COVER SHEET
for
QUARTERLY REPORTS

SEC Registration Number

CS000023022

Company Name

PANASONIC MANUFACTURING PHILIPPINES CORPORATION

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

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

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
441	3rd Friday of June	March 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Julieta T. Beltran	julieta.beltran@ph.panasonic.com	635-2260 to 65	(+63) 0917 584 4500

Contact Person's Address

Ortigas Avenue Extension, San Isidro, Taytay, Rizal

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17- 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 **September 30, 2018**

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**
Taytay, Rizal
Address of principal office

1901
Postal Code

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

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

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

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

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

    Yes [**X**] No [ ]

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

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

12. Check whether the registrant:

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

    Yes [**X**] No [ ]

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

    Yes [**X**] No [ ]

PART I – FINANCIAL INFORMATION

Item I. Financial Statements

The Unaudited Consolidated Financial Statements of Panasonic Manufacturing Philippines Corporation (PMPC) and its subsidiary, Precision Electronics Realty Corporation (PERC), as of and for the period ended September 30, 2018 (with comparative figures as of March 31, 2018 and period ended September 30, 2017 & 2016) and selected Notes to Consolidated Financial Statements are on pages 14 to 37

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

Key Performance Indicators

Name of Index	Calculation	FY 2018 Apr – Sept	FY 2017 Apr – Sept
1. Rate of Sales Increase	CY Sales – LY Sales ------------------------------ x 100% LY Sales	**10.3%**	**0.4%**
2. Rate of Profit Increase	CY Profit Before Tax – LY Profit Before Tax ------------------------- x 100% LY Profit Before Tax	**-35.8%**	**-45.1%**
3. Rate of Profit on Sales	Profit Before Tax -------------------- x 100% Total Sales	**2.0%**	**3.5%**
4. Current Ratio	Current Assets ---------------------- Current Liabilities	**2.7:1**	**3.2:1**
5. Dividend Ratio to Capital	Dividend -------------------- x 100% Average Capital	**37.2%**	**70.0%**

(a) Rate of Sales Increase - This measures the sales growth versus the same period last year. For the first semester of 2018, the Company registered 10.3% increase in sales to ₱ 5.863 billion from ₱ 5.314 billion of the same period last year.

(b) Rate of Profit Increase - This measures the increase in profit before tax versus the same period last year. Rate of profit improved to negative 35.8% from negative 45.1% of last year mainly due to decrease in sales and increase in cost of sales ratio by 15.3%.

(c) Rate of Profit on Sales - This measures the percentage of profit before tax versus total sales for the period. Rate of profit on sale registered at 2.0% and 3.5% for the fiscal year 2018 and 2017 respectively.

(d) Current Ratio - This measures the liquidity of the Group and its ability to pay off current liabilities. The Company registered current ratio of 2.7:1 as of September 30, 2018 and 3.2:1 as of March 31, 2018.

(e) Dividend Ratio to Capital - This measures the dividend payout ratio versus capital for the period. The Group paid 37.2% and 70.0% cash dividend for the 1st quarter of 2018 and 2017 respectively.

RESULTS OF OPERATION

FIRST SEMESTER FY 2018 vs. 2017

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

(in thousands)

Accounts	Sept. 30, 2018 (Unaudited)	Sept. 30, 2017 (Unaudited)	Difference (%)
Sales	**5,862,510**	**5,314,375**	**10.3%**
Cost of Sales	**4,702,353**	**4,078,981**	**15.3%**
Gross profit	**1,160,157**	**1,235,394**	**-6.1%**
Selling expenses	**537,271**	**626,840**	**-14.3%**
General & administrative expense	**504,587**	**470,336**	**7.3%**
Other income – net	**1,116**	**47,667**	**-97.7%**
Income before tax	**119,414**	**185,885**	**-35.8%**
Income tax expense	**45,667**	**35,762**	**27.7%**
Income after tax	**73,748**	**150,123**	**-50.9%**

The total Company's sales for the first semester of FY 2018 increased by 10.3% versus last year amounted to ₱ 5.863 billion from ₱ 5.314 billion posted in the same period last year due to 114% and 128% sales achievement of consumer products and B2B products respectively.

Cost of sales ratio increased by 3.5% versus last year mainly due to increase in prices of imported materials. The Company's direct materials for its locally produced products are mostly imported and even local materials are more expensive versus last year due to continuous peso devaluation.

Gross profit decreased by ₱ 75.2 million (-6.1%). The Group managed to reduced its selling expenses by ₱89.5 million (14.3%) to minimize losses for the period. However, general and administrative expenses increased by ₱34.3 million (7.3%) mainly due to increase in technical assistance fee by ₱11.3 million and IT expenses by ₱11.7 million, respectively.

Net non-operating income decreased by ₱46.6 million (97.7%) due to continuous peso devaluation by ₱ 28.4 million.

The Group's net income before tax for the first semester of fiscal year 2018 decreased by 35.8% amounting to ₱ 66.5 million due mainly to 3.5% increase cost of sales ratio, lower sales achievement and the continuous peso devaluation.

