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**SECURITIES AND EXCHANGE COMMISSION**

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**Company Information**

**SEC Registration No.** 0000023022

**Company Name** PANASONIC MANUFACTURING PHILIPPINES CORPORATION

**Industry Classification**

**Company Type** Stock Corporation

**Document Information**

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**Department** CFD

**Remarks**

**Imelda Garcia**

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**Subject:** Quarterly Report

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Best Regards,

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# COVER SHEET

for  
QUARTERLY REPORTS

Page 1 of 37

SEC Registration Number

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Company Name

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

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

O	r	t	i	g	a	s		A	v	e	n	u	e		E	x	t	e	n	s	i	o	n	,		B	a	r	r
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Form Type

1	7	-	Q
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Department requiring the report

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Secondary License Type, If Applicable

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## COMPANY INFORMATION

Company's Email Address

**www.panasonic.com/ph**

Company's Telephone Number/s

**635-2260 to 65**

Mobile Number

**N/A**

No. of Stockholders

**444**

Annual Meeting  
Month/Day

**3<sup>rd</sup> Friday of July**

Fiscal Year  
Month/Day

**March 31<sup>st</sup>**

## CONTACT PERSON INFORMATION

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

Name of Contact Person

**Atty. Mamerto Mondragon**

Email Address

**mzmlaw@yahoo.com**

Telephone Number/s

**8818-7739**

Mobile Number

**(+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 September 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
<b><u>Common shares, ₱1.00 par value</u></b>	
Class A	84,723,432
Class B	337,994,588

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

Yes ☒ 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 ☒ No ☐

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

Yes ☒ 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, 2019 (with comparative figures as of March 31, 2019 and period ended September 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 – Sept	FY 2018 Apr – Sept
1. Rate of Sales Increase <sup>(a)</sup>	$\frac{\text{CY}^{(b)} \text{ Sales} - \text{LY}^{(c)} \text{ Sales}}{\text{LY Sales}} \times 100\%$	6.2%	10.3%
2. Rate of Profit Increase <sup>(a)</sup>	$\frac{\text{CY Profit Before Tax} - \text{LY Profit Before Tax}}{\text{LY Profit Before Tax}} \times 100\%$	61.7%	-35.8%
3. Rate of Profit on Sales <sup>(a)</sup>	$\frac{\text{Profit Before Tax}}{\text{Total Sales}} \times 100\%$	3.1%	2.0%
4. Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	2.54:1	2.7:1
5. Dividend Ratio to Capital	$\frac{\text{Dividend}}{\text{Average Capital}} \times 100\%$	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 semester of 2019, the Group sales increased by 6.2% from ₱5.863 billion last year to ₱6.228 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 61.7% mainly due to 6.2% increase in sales and decrease in selling expenses 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 3.1% from 2.0% of the same period 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 2.54:1 as of September 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 37.2% cash dividend for the 1<sup>st</sup> semester of 2019 and 2018 respectively.

**FIRST SEMESTER ENDED SEPTEMBER 30, 2019 vs. 2018****RESULTS OF OPERATION****Material Changes (+/-5% or more) in the financial statements (*in thousands*)**

<b>Accounts</b>	<b>SEPT 2019 (Unaudited)</b>	<b>SEPT 2018 (Unaudited)</b>	<b>Difference (%)</b>
Sales	6,228,250	5,862,510	6.2%
Cost of Sales	5,138,273	4,702,353	9.3%
Gross profit	1,089,977	1,160,157	-6.0%
Selling expenses	400,080	537,271	-25.5%
General & administrative expense	510,816	504,587	1.2%
Other income – net	13,960	1,116	1,150.9%
Income before tax	193,041	119,416	61.7%
Income tax expense	54,428	45,667	19.2%
Income after tax	138,613	73,748	88.0%

Consolidated sales for the first semester of FY 2019 amounted to ₱6.228 billion, increased by ₱365.7 million (6.2%) from ₱5.863 billion posted in the same period last year. This was mainly due to the improved retail sale of room air-conditioning products especially its exports sales and imported refrigerator

Cost of sales increased due to increase in materials used in local product production, depreciation expense, product development cost and manpower labor expenses.

