COVER SHEET
for
QUARTERLY REPORTS

SEC Registration Number

C	S	0	0	0	0	2	3	0	2	2

Company Name

PANASONIC MANUFACTURING PHILIPPINES CORPORATION AND SUBSIDIARY

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

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

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
453	26th of August / Wednesday	March 31st

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. Mamerto Mondragon	mzmlaw@yahoo.com	8818-7739	(+63) 917 5772162

Contact Person's Address

Ortigas Avenue Extension, San Isidro, Taytay, Rizal

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17- Q

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

1. **For the quarterly period ended June 30, 2020**

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

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) 8635-22-60 to 65**
   Registrant's telephone number, including area code

9. **Not Applicable**
   Former address changed since last report.

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

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

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

    Yes [x] No [ ]

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

    Class A shares are listed in The Philippine Stock Exchange Inc.

12. Check whether the registrant:

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

    Yes [X] No [ ]

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

    Yes [X] No [ ]

PART I – FINANCIAL INFORMATION

Item I. Financial Statements

The Unaudited Consolidated Financial Statements of Panasonic Manufacturing Philippines Corporation (PMPC) and its Subsidiary, Precision Electronics Realty Corporation (PERC) as of and for the period ended June 30, 2020 (with comparative figures as of March 31, 2020 and period ended June 30, 2019 & 2018) 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 2020 Apr – Jun	FY 2019 Apr – Jun
1. Rate of Sales Increase	$\dfrac{\text{CY}^{(b)}\text{ Sales} - \text{LY}^{(c)}\text{ Sales}}{\text{LY Sales}} \times 100\%$	**-51.9%**	**4.2%**
2. Rate of Profit Increase	$\dfrac{\text{CY Profit Before Tax} - \text{LY Profit Before Tax}}{\text{LY Profit Before Tax}} \times 100\%$	**-160.1%**	**6.3%**
3. Rate of Profit on Sales	$\dfrac{\text{Profit Before Tax}}{\text{Total Sales}} \times 100\%$	**-5.1%**	**4.1%**
4. Current Ratio	$\dfrac{\text{Current Assets}}{\text{Current Liabilities}}$	**2.48:1**	**2.50:1**
5. Dividend Ratio to Capital	$\dfrac{\text{Dividend}}{\text{Average Capital}} \times 100\%$	**14.98%**	**20.99%**

Rate of Sales Increase - This measures the sales growth versus the same period last year. For the first quarter of 2020, the Group sales decreased by 51.9% from ₱ 3.347 billion last year to ₱1.611 billion due to business disruption caused by COVID19 pandemic.

Rate of Profit Increase - This measures the increase in profit before tax versus the same period last year. Rate of profit decreased by 160.1 % mainly due to 51.9% decrease in sales versus last year.

Rate of Profit on Sales - This measures the percentage of profit before tax versus total sales for the period. Rate of profit decreased to -5.1% from 4.1% of the same quarter last year.

Current Ratio - This measures the liquidity of the Group and its ability to pay off current liabilities. The Company registered current ratio of 2.48:1 as of June 30, 2020 and 2.50:1 last March 31, 2020.

Dividend Ratio to Capital - This measures the dividend payout ratio versus capital for the period. The Group paid 14.98% and 20.99% cash dividend for the 1st quarter of 2020 and 2019 respectively.

THREE MONTHS ENDED JUNE 30, 2020 vs. 2019

RESULTS OF OPERATION

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

Accounts	JUNE 2020 (Unaudited)	JUNE 2019 (Unaudited)	Difference (%)
Sales	**1,610,812**	3,346,706	**-51.87%**
Cost of sales	**1,410,747**	2,770,301	**-49.08%**
Gross profit	**200,065**	576,405	**-65.29%**
General administrative expenses	**206,936**	257,980	**-19.79%**
Selling expenses	**73,851**	191,336	**-61.40%**
Other income / (loss) – net	**-1,885**	10,287	**-118.33%**
Income/(Loss) before tax	**-82,606**	137,376	**-160.13%**
Income tax expense	**53,332**	30,137	**76.97%**
Income/(Loss) after tax	**-135,939**	107,239	**-226.76%**

Consolidated sales for the first quarter of FY 2020 amounted to ₱1.611 billion, decreased by ₱1.736 million (-51.87%) from ₱3.347 billion posted in the same quarter last year. The low achievement of sales was due mainly to business disruption, both sales and production of finished goods, brought by Covid19 outbreak and the imposition of enhanced community quarantine from mid-March until May 15, 2020 throughout Luzon.

Cost of sales reduced by ₱1.360 billion due mainly to decrease in material cost consumption by ₱690 million, purchases of raw materials ₱598.2 million and direct and indirect labor cost by ₱33.88 million mainly due to stoppage of production in April and May 2020.

Gross profit decreased by 65.29% due mainly to significant decrease in sales compared to last year.

General administrative expenses decreased by ₱51.0 million (-19.79%) mainly due to provision for technical assistance fee ₱30.0 million and brand license fee ₱14.6 million for the quarter which were based on sales performance.

Selling expenses decreased by ₱117.5 million (-61.4%) mainly due to decrease in freight and storage by ₱110.1 million due to the decline in sales and advertising expense by ₱24.9 million.

Net non-operating income decreased by ₱12.2 million (-118.33%) due mainly to interest earned from time deposits in bank due to decrease in interest rate for the period.