FINANCIAL POSITIONS

- **September 30, 2018 vs. March 31, 2018**

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

(in thousands)

Accounts	**SEPT 2018 (Unaudited)**	MARCH 2018 (Audited)	**Difference (%)**
Cash and cash equivalents	**3,130,599**	3,356,080	**-6.7%**
Receivables	**1,286,757**	1,190,057	**8.13%**
Inventories	**1,461,436**	1,332,521	**9.7%**
Other current assets	**177,217**	116,207	**52.5%**
Property & equipment	**882,177**	856,076	**3.1%**
Investment properties	**0**	31,391	**-100%**
Other noncurrent assets	**51,653**	52,045	**-0.5%**
Accounts payable & accrued expenses	**2,188,086**	2,127,545	**2.8%**
Provision for estimated liabilities	**399,605**	329,954	**21.1%**
R/E – Unappropriated	**330,634**	413,836	**-20.1%**

The Group continues to maintain its strong financial position with total assets amounting to ₱7.114 billion and ₱7.059 billion as of September 30, 2018 and March 31, 2018 respectively, while total equity amounted to ₱4.508 billion and ₱4.591 billion as of the same period.

Cash and cash equivalents decreased by -6.7% amounting to ₱225.5 million mainly due to non-achievement of its profitability and payments to suppliers. And at the same time, accounts receivable increased by 8.1% amounting to ₱96.7 million.

Inventories increased by 9.7% from ₱1,333 million of fiscal year 2017 ending March 31, 2018 to ₱1,461 million in September 2018 due to problem on port congestion.

Other current assets increased by ₱61.0 million due to collection of creditable withholding tax certificates from various suppliers which were not yet applied to income tax payment.

Property, plant and equipment – net increased by 3.1% amounting to ₱26.1 million due mainly to various acquisition of new machineries and equipment and building improvements as of September 2018 amounted to ₱91.4 million.

Investment properties reclassified back to property, plant and equipment due to termination of PPRDPH lease contract on PMPC's building made last March 2018.

Accounts payable and accrued expenses increased by ₱60.5 million (2.8%) due mainly to product promotional expenses to increase sales achievement.

Provisions for estimated liabilities increased by 21.1% amounting to ₱69.7 million mainly due to First semester provision of expenses.

Unappropriated retained earnings decreased by 20.1% amounting to ₱83.2 million mainly due to non-achievement of its profitability.

RESULTS OF OPERATION

FIRST SEMESTER FY 2017 vs. 2016

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

(in thousands)

Accounts	**Sept. 30, 2017 (Unaudited)**	Sept. 30, 2016 (Unaudited)	**Difference (%)**
Sales	**5,314,375**	5,292,250	**0.4%**
Cost of Sales	**4,078,981**	3,775,469	**8.0%**
Gross profit	**1,235,394**	1,516,781	**-18.6%**
Selling expenses	**626,840**	813,330	**-22.9%**
General & administrative expense	**470,336**	413,306	**13.8%**
Other income – net	**47,667**	48,516	**-1.7%**
Income before tax	**185,885**	338,661	**-45.1%**
Income tax expense	**35,762**	70,259	**-49.1%**
Income after tax	**150,123**	268,402	**-44.1%**

The total Company's sales for the first semester of FY 2017 increased only by 0.4% only versus last year amounted to ₱ 5.314 billion from ₱ 5.292 billion posted in the same period last year due to 97% and 93% sales achievement of airconditioner and telephone respectively. This is also due to low purchases from Mindanao and Visayas main dealers and non-availability of some imported products.

Cost of ratio increased by 5.4% versus last year mainly due to increase in prices of imported materials. The Company's direct materials for its locally produced products are mostly imported and even local materials are more expensive versus last year due to peso devaluation.

Due to low sales achievement and high cost of sales ratio by 5.4% versus last year, gross profit decreased by ₱ 281.4 million (-18.6%). The Group managed to reduced its selling expenses by ₱186.5 million (36.4%) to minimize losses for the period. However, general and administrative expenses increased by ₱ 57.0 million (13.8%) mainly due to increase in compensation by ₱26.0 million and repair and maintenance of various properties by ₱17.2 million.

Net non-operating income decreased by ₱0.8 million (1.7%) due to interest income on time deposit by ₱ 9.2 million. Cash decreased during the period due to 70% cash dividend payment amounted to ₱295.9 million.

The Group's net income before tax for the first semester of fiscal year 2017 decreased by 45.1% amounting to ₱ 152.8 million due mainly to 5.4% increase cost of sales ratio and lower sales achievement.

FINANCIAL POSITIONS

- **<u>September 30, 2017 vs. March 31, 2017</u>**

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

(in thousands)

Accounts	SEPT 2017 (Unaudited)	MARCH 2017 (Audited)	Difference (%)
Cash and cash equivalents	**3,315,045**	3,586,650	**-7.6%**
Receivables	**1,060,166**	1,021,726	**3.8%**
Inventories	**1,073,566**	1,010,964	**6.2%**
Other current assets	**125,741**	72,957	**72.3%**
Property & equipment	**770,729**	770,581	**0.0%**
Investment properties	**45,736**	48,350	**-5.4%**
Other noncurrent assets	**31,468**	25,424	**23.8%**
Accounts payable & accrued expenses	**1,740,977**	2,036,315	**-14.5%**
Provision for estimated liabilities	**385,672**	366,597	**5.2%**
R/E – Unappropriated	**565,380**	416,088	**35.9%**

The Group continues to maintain its strong financial position with total assets amounting to ₱6.563 billion and ₱6.678 billion as of September 30, 2016 and March 31, 2016 respectively, while total equity amounted to ₱4.239 billion and ₱3.991 billion as of the same period.