Gross profit decreased by 6.0% despite the increase in sales due to increase in cost of sales ratio by 2.3% compared to last year.

Selling expenses decreased by ₱137.2 million (-25.5%) mainly due to decrease in sales promotion expenses by ₱138.6 million and freight cost by ₱39.7 million, respectively.

General administrative expenses increased by ₱6.2 million (1.2%) mainly due to decrease of various fixed expenses.

Net non-operating income increased by ₱12.8 million (1,150.9%) 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 ₱73.6 million (61.7%) and ₱64.9 million (88.0%) respectively due to 6.2% increase in sales amount, lower selling expenses versus last year, and increase in non-operating income by 1,150.9% versus last year.

## FINANCIAL POSITIONS

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

Accounts	SEPT 2019 (Unaudited)	MARCH 2019 (Audited)	Difference (%)
Cash and cash equivalents	3,739,959	2,831,509	32.1%
Receivables	1,428,695	1,667,305	-14.3%
Inventories	1,293,892	1,637,439	-21.0%
Other current assets	155,804	127,904	22.1%
Property & equipment	1,021,439	969,014	5.4%
Right of use assets	39,730	-	
Other noncurrent assets	31,320	31,324	0.0%
Accounts payable & accrued expenses	2,584,539	2,354,706	9.4%
Provision for estimated liabilities	609,900	506,323	20.46%
R/E – Unappropriated	401,038	351,505	14.1%

The Group continues to maintain its strong financial position with total assets amounting to ₱7.823 billion and ₱7.377 billion as of September 30, 2019 and March 31, 2019 respectively. Total equity amounted to ₱4.563 billion in September 30, 2019 and ₱4.513 billion as of March 31, 2019.

Net increased on cash by ₱908.5 million (32.1%) mainly to good cash conversion cycle happen during the period.

Accounts receivable decreased by ₱238.6 million (-14.3%) due to good collection efficiency especially on its export sales.

Inventories decreased by ₱343.5 million (-21.0%) 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 ₱27.9 million (21.8%) mainly due to creditable withholding taxes for the period.

Net increased on property, plant and equipment by ₱52.4 million due to the continuous factory renovation and upgrade of factory facilities, machineries and equipment. Total purchases for the period amounted to ₱180.6 million while total amortization of depreciation expense for the period amounted to ₱107.4 million.

Net Right of use assets valued at 39.7 million.

Net increased on accounts payable and accrued expenses by ₱229.8 million (-10.64%) mainly due to increase in various reserves by ₱259.1 million.

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

Retained earnings – unappropriated increased by ₱49.5 million (14.1%) mainly due lower dividend declaration amounting to ₱88.7 million and high net income generated during the period.



## 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	119,416	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 (22.9%) 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

### ▪ September 30, 2017 vs. March 31, 2017

#### 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 decreased by 7.6% amounting to ₱271.6 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 increased by 3.8% amounting to ₱38.4 million.

Inventories increased by 6.2% from ₱1,011 million of fiscal year 2015 ending March 31, 2016 to ₱1,074 million in September 2016 due to higher sales performance and advance orders of various dealers.

Other current assets increased by ₱52.8 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 total 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 decreased by ₱295.3 million (-14.5%) due to decrease in purchase of imported raw materials and merchandise from related parties and product promotional expenses to increase sales achievement.

Provisions for estimated liabilities increased by 5.2% amounting to ₱19.1 million mainly due to 1<sup>st</sup> semester provision of expenses.

Unappropriated retained earnings increased by 35.9% amounting to ₱149.3 million mainly due to increase on sales achievement and decrease in selling expenses.

## CASH FLOWS

A brief summary of cash flow movement is shown below

<i>(In thousands pesos)</i>	2019	2018
Net cash flows provided by operating activities	1,178,673	23,072
Net cash flows used in investing activities	(180,141)	(90,978)
Net cash flows used in financing activities	(90,082)	(157,575)

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.

Major component of net cash flows used in investing activities included the following:

<i>(In thousands pesos)</i>	2019	2018
Additions to property and equipment - net	(180,551)	(91,370)

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

<i>(In thousands pesos)</i>	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 November 12, 2019.

