEIVABLE
As of June 30, 2019

	Amount (Php 1,000)
Trade Receivables:	
Current Due	1,400,092
01 – 30 days	10,339
31 – 60 days	1,077
61 – 90 days	428
Over 90 days	348
	1,412,283
Less: Allowance for doubtful accounts	(3,701)
Total	**1,408,582**
Other Receivables:	
Receivable from affiliates	34,567
Third parties	5,158
Employees	1,587
Others	40,345
	81,658
Total	**1,490,240**