Cash and cash equivalents increased by 14.3% amounting to ₱469.3 million due mainly to 23.7% increase in sales performance and improvement on collection of accounts for the period. And at the same time, accounts receivable decreased by 28.5% amounting to ₱283.2 million.

Inventories increased by 44.2% from ₱692 million of fiscal year 2015 ending March 31, 2016 to ₱997 million in September 2016 due to higher sales performance and advance orders of various dealers.

Other current assets increased by ₱22.4 million due to collection of creditable withholding tax certificates from various suppliers which were not yet applied to income tax payment.

Property, plant and equipment – net decreased by 0.6% amounting to ₱4.4 million due mainly to depreciation for the period amounting to ₱67.9 million. Total acquisition of new machineries and equipment as of September 2016 amounted to ₱64.2 million.

Accounts payable and accrued expenses increased by ₱234.6 million (13.7%) due to purchase of imported raw materials and merchandise from related parties and product promotional expenses to increase sales achievement.

Provisions for estimated liabilities increased by 9.1% amounting to ₱25.3 million mainly due to 1st semester provision of expenses.

Unappropriated retained earnings increased by 59.8% amounting to ₱246.7 million mainly due to increase on sales achievement by 23.7%.

RESULTS OF OPERATION

FIRST SEMESTER FY 2016 vs. 2015

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

(in thousands)

Accounts	Sept. 30, 2016 (Unaudited)	Sept. 30, 2015 (Unaudited)	Difference (%)
Sales	5,292,250	4,276,741	**23.7%**
Cost of Sales	3,775,469	3,148,954	**19.9%**
Gross profit	1,516,781	1,127,787	**34.5%**
Selling expenses	813,330	623,851	**30.4%**
General & administrative expense	413,306	344,961	**19.8%**
Other income – net	48,516	25,797	**88.1%**
Income before tax	338,661	184,772	**83.3%**
Income tax expense	70,259	36,038	**95.0%**
Income after tax	268,402	148,734	**80.5%**

The total Company's sales for the first semester of FY 2016 was 23.7% of last year amounted to ₱ 5.292 billion from ₱ 4.277 billion posted in the same period last year. This was mainly due to high sales achievement of Consumer products and favorable retail sales of locally produced appliances particularly refrigerator and window airconditioners during its peak season (April – Jun). Likewise, sell out in the market is at normal phase, and the dealers started the orders and delivery of goods in preparation also for the Christmas season.

With good sales results, cost of sales and gross profit improved by 19.9% and 34.5% respectively versus last year. Moreover, freight cost increased by ₱ 61.8 million and selling expenses by ₱ 189.5 million (30.4%) due to increase in direct selling expenses by ₱148.7 million for various promotion to achieve the Company's sales target for the period.

General and administrative expenses increase of ₱ 68.3 million (19.8%) due mainly to increase in technical assistance and brand license fee brought by 23.7% increase in sales. Also increase in salaries and wages was due to increase in production of finished goods for sales requirement.

Net non-operating income increased by ₱22.7 million (88.1%) due to interest income on time deposit by ₱ 14.5 million and other income of ₱ 3.7 million.

The Group's net income before tax for the first semester of fiscal year 2016 increased by 83.3% amounting to ₱ 34.2 million due mainly to 23.7% increase in sales achievement and non-operating miscellaneous income.

FINANCIAL POSITIONS

- **September 30, 2016 vs. March 31, 2016**

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

(in thousands)

Accounts	SEPT 2016 (Unaudited)	MARCH 2016 (Audited)	Difference (%)
Cash and cash equivalents	**3,761,736**	3,292,423	**14.3%**
Receivables	**710,287**	993,452	**-28.5%**
Inventories	**997,673**	692,094	**44.2%**
Other current assets	**55,176**	32,734	**68.6%**
Property & equipment	**748,437**	752,800	**-0.6%**
Investment properties	**51,049**	53,579	**-4.7%**
Other noncurrent assets	**26,474**	26,360	**0.4%**
Accounts payable & accrued expenses	**1,951,143**	1,716,529	**13.7%**
Provision for estimated liabilities	**303,999**	278,731	**9.1%**
R/E – Unappropriated	**659,356**	412,657	**59.8%**

The Group continues to maintain its strong financial position with total assets amounting to ₱6.494 billion and ₱5.987 billion as of September 30, 2016 and March 31, 2016 respectively, while total equity amounted to ₱4.239 billion and ₱3.991 billion as of the same period.

Cash and cash equivalents increased by 14.3% amounting to ₱469.3 million due mainly to 23.7% increase in sales performance and improvement on collection of accounts for the period. And at the same time, accounts receivable decreased by 28.5% amounting to ₱283.2 million.

Inventories increased by 44.2% from ₱692 million of fiscal year 2015 ending March 31, 2016 to ₱997 million in September 2016 due to higher sales performance and advance orders of various dealers.

Other current assets increased by ₱22.4 million due to collection of creditable withholding tax certificates from various suppliers which were not yet applied to income tax payment.

Property, plant and equipment – net decreased by 0.6% amounting to ₱4.4 million due mainly to depreciation for the period amounting to ₱67.9 million. Total acquisition of new machineries and equipment as of September 2016 amounted to ₱64.2 million.