**PANASONIC MANUFACTURING PHILIPPINES CORPORATION**

By:



**YOSHIYUKI TAKAHASHI**  
Treasurer & Executive Director



**MA. VIRGINIA AREVALO**  
Compliance Officer

PANASONIC MANUFACTURING PHILIPPINES  
CORPORATION AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

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



**PANASONIC MANUFACTURING PHILIPPINES CORP. & SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
*(In Thousand Pesos)*

	(Unaudited) September 30, 2019	(Audited) March 31, 2019
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	₱3,739,959	₱2,831,509
Receivables - net (Notes 5)	1,428,695	1,667,305
Inventories - net (Note 6)	1,293,892	1,637,439
Other current assets (Note 8)	155,804	127,904
<b>Total Current Assets</b>	<b>6,618,350</b>	<b>6,264,157</b>
<b>Non-current Assets</b>		
Property, plant and equipment - net (Note 7)	1,021,439	969,014
Right of use Assets - net	39,730	-
Deferred tax assets - net	112,090	112,090
Other assets - net (Note 8)	31,320	31,324
<b>Total Non-current Assets</b>	<b>1,204,579</b>	<b>1,112,429</b>
	<b>₱7,822,929</b>	<b>₱7,376,586</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses (Notes 9)	₱2,584,539	₱2,354,706
Income tax payable	24,291	2,715
Other current liabilities (Note 10)	96,821	86,065
Finance lease liability	1,346	-
<b>Total Current Liabilities</b>	<b>2,706,997</b>	<b>2,443,486</b>
<b>Noncurrent Liability</b>		
Provisions for estimated liabilities (Note 10)	421,441	318,620
Retirement liability (Note 10)	91,638	101,638
Finance lease liability	40,135	-
<b>Total Noncurrent Liabilities</b>	<b>553,214</b>	<b>420,258</b>
	<b>3,260,211</b>	<b>2,863,744</b>
<b>Stockholders' Equity</b>		
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	401,038	351,505
	<b>4,490,006</b>	<b>4,440,473</b>
Non-controlling interest	72,712	72,369
<b>Total Stockholders' Equity</b>	<b>4,562,718</b>	<b>4,512,842</b>
	<b>₱7,822,929</b>	<b>₱7,376,586</b>

*See accompanying Notes to Financial Statements.*

**PANASONIC MANUFACTURING PHILIPPINES CORP. & SUBDIARY**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2019 & 2018**  
*(In Thousand Pesos except Earnings per Common Share Amount)*

	UNAUDITED			
	Apr-Sept 2019	Apr-Sept 2018	Jul-Sept 2019	Jul-Sept 2018
NET SALES	₱6,228,250	₱5,862,510	₱2,881,543	₱2,488,069
COST OF GOODS SOLD (Note 15)	5,138,273	4,702,353	2,367,972	2,025,177
GROSS PROFIT	1,089,977	1,160,157	513,571	462,892
SELLING EXPENSES (Note 16)	(400,080)	(537,271)	(208,745)	(241,715)
GENERAL AND ADMINISTRATIVE EXPENSES (Note 17)	(510,816)	(504,587)	(252,836)	(233,567)
INCOME FROM OPERATIONS	179,081	118,299	51,990	(12,390)
OTHER INCOME – Net (Note 19)	13,960	1,116	3,674	2,605
INCOME BEFORE INCOME TAX	193,041	119,415	55,664	(9,785)
PROVISION FOR INCOME TAX	54,428	45,667	24,291	18,587
NET INCOME FOR THE PERIOD	₱138,613	₱73,748	₱31,373	(₱28,372)
OTHER COMPREHENSIVE INCOME				
TOTAL COMPREHENSIVE INCOME	₱138,613	₱73,748	₱31,373	(₱28,372)
Attributable to:				
Equity holders of the parent	₱138,270	₱73,450	₱31,181	(₱28,531)
Minority interest	343	298	192	159
Earnings Per Share (Note 21)	₱0.33	₱0.17	₱0.07	(₱0.07)