Accounts payable and accrued expenses increased by ₱234.6 million (13.7%) due to purchase of imported raw materials and merchandise from related parties and product promotional expenses to increase sales achievement.

Provisions for estimated liabilities increased by 9.1% amounting to ₱25.3 million mainly due to 1st semester provision of expenses.

Unappropriated retained earnings increased by 59.8% amounting to ₱246.7 million mainly due to increase on sales achievement by 23.7%.

CASHFLOWS

A brief summary of cash flow movement is shown below

(In thousands pesos)	**Sept 2018**	Sept 2017
1. Net cash provided by operating activities	**23,071**	29,101
2. Net cash provided by (used) in investing activities	**(90,978)**	(3,578)
3. Net cash used in financing activities	**(157,575)**	(297,128)

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

2. Net cash flows used in investing activities included the following:

(In thousands pesos)	**Sept 2018**	Sept 2017
Additions to property and equipment - net	**(91,370)**	**(6,044)**
Additions to other assets	**392**	**2,446**

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

(In thousands pesos)	**Sept.2018**	Sept 2017
Cash dividends paid	**(157,124)**	**(295,902)**

RETAINED EARNINGS

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

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

OTHER MATTERS

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

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

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

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

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

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

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

PART II – OTHER INFORMATION

NOT APPLICABLE

SIGNATORIES

Pursuant to the requirements of the Securities Regulation Code, Panasonic Manufacturing Philippines Corporation has duly caused this report to be signed on its behalf by the following persons in their capacities stated below in Taytay, Rizal on November 13, 2018.

PANASONIC MANUFACTURING PHILIPPINES CORPORATION

By:

YOSHIYUKI TAKAHASHI
Treasurer & Executive Director

JULIETA BELTRAN
General Manager

PANASONIC MANUFACTURING PHILIPPINES CORPORATION AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2018 (Unaudited) and March 31, 2018 (Audited)
And for the Six Months ended September 30, 2017 and 2016 (Unaudited)

PANASONIC MANUFACTURING PHILIPPINES CORP. & SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2018 AND MARCH 31, 2018
(In Thousand Pesos)

	(Unaudited) September 30, 2018	(Audited) March 31, 2018
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱3,130,599**	₱3,356,080
Receivables - net (Notes 5)	**1,286,757**	1,190,057
Inventories - net (Note 6)	**1,461,436**	1,332,521
Other current assets (Note 10)	**177,217**	116,207
Total Current Assets	**6,056,010**	5,994,865
Non-current Assets		
Property, plant and equipment - net (Note 8)	**882,177**	856,076
Investment properties – net (Note 9)	**-**	31,391
Deferred tax assets – net	**124,634**	124,634
Other assets – net (Note 10)	**51,653**	52,046
Total Non-current Assets	**1,058,464**	1,064,148
	₱7,114,474	₱7,059,012
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 11)	**₱2,188,086**	₱2,127,544
Income tax payable	**18,587**	9,963
Finance lease liability	**-**	451
Total Current Liabilities	**2,206,673**	2,137,958
Noncurrent Liability		
Provisions for estimated liabilities (Note 12)	**399,605**	329,954
Total Noncurrent Liabilities	**399,605**	329,954
	2,606,278	2,467,912
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	**(14,626)**	(14,626)
Retained earnings (Note 13)		
Appropriated	**3,692,400**	3,692,400
Unappropriated	**330,634**	413,836
	4,435,906	4,519,107
Non-controlling interest	**72,290**	71,992
Total Stockholders' Equity	**4,508,196**	4,591,100
	₱7,114,474	₱7,059,012

See accompanying Notes to Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORP. & SUBDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2018 & 2017
(In Thousand Pesos except Earnings per Common Share Amount)

	UNAUDITED			
	Apr-Sept 2018	**Apr-Sept 2017**	**Jul-Sept 2018**	**Jul-Sept 2017**
NET SALES	**₱5,862,510**	**₱5,314,375**	**₱2,488,069**	**₱2,366,965**
COST OF GOODS SOLD (Note 15)	**4,702,353**	**4,078,981**	**2,025,177**	**1,859,332**
GROSS PROFIT	**1,160,157**	**1,235,394**	**462,892**	**507,633**
SELLING EXPENSES (Note 16)	**(537,271)**	**(626,840)**	**(241,715)**	**(270,131)**
GENERAL AND ADMINISTRATIVE EXPENSES (Note 17)	**(504,587)**	**(470,336)**	**(233,567)**	**(228,822)**
INCOME FROM OPERATIONS	**118,299**	**138,218**	**(12,390)**	**8,680**
OTHER INCOME – Net (Note 19)	**1,116**	**47,667**	**2,604**	**23,060**
INCOME BEFORE INCOME TAX	**119,414**	**185,885**	**(9,786)**	**31,740**
PROVISION FOR INCOME TAX	**45,667**	**35,762**	**18,587**	**15,318**
NET INCOME FOR THE PERIOD	**₱73,747**	**₱150,123**	**(₱28,372)**	**₱16,422**
OTHER COMPREHENSIVE INCOME				
TOTAL COMPREHENSIVE INCOME	**₱73,747**	**₱150,123**	**(₱28,372)**	**₱16,422**
Attributable to:				
Equity holders of the parent	**₱73,450**	**₱149,569**	**(₱28,531)**	**₱16,145**
Minority interest	**298**	**554**	**159**	**277**
Earnings Per Share (Note 21)	**₱0.17**	**₱0.35**	**(₱0.07)**	**₱0.04**

See accompanying Notes to Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORP. & SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2018 & 2017

(In Thousand Pesos)

	(Unaudited) September 2018	**(Unaudited) September 2017**	(Audited) March 2018
CAPITAL STOCK (Note 13)	**₱422,718**	**₱422,718**	₱422,718
ADDITIONAL PAID-IN CAPITAL	**4,780**	**4,780**	4,780
Net Unrealized Gain on AFS	**1,381**	**1,381**	1,381
Re-measurement Loss on Retirement Liability	**(16,007)**	**(73,218)**	(16,007)
RETAINED EARNINGS (Note 14)			
Appropriated:			
Balance at beginning of period	**3,692,400**	**3,427,400**	3,427,400
Appropriations			682,615
Reversals			(417,615)
Balance at end of period	**3,692,400**	**3,427,400**	3,692,400
Unappropriated:			
Balance at beginning of period	**414,308**	**416,088**	416,088
Total comprehensive income	**73,450**	**149,292**	262,727
Reversals	**-**		417,615
Appropriations	**-**		(417,615)
Cash dividends	**(157,124)**		-
Balance at end of period	**330,634**	**565,380**	413,836
	4,023,034	**4,348,441**	4,519,107
Minority interest	**72,290**	**71,519**	71,992
Total Stockholders' Equity	**₱4,508,196**	**₱4,419,960**	₱4,591,100

See accompanying Notes to Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORP. & SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2018 & 2017

(In Thousand Pesos)

	(Unaudited) September 2018	(Unaudited) September 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before tax	**₱119,414**	**₱185,885**
Adjustments for:		
Depreciation and amortization	**96,079**	**78,828**
Interest income	**(20,548)**	**(18,498)**
Provision for estimated liabilities	**69,652**	**19,075**
Operating income before working capital changes	**264,597**	**265,290**
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	**(96,700)**	**(38,440)**
Inventories	**(128,915)**	**(62,602)**
Other current assets	**(61,010)**	**(52,784)**
Decrease in:		
Accounts payable and accrued expenses	**70,219**	**(90,166)**
Cash generated from operating activities	**48,191**	**25,042**
Income taxes paid	**(45,667)**	**(14,439)**
Interests received	**20,548**	**18,498**
Net cash provided by (used in) operating activities	**23,072**	**29,101**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment – net	**(91,370)**	**(6,044)**
Decrease (increase) in other assets	**392**	**2,446**
Net cash provided by (used in) investing activities	**(90,978)**	**(3,578)**
CASH FLOW FROM FINANCING ACTIVITY		
Cash dividends paid	**(157,124)**	**(295,902)**
Finance lease liabilities paid	**(451)**	**(1,226)**
Cash used in financing activities	**(157,575)**	**(297,128)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(225,481)**	**(271,605)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**3,356,080**	**3,586,650**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱3,130,599**	**₱3,315,045**

See accompanying Notes to Financial Statements.

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

1. Corporate Information

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

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

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

2. Summary of Significant Accounting and Financial Reporting Policies

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

<u>*Effective in fiscal year 2019*</u>

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

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

  The Group has assessed that the adoption of these amendments will not have any impact on the 2019 consolidated financial statements.

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

  The Group plans to adopt the new standard on the mandatory effective date and will not restate comparative information. The Group is currently assessing the impact of adopting PFRS 9 in its 2019 consolidated financial statements.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*
  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after April 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

  The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

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

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after April 1, 2018. Early adoption is permitted.

The Group is currently assessing the impact of adopting PFRS 15 in its 2019 consolidated financial statements.

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

  The amendments should be applied retrospectively, with earlier application permitted.

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

  Since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements upon adoption of these amendments.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
  The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the consolidated financial statements of the reporting period in which the entity first applies the interpretation.

  Since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements upon adoption of this interpretation.

Effective in fiscal year 2020

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
  The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after April 1, 2019. Earlier application is 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.

  Early application is permitted, but not before an entity applies PFRS 15. 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.

  The Group is currently assessing the impact of adopting PFRS 16 in its 2020 consolidated financial statements.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
  The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after April 1, 2019. Earlier application is permitted.

- 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 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.

The Group is currently assessing the impact of adopting this interpretation.

Deferred effectivity

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

  On January 13, 2016, the Financial Reporting Standards Council 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 pesos)

	(Unaudited) September 2018	(Audited) March 2018
Cash on banks	**₱643,970**	₱680,988
Cash equivalents	**2,486,628**	2,675,092
	₱3,130,599	₱3,356,080

5. **Receivables**

This account consists of: (in thousands)

	(Unaudited) September 2018	(Audited) March 2018
Trade		
Domestic	**₱1,011,334**	₱904,504
Export	**95,911**	192,924
Non-trade		
Related parties	**93,590**	56,704
Third parties	**24,855**	36,145
Employees	**3,716**	2,538
Others	**65,501**	1,981
	1,294,908	1,194,796
Less allowance for doubtful accounts	**8,151**	4,739
	₱1,286,757	₱1,190,057