*See accompanying Notes to Financial Statements.*

**PANASONIC MANUFACTURING PHILIPPINES CORP. & SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

For the Six Months Ended September 30, 2019 and 2018

(In thousand pesos)

	SEPTEMBER (UNAUDITED)		
	2019	2018	2017
<b>CAPITAL STOCK</b> (Note 11)	<b>₱422,718</b>	<b>₱422,718</b>	<b>₱422,718</b>
<b>ADDITIONAL PAID-IN CAPITAL</b>	<b>4,780</b>	<b>4,780</b>	<b>4,780</b>
Net Unrealized Gain on AFS	3,825	1,381	1,381
Re-measurement Loss on Retirement Liability	(84,755)	(16,007)	(73,218)
<b>RETAINED EARNINGS</b> (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
Total comprehensive income	138,269	73,450	149,292
Reversals	-	-	-
Appropriations	-	-	-
Cash dividends	(88,736)	(157,124)	
Balance at end of period	401,038	330,634	565,380
	4,143,438	4,023,034	3,992,780
Minority interest	72,712	72,290	71,519
<b>Total Stockholders' Equity</b>	<b>₱4,562,718</b>	<b>₱4,508,196</b>	<b>₱4,419,960</b>

See accompanying Notes to Financial Statements.

**PANASONIC MANUFACTURING PHILIPPINES CORP. & SUBSIDIARY****CONSOLIDATED STATEMENTS OF CASH FLOWS****For the Six Months Ended September 30, 2019 and 2018***(In thousand pesos)*

<b>(UNAUDITED)</b>	<b>SEPTEMBER</b>	
	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>₱193,041</b>	<b>₱119,415</b>
Adjustments for:		
Depreciation and amortization (Note 18)	<b>115,251</b>	<b>96,079</b>
Interest income (Note 17)	<b>(30,386)</b>	<b>(20,548)</b>
Net movement for estimated liabilities	<b>87,714</b>	<b>69,652</b>
Operating income before working capital changes	<b>365,620</b>	<b>264,598</b>
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	<b>238,610</b>	<b>(96,700)</b>
Inventories	<b>343,546</b>	<b>(128,915)</b>
Other current assets	<b>(27,900)</b>	<b>(61,010)</b>
Increase (decrease) in:		
Accounts payable and accrued expenses	<b>282,838</b>	<b>70,218</b>
Net cash generated in operations	<b>1,202,715</b>	<b>48,191</b>
Income taxes paid	<b>(54,428)</b>	<b>(45,667)</b>
Interests received	<b>30,386</b>	<b>20,548</b>
Net cash provided by (used in) operating activities	<b>1,178,673</b>	<b>23,072</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of property and equipment –net	<b>(180,551)</b>	<b>(91,370)</b>
Decrease (increase) in Lease Property	<b>(39,730)</b>	
Decrease (increase) in Lease Liability	<b>40,135</b>	
Decrease (increase) in other assets		<b>392</b>
Net cash used in investing activities	<b>(180,141)</b>	<b>(90,978)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Cash dividends paid	<b>(88,736)</b>	<b>(157,124)</b>
Finance lease liabilities paid	<b>(1,346)</b>	<b>(451)</b>
Cash used in financing activities	<b>(90,082)</b>	<b>(157,575)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>908,450</b>	<b>(225,481)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>2,831,509</b>	<b>3,356,080</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>₱3,739,959</b>	<b>₱3,130,599</b>

*See accompanying Notes to Financial Statements.*

## **PANASONIC MANUFACTURING PHILIPPINES CORP. & SUBSIDIARY**

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### **SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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#### **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.

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#### **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, 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.

#### Effective in fiscal year 2020

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

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

These amendments will apply on future business combinations of the 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.

#### Effective in fiscal year 2021

- 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.