6. **Inventories**

This account consists of: (in thousands)

	(Unaudited) September 2018	(Audited) March 2018
At NRV:		
Finished goods and merchandise	**-**	₱4,797
At cost:		
Finished goods and merchandise	**₱1,065,867**	958,791
Raw materials	**380,651**	344,880
Goods in-process	**10,726**	19,786
Supplies	**4,193**	4,267
	1,461,436	1,327,724
	₱1,461,436	₱1,332,521

7. Available-for-sale investments

This account consists of: (in thousands)

	(Unaudited) September 2018	(Audited) March 2018
Meralco	**₱1,217**	₱1,217
PLDT	**1,124**	1,124
	₱2,341	₱2,341

8. Property, Plant and Equipment

This account consists of (Php1,000):

As of September 30, 2018	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	₱1,556,368	₱1,061,698	₱165,701	₱133,881	₱80,898	₱3,234,576
Acquisitions		5,800	4,384	5,266	4,879	71,041	91,370
Retirements/disposals		(11,306)	(2,957)	(6,748)	(1,854)	-	(22,865)
Reclassification		113,471	30,868	-	-	(144,340)	-
Balances at end of period	**236,029**	**1,664,333**	**1,093,993**	**164,219**	**136,907**	**7,600**	**3,303,081**
Accumulated Depreciation And Amortization							
Balance at beginning of period	₱2,851	₱1,348,519	₱742,976	₱153,526	₱99,236	-	₱2,347,108
Depreciation (Note 20)		58,315	24,453	4,952	7,600		95,320
Retirements/disposals		(10,347)	(2,957)	(6,694)	(1,526)	-	(21,525)
Reclassification		-	-	-	-	-	-
Balances at end of period	**2,851**	**1,396,487**	**764,471**	**151,784**	**105,310**	**-**	**2,420,904**
Net Book Value							
(Unaudited) September 2018	**₱233,178**	**₱267,846**	**₱329,522**	**₱12,435**	**₱31,597**	**₱7,600**	**₱882,177**
(Audited) March 2018	₱233,178	₱207,849	₱287,331	₱12,175	₱34,645	₱80,898	₱856,076

9. Investment Properties

This account consists of: (Php 1,000)

As of September 30, 2018	Building	Building Improvements	Total
Cost			
Balance at beginning of period	₱81,742	₱110,767	₱192,509
Reclassification	(81,742)	(110,767)	(192,509)
Balance at end of period	-	-	-
Accumulated Depreciation And Amortization			
Balances at beginning of period	71,341	116,748	188,089
Depreciation	-	-	-
Reclassification	(71,341)	(116,748)	(188,089)
End of the period	-	-	-
Net Book Value			
(Unaudited) September 2018	-	-	-
(Audited) March 2018	₱27,602	₱3,789	₱31,391

10. Other Current Assets and Other Assets

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

	September 2018	March 2018
Other current assets		
Advances to suppliers and employees	**₱16,965**	₱14,513
Prepaid expenses	**32,650**	36,603
Tax credit certificate (TCC)	**3,460**	3,460
Creditable withholding taxes (CWTs)	**127,643**	65,131
	180,717	119,707
Less: Allowance for probable loss	**3,500**	3,500
	₱177,217	₱116,207

Other assets		
Deposits	**₱21,889**	₱22,029
Retirement asset	**16,941**	16,941
Deferred input VAT	**7,258**	6,751
Available-for-sale investments	**2,341**	2,341
Software	**3,225**	3,984
	₱51,653	₱52,046

The composition and movements of Intangible Assets - software follow:

	September 2018	March 2018
Cost		
Balances at beginning of year	**₱115,010**	₱110,477
Additions	**-**	4,533
Retirement	**(1,592)**	-
Balances at end of year	**113,418**	115,010
Accumulated amortization		
Balances at beginning of year	**111,026**	109,910
Amortization (Note 20)	**758**	1,116
Retirement	**(1,592)**	-
Balances at end of year	**110,193**	111,026
Net book value	**₱3,225**	₱3,984

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:

	September 2018	March 2018
Trade payable		
Related parties	**₱475,722**	₱534,749
Third parties	**321,233**	410,931
Non-trade payable		
Related parties	**119,958**	119,212
Third parties	**6,502**	102,251
Accrued expense		
Third parties	**1,158,494**	827,185
Related parties	**26,045**	31,463
Others		
Advances from customers	**27,741**	78,116
Output VAT	**51,501**	23,607
Dividends payable	**889**	31
	₱2,188,086	₱2,127,545

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:

	September 2018	March 2018
Accrued advertising expenses and sales promotions	**₱758,831**	₱453,954
Payable to suppliers	**309,354**	306,053
Accrued freight expenses	**62,116**	21,632
Salaries and other employee benefits	**15,249**	15,735
Other accrued expenses	**12,944**	29,811
	₱1,158,494	₱827,185

12. Other Liabilities

This account consists of:

	September 2018	**March 2018**
Provisions for estimated liabilities	**₱372,162**	**₱305,940**
Other long-term employee benefits	**27,443**	**24,014**
	₱399,605	**₱329,954**

Provisions for estimated liabilities
The rollforward of this account follows:

	September 2018		
	Warranty Claims	**Provisions for Other Estimated Liabilities**	**Total**
Balances at beginning of year	**₱94,524**	**₱211,416**	**₱305,940**
Provisions	**27,587**	**157,634**	**185,221**
Claims/usage/reclassifications	**(24,931)**	**(94,068)**	**(118,999)**
Balances at end of year	**₱97,180**	**₱274,982**	**₱372,162**

	March 2018		
	Warranty Claims	Provisions for Other Estimated Liabilities	Total
Balances at beginning of year	₱104,852	₱197,843	₱302,695
Provisions	51,895	-	51,895
Claims/usage/reclassifications	(62,223)	13,573	(48,650)
Balances at end of year	₱94,524	₱211,416	₱305,940

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 September 30, 2018, 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 September 30, 2018, the total number of shares registered under the SRC is 84,723,432 shares being held by 441 stockholders.