#### Deferred effectivity

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

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

### 3. 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) September 2019	(Audited) March 2019
Cash on banks	₱564,535	₱615,908
Cash equivalents	3,175,424	2,215,601
	<b>₱3,739,959</b>	<b>₱2,831,509</b>

### 5. Receivables

This account consists of: (in thousands)

	(Unaudited) September 2019	(Audited) March 2019
Trade		
Domestic	₱1,220,747	₱1,326,254
Export	36,302	266,710
Non-trade		
Related parties	92,661	24,709
Third parties	22,881	47,880
Employees	834	3,130
Others	59,094	3,548
	<b>1,432,519</b>	<b>1,672,231</b>
Less allowance for doubtful accounts	3,824	4,926
	<b>₱1,428,695</b>	<b>₱1,667,305</b>

## 6. Inventories

This account consists of: (in thousands)

	(Unaudited) September 2019	(Audited) March 2019
At NRV:		
Finished goods and merchandise	-	₱17,294
At cost:		
Finished goods and merchandise	₱919,235	1,084,067
Raw materials	342,260	500,142
Goods in-process	6,673	10,565
Supplies	25,724	25,371
	<b>1,293,892</b>	<b>1,620,145</b>
	<b>₱1,293,892</b>	<b>₱1,637,439</b>

## 7. Property, Plant and Equipment

This account consists of (Php1,000):

As of September 30, 2019	Land and Improvements	Factory Machinery, Equipment and Tools	Building and Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Construction in Progress	Total
<b>Cost</b>							
Balance at beginning of period	₱236,029	₱1,754,237	₱1,096,459	₱170,127	₱137,482	₱90,102	₱3,484,436
Acquisitions		38,109	36,927	10,711	4,890	89,914	180,551
Retirements/disposals		(275)	-	(255)	(4,133)	(182)	(4,845)
Reclassification		80,619	56,489	3,080	-	(160,630)	(20,441)
Balances at end of period	236,029	1,872,691	1,189,875	183,663	138,239	19,204	3,639,701
<b>Accumulated Depreciation And Amortization</b>							
Balance at beginning of period	₱2,851	₱1,457,013	₱785,224	₱157,729	₱112,605	-	₱2,515,422
Depreciation (Note 18)		71,113	24,279	6,748	5,309		107,449
Retirements/disposals		(275)	-	(255)	(4,079)	-	(4,609)
Reclassification		-	-	-	-	-	-
Balances at end of period	2,851	1,527,851	809,503	164,222	113,836	-	2,618,263
<b>Net Book Value</b>							
(Unaudited) September 2019	₱233,178	₱344,840	₱380,372	₱19,442	₱24,403	₱19,204	₱1,021,439
(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)

	September 2019	March 2019
<b>Other current assets</b>		
Creditable withholding taxes (CWTs)	114,334	83,793
Prepaid expenses	34,216	42,656
Advances to suppliers and employees	₱7,295	₱1,495
Tax credit certificate (TCC)	3,460	3,460
	159,304	131,404
Less: Allowance for probable loss	3,500	3,500
	<b>₱155,804</b>	<b>₱127,904</b>
<b>Other assets</b>		
Deposits	₱17,060	₱18,331
Deferred input VAT	6,220	5,735
Financial assets at FVOCI	4,786	4,786
Software	3,254	2,472
	<b>₱31,320</b>	<b>₱31,324</b>

The composition and movements of Intangible Assets - software follow:

	September 2019	March 2019
<b>Cost</b>		
Balances at beginning of year	₱115,010	₱115,010
Additions	1,336	-
Retirement	(6,368)	-
Balances at end of year	109,978	115,010
<b>Accumulated amortization</b>		
Balances at beginning of year	112,538	111,026
Amortization (Note 20)	555	1,512
Retirement	(6,368)	-
Balances at end of year	106,724	112,538
<b>Net book value</b>	<b>₱3,254</b>	<b>₱2,472</b>

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:

	September 2019	March 2019
Trade payable		
Related parties	<b>₱461,610</b>	₱446,691
Third parties	<b>437,958</b>	457,389
Non-trade payable		
Related parties	<b>131,842</b>	111,534
Third parties	<b>11,623</b>	32,917
Accrued expense		
Third parties	<b>1,432,818</b>	1,220,132
Related parties	<b>25,447</b>	25,963
Others		
Advances from customers	<b>58,621</b>	39,666
Dividends payable	<b>3</b>	-
Output VAT	<b>24,616</b>	20,414
	<b>₱2,584,539</b>	₱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:

	September 2019	March 2019
Accrued advertising expenses and sales promotions	<b>₱867,157</b>	₱671,454
Payable to suppliers	<b>341,451</b>	512,199
Salaries and other employee benefits	<b>67,522</b>	28,412
Accrued freight expenses	<b>66,949</b>	8,067
Other accrued expenses	<b>89,739</b>	-
	<b>₱1,432,818</b>	₱1,220,132

## 10. Retirement and Other Liabilities

This account consists of:

	September 2019	March 2019
Retirement liability	<b>₱91,638</b>	₱101,638
Other liabilities		
Provisions for estimated liabilities	<b>504,662</b>	385,222
Other long-term employee benefits	<b>13,600</b>	19,463
	<b>518,262</b>	404,685
	<b>₱609,900</b>	₱506,323

**Provisions for estimated liabilities**

The roll-forward of this account follows:

	September 2019		
	Warranty Claims	Others	Total
Balances at beginning of year	₱100,990	₱284,232	₱385,222
Provisions (Notes 15 and 16)	26,859	191,043	217,202
Claims/usage/reclassifications	(10,870)	(87,592)	(97,762)
Balances at end of year	₱116,979	₱387,684	₱504,662

	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

- 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, 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.
- 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, 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 semester 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 September 30, 2019.

### 13. Cost of Goods Sold

This account consists of: (in thousand pesos)

	September (Unaudited)	
	2019	2018
Material costs	₱2,397,720	₱2,272,354
Direct labor (Note 18)	127,558	80,351
Manufacturing overhead:		
Indirect labor (Note 18)	98,493	92,671
Depreciation and amortization (Note 20)	94,605	82,514
Product and development cost	36,721	6,224
Electricity, gas and water	30,468	26,651
Repairs and maintenance	19,412	15,755
Indirect materials	15,096	12,585
Supplies	10,506	8,175
Outsourcing	9,385	8,218
Traveling	7,516	5,372
Insurance	5,872	4,584
Taxes and dues	2,335	2,556
Rent	1,620	1,539
Provision for obsolescence of materials	(2,400)	1,480
Others	6,532	3,424
Total manufacturing overhead	336,121	271,750
	2,861,399	2,624,455
Goods in process:		
Beginning of period	10,565	19,787
End of period	(6,673)	(10,726)
Cost of goods manufactured	2,865,291	2,633,516
Finished goods and merchandise:		
Beginning of period	1,101,361	963,587
Add purchases – net	2,090,856	2,171,117
End of period	(919,235)	(1,065,867)
	₱5,138,273	₱4,702,353



**16. Selling Expenses**

This account consists of: (in thousand pesos)

	September (Unaudited)	
	2019	2018
<b>Selling</b>		
Sales commission, promotion, and discounts	<b>₱100,888</b>	₱239,497
Freight	<b>219,084</b>	258,806
Advertising	<b>66,579</b>	36,540
Provision for warranty costs	<b>13,529</b>	2,428
	<b>₱400,080</b>	₱537,271

**17. General and Administrative Expenses**

This account consists of: (in thousand pesos)

	September (Unaudited)	
	2019	2018
<b>General and Administrative</b>		
Salaries, wages and employees' benefits (Note 18)	<b>₱167,481</b>	₱173,503
Technical assistance fees (Note 10)	<b>100,837</b>	91,910
Brand license fees (Note 10)	<b>45,872</b>	41,479
Information processing expenses	<b>40,242</b>	40,044
Outsourcing	<b>34,618</b>	28,645
Taxes and dues	<b>25,194</b>	22,207
Depreciation and amortization (Note 20)	<b>20,646</b>	13,565
Traveling	<b>18,661</b>	19,419
Insurance	<b>10,839</b>	8,098
Supplies	<b>8,565</b>	4,304
Allocated Cost-Regional Headquarter (Note 10)	<b>8,503</b>	8,643
Rent	<b>7,983</b>	16,773
Repairs and maintenance	<b>4,786</b>	3,456
Electricity, gas and water	<b>3,343</b>	3,146
Provision for other estimated liabilities	<b>3,306</b>	3,161
Communication	<b>3,273</b>	2,116
Freight and storage	<b>1,387</b>	2,008
Others	<b>5,280</b>	22,112
	<b>₱510,816</b>	₱504,587

**18. Personnel Expenses**

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

	September (Unaudited)	
	2019	2018
Compensation	<b>292,008</b>	269,611
Retirement and severance	<b>16,154</b>	15,295
Other benefits	<b>26,627</b>	27,604
Other salaries (OJT)	<b>58,744</b>	34,015
	<b>₱393,533</b>	₱346,525

**19. Other Income (Expenses)**

This account consists of: (in thousand pesos)

	September (Unaudited)	
	2019	2018
Interest income	₱30,386	₱20,548
Foreign exchange losses – net	(18,983)	(28,391)
Scrap sales	6,692	6,980
Miscellaneous expense – net	(4,135)	1,979
	<b>₱13,960</b>	<b>₱1,116</b>

**20. Depreciation and Amortization Expenses**

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

	September (Unaudited)	
	2019	2018
Cost of goods sold (Note 15)	₱94,605	₱82,514
Operating expenses (Note 17)	20,647	13,565
	<b>₱115,251</b>	<b>₱96,079</b>

**21. Earnings Per Share**

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

	September (Unaudited)	
	2019	2018
Comprehensive net income after tax (a)	₱138,613	₱73,748
Weighted average number of common shares (b)	422,718	422,718
Earnings per share (a/b)	<b>₱0.33</b>	<b>₱0.17</b>

**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 September 30, 2019 and 2018 are as follows (in thousands):

**Six Months ended September 30, 2019 vs. 2018 (Unaudited)**

	2019				
	Consumer	SSG	Others	Adjustments/ Eliminations	Total
<b>Consolidated Statement of Comprehensive Income</b>					
Net sales	₱5,919,463	₱211,893	₱96,894	₱-	₱6,228,250
Cost of goods sold (Note 15)	(4,872,829)	(177,655)	(87,790)	-	(5,138,273)
Selling expenses (Note 16)	(414,950)	(10,191)	25,061	-	(400,080)
General and administrative expenses (Note 17)	(446,973)	(19,423)	(44,420)	-	(510,816)
Other income - net (Note 19)	14,152	(234)	42	-	13,960
Income before income tax	₱198,863	₱4,390	₱(10,214)	₱-	193,041
Provision for income tax					54,428
<b>Net income</b>					<b>₱138,613</b>

	2018				
	GCMS	SNC	Others	Adjustments/ Eliminations	Total
<b>Consolidated Statement of Comprehensive Income</b>					
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)	(27,881)	-	(504,587)
Other income - net (Note 19)	(524)	423	1,217	-	1,116
Income before income tax	₱113,889	₱4,104	₱1,422	₱-	119,415
Provision for income tax					45,667
<b>Net income</b>					<b>₱73,748</b>

**21. Subsequent Events**

None

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## **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 September 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)

	September 2019		
	USD	JPY	Equivalents in PHP
<b>Financial assets</b>			
Cash in banks and cash equivalents	23,666	672	1,226,909
Receivables – net	1,135	967	59,335
	24,801	1,639	1,286,244
<b>Financial liabilities</b>			
Accounts payable and accrued expenses	12,173	6,901	634,267

  

	March 2019		
	USD	JPY	Equivalents in PHP
<b>Financial assets</b>			
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
<b>Financial liabilities</b>			
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 September 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 September 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 September 30, 2019**

	<b>Amount</b> <b>(Php 1,000)</b>
<b>Trade Receivables:</b>	
Current Due	1,242,364
01 – 30 days	13,054
31 – 60 days	972
61 – 90 days	407
Over 90 days	252
	<b>1,257,049</b>
Less: Allowance for doubtful accounts	(3,824)
<b>Total</b>	<b>1,253,225</b>
<b>Other Receivables:</b>	
Receivable from affiliates	92,661
Third parties	22,881
Employees	834
Others	59,094
	<b>175,470</b>
<b>Total</b>	<b>1,428,695</b>