The Parent Company declared cash dividends amounting to ₱157.1 million and ₱295.9 million in the first quarter of fiscal year 2018 and 2017, 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. Based on the SEC guidelines and after considering this adjustment, the retained earnings available for dividend declaration as of March 31, 2018 and 2017 amounted to ₱209.3 million and ₱210.4 million, respectively.

In 2018 and 2017, 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 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 starting 2019 onwards.

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

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

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

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).

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).

f. No subsequent event after September 30, 2018.

15. Cost of Goods Sold

This account consists of: (in thousand pesos)

	(Unaudited) September 2018	(Unaudited) September 2017
Material costs	**₱2,272,354**	**₱1,976,329**
Direct labor (Note 18)	**80,351**	**75,406**
Manufacturing overhead:		
Indirect labor (Note 18)	**92,671**	**89,564**
Depreciation and amortization (Note 20)	**82,514**	**64,364**
Electricity, gas and water	**26,651**	**20,593**
Repairs and maintenance	**15,755**	**11,181**
Indirect materials	**12,585**	**8,610**
Outsourcing	**8,218**	**6,551**
Supplies	**8,175**	**7,855**
Product and development cost	**6,224**	**16,150**
Traveling	**5,372**	**6,951**
Insurance	**4,584**	**4,455**
Taxes and dues	**2,556**	**1,945**
Rent	**1,539**	**912**
Provision for obsolescence of materials	**1,480**	**6,339**
Others	**3,424**	**2,735**
Total manufacturing overhead	**271,750**	**248,205**
	2,624,455	**2,299,940**
Goods in process:		
Beginning of period	**19,787**	**12,284**
End of period	**(10,726)**	**(13,461)**
Cost of goods manufactured	**2,633,516**	**2,298,763**
Finished goods and merchandise:		
Beginning of period	**963,587**	**692,841**
Add purchases – net	**2,171,117**	**1,574,106**
End of period	**(1,065,867)**	**(486,729)**
	₱4,702,353	**₱4,078,981**

16. Selling Expenses

This account consists of: (in thousand pesos)

	(Unadited) September 2018	(Unadited) September 2017
Selling		
Sales commission, promotion, and discounts	**₱239,497**	**₱376,335**
Freight	**258,806**	**214,165**
Advertising	**36,540**	**32,160**
Provision for warranty costs	**2,428**	**4,180**
	₱537,271	**₱626,840**

17. General and Administrative Expenses

This account consists of: (in thousand pesos)

	(Unadited) September 2018	(Unadited) September 2017
General and Administrative		
Salaries, wages and employees' benefits (Note 18)	**₱173,503**	**₱168,964**
Technical assistance fees (Note 10)	**91,910**	**80,585**
Brand license fees (Note 10)	**41,479**	**36,108**
Information processing expenses	**40,044**	**28,369**
Outsourcing	**28,645**	**19,656**
Taxes and dues	**22,207**	**16,692**
Traveling	**19,419**	**16,556**
Rent	**16,773**	**14,307**
Depreciation and amortization (Note 20)	**13,565**	**14,464**
Allocated Cost – Regional Headquarter (Note 10)	**8,643**	**6,706**
Insurance	**8,098**	**7,742**
Supplies	**4,304**	**4,693**
Repairs and maintenance	**3,456**	**3,004**
Provision for other estimated liabilities	**3,161**	**-**
Electricity, gas and water	**3,146**	**3,028**
Communication	**2,116**	**7,512**
Freight and storage	**2,008**	**950**
Others	**22,112**	**41,003**
	₱504,587	**₱470,339**

18. Personnel Expenses

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

	(Unaudited) September 2018	(Unaudited) September 2017
Compensation	**269,611**	**₱262,711**
Retirement and severance	**15,295**	**17,266**
Other benefits	**27,604**	**26,012**
Other salaries (OJT)	**34,015**	**27,945**
	₱346,525	**₱333,934**

19. Other Income (Expenses)

This account consists of: (in thousand pesos)

	(Unaudited) September 2018	(Unaudited) September 2017
Interest income	**₱20,548**	**₱18,498**
Rent income	**-**	**13,606**
Foreign exchange gains (losses)	**(28,391)**	**43**
Miscellaneous – net	**1,979**	**15,520**
	₱1,116	**₱47,667**

20. Depreciation and Amortization Expenses

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

	(Unaudited) September 2018	(Unaudited) September 2017
Cost of goods sold (Note 15)	₱82,514	₱64,364
Operating expenses (Note 17)	13,565	14,464
	₱96,079	₱78,828

21. Earnings Per Share

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

	(Unaudited) September 2018	(Unaudited) September 2017
Comprehensive net income after tax (a)	₱73,748	₱150,123
Weighted average number of common shares (b)	422,718	422,718
Earnings per share (a/b)	₱0.17	₱0.35

22. Reporting Segments

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

Products under each business segment are as follows:

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

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

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

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

The Group's segment information for the periods ended September 30, 2018 and 2017 are as follows *(in thousands):*

Six Months ended September 30, 2018 vs. 2017 (Unaudited)

2018

	GCMS	SNC	Others	Adjustments/ Eliminations	Total
Consolidated Statement of Comprehensive Income					
Net sales	₱5,490,673	₱162,250	₱209,587	₱–	₱5,862,510
Cost of goods sold (Note 15)	(4,399,502)	(121,507)	(181,334)	–	(4,702,353)
Selling expenses (Note 16)	(513,978)	(23,136)	(157)	–	(537,271)
General and administrative expenses (Note 17)	(462,780)	(13,926)	(27,882)	–	(504,588)
Other income - net (Note 19)	(524)	423	1,217	–	1,116
Income before income tax	₱113,889	₱4,104	₱1,421	₱–	119,414
Provision for income tax					45,667
Net income					₱73,747

2017

	GCMS	SNC	Others	Adjustments/ Eliminations	Total
Consolidated Statement of Comprehensive Income					
Net sales	₱4,935,676	₱298,331	₱80,368	₱–	₱5,314,375
Cost of goods sold (Note 15)	(3,827,984)	(213,374)	(38,447)	–	(4,078,981)
Selling expenses (Note 16)	(590,505)	(55,016)	18,681	–	(626,840)
General and administrative expenses (Note 17)	(422,380)	(16,461)	(31,495)	–	(470,336)
Other income - net (Note 19)	21,081	75	26,511	–	47,667
Income before income tax	₱116,712	₱13,555	₱55,618	₱–	185,885
Provision for income tax					35,762
Net income					₱150,123

Three Months ended September 30, 2018 vs. 2017 (Unaudited)

2018

	GCMS	SNC	Others	Adjustments/ Eliminations	Total
Consolidated Statement of Comprehensive Income					
Net sales	₱2,310,213	₱82,080	₱95,777	₱–	₱2,488,069
Cost of goods sold (Note 15)	(1,877,751)	(60,108)	(87,318)	–	(2,025,177)
Selling expenses (Note 16)	(267,615)	(15,436)	41,336	–	(241,715)
General and administrative expenses (Note 17)	(174,384)	(6,485)	(52,699)	–	(233,567)
Other income - net (Note 19)	(846)	102	3,349	–	2,604
Income before income tax	(₱10,383)	₱153	₱444	₱–	(9,786)
Provision for income tax					18,587
Net income					(₱28,372)

2017

	GCMS	SNC	Others	Adjustments/ Eliminations	Total
Consolidated Statement of Comprehensive Income					
Net sales	₱2,139,322	₱183,114	₱44,529	₱–	₱2,366,965
Cost of goods sold (Note 15)	(1,703,397)	(131,388)	(24,547)	–	(1,859,332)
Selling expenses (Note 16)	(236,129)	(31,845)	(2,157)	–	(270,131)
General and administrative expenses (Note 17)	(213,260)	(8,506)	(7,056)	–	(228,822)
Other income - net (Note 19)	8,323	164	14,573	–	23,060
Income before income tax	(₱5,141)	₱11,539	₱25,342	₱–	31,740
Provision for income tax					15,318
Net income					₱16,422

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 September 30, 2018 and March 31, 2018, the foreign currency-denominated financial assets and financial liabilities in original currencies and their Philippine Peso (PHP) equivalents are as follows:

(in thousands)

	September 2018		
	USD	**JPY**	**Equivalents in PHP**
Financial assets			
Cash in banks and cash equivalents	**1,546**	**43,615**	**104,383**
Receivables – net	**2,328**	**6,702**	**128,973**
	3,874	**50,317**	**233,356**
Financial liabilities			
Accounts payable and accrued expenses	**11,773**	**6,621**	**637,522**

	March 2018		
	USD	JPY	Equivalents in PHP
Financial assets			
Cash in banks and cash equivalents	1,451	145,572	147,838
Receivables – net	4,208	58,521	248,509
	5,659	204,093	396,347
Financial liabilities			
Accounts payable and accrued expenses	14,882	132,273	841,786

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
September 2018	**+8%**	**(22,727)**
	-8%	**22,757**
March 2018	+8%	₱35,644
	-8%	(41,843)

	Increase/ decrease in JPY rate	Effect on income before tax
September 2018	**+7%**	**₱1,529**
	-7%	**(1,529)**
March 2018	+7%	(₱2,329)
	-7%	2,680

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 September 30, 2018 and March 31, 2018) 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 September 30, 2018

	Amount (Php 1,000)
Trade Receivables:	
Current Due	1,035,802
01 – 30 days	69,788
31 – 60 days	-
61 – 90 days	466
Over 90 days	1,189
	1,107,245
Less: Allowance for doubtful accounts	(8,151)
Total	**1,099,094**
Other Receivables:	
Receivable from affiliates	93,590
Third parties	24,855
Employees	3,716
Others	65,503
	187,663
Total	**1,286,757**