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Income tax expense increased in amount was due to increase in provision for other estimated liabilities for sales promotion for the next quarter to recover the negative impact of covid19 in sales performance.

The Group’s net income before and after tax deterioration by ₱219.98 million (-160.13%) and ₱243.18 million (-226.76%) respectively was due to 51.87% decrease in sales achievement and non-operating income – net by 118.33% versus last year.

FINANCIAL POSITIONS

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

Accounts	JUNE 2020 (Unaudited)	MARCH 2020 (Audited)	Difference (%)
Cash and cash equivalents	**2,545,595**	2,945,350	**-13.57%**
Receivables	**1,746,150**	1,440,043	**21.26%**
Inventories	**1,568,845**	1,654,053	**-5.15%**
Other current assets	**181,511**	91,858	**97.60%**
Property & equipment	**1,039,701**	1,072,552	**-3.06%**
Right of use assets	**7,036**	10,777	**-34.71%**
Other noncurrent assets	**25,189**	25,590	**-4.66%**
Accounts payable & accrued expenses	**2,230,062**	2,365,479	**-5.72%**
Provision for estimated liabilities	**621,228**	547,528	**13.46%**
R/E – Unappropriated	**139,274**	338,836	**-58.90%**

The Group's total assets amounted to ₱7.260 billion and ₱7.409 billion as of June 30, 2020 and March 31, 2020 respectively. Total equity amounted to ₱4.286 billion in June 30, 2020 and ₱4.485 billion as of March 31, 2020.

Net decrease in cash by ₱399.8 million (-13.57%) mainly due to 48.13% sales achievement for the quarter caused by Enhance Community Quarantine (ECQ) nationwide due to covid19 pandemic.

Accounts receivable increased by ₱306.1 million (21.26%) due to extended collection due date and no-payment of customers during ECQ.

Inventories decreased by ₱85.2 million (-5.15%) mainly due to decrease in finished goods and merchandise as a result of production stoppage in April and May 2020.

Net increase in other current assets by ₱89.7 million (97.6%) mainly due to creditable withholding taxes for the period and excess from last year.

Net decrease on property, plant and equipment by ₱32.9 million due to move up of investment of factory facilities, machineries and equipment. Total purchases for the period amounted to ₱22.4 million while total amortization of depreciation expense for the period amounted to ₱55.3 million.

Net Right of use assets valued at 7.04 million.

Net decrease in accounts payable and accrued expenses by ₱135.4million (-5.72%) mainly due to decrease in trade payable by ₱141.4 million due to sales and production stoppage.

Provision for estimated expenses increased mainly due for reserves for price risk and overhead expenses.

Retained earnings – unappropriated decreased by ₱199.6 million (-58.9%) mainly due to dividend declaration amounting to ₱63.7 million and significant net loss generated during the quarter.

<u>THREE MONTHS ENDED JUNE 30, 2019 vs. 2018</u>

RESULTS OF OPERATION

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

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

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

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

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

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

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

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

FINANCIAL POSITIONS

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

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

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

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

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

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

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

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

Net Right of use assets valued at 43.4 million.

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

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

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

THREE MONTHS ENDED JUNE 30, 2018 vs. 2017

RESULTS OF OPERATION

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

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

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

Gross profit decreased by 4.2% due mainly to 20.6% increase in cost of sales despite of the increase in sales for the period by 14.5%. Cost of sales increase was mainly due to higher market price of major raw material components used in our production especially imported materials due to peso devaluation.

General administrative expenses increased by ₱29.5 million (12.2%) due to increase in various accounts such as brand license fee, technical assistance fee taxes and dues and outsourcing expenses.

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

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

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

FINANCIAL POSITIONS

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

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

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

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

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

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

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

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

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

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

CASH FLOWS

A brief summary of cash flow movement is shown below

(In thousands pesos)	**2020**	2019
Net cash flows provided/(used) by operating activities	**(310,602)**	574,744
Net cash flows used in investing activities	**(22,015)**	(80,322)
Net cash flows used in financing activities	**(67,138)**	(90,062)

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

Net cash flows used in investing activities included the following:

(In thousands pesos)	**2020**	2019
Additions to property and equipment - net	**(22,416)**	(80,138)
Additions to other assets	401	(184)

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

(In thousands pesos)	**2020**	2019
Cash dividends paid	**(63,306)**	(88,736)

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

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

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

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

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

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

e. Any known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operation.

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

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

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

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

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

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

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

PART II – OTHER INFORMATION

NOT APPLICABLE

SIGNATORIES

Pursuant to the requirements of the Securities Regulation Code, Panasonic Manufacturing Philippines Corporation has duly caused this report to be signed on its behalf by the following persons in their capacities stated below in Taytay, Rizal on August 12, 2020.

PANASONIC MANUFACTURING PHILIPPINES CORPORATION

By:

Y. Takahashi

YOSHIYUKI TAKAHASHI
Treasurer & Executive Director

MA. VIRGINIA AREVALO
Compliance Officer

PANASONIC MANUFACTURING PHILIPPINES COPORATION AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

As of June 30, 2020 (Unaudited) and March 31, 2020 (Audited)
And for the Three Months ended June 30, 2019 and 2018 (Unaudited)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In Thousand Pesos)

	(Unaudited) June 30, 2020	(Audited) March 31, 2020
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱2,545,595**	₱2,945,350
Receivables - net (Notes 5)	**1,746,150**	1,440,043
Inventories - net (Note 6)	**1,568,845**	1,654,053
Other current assets (Note 8)	**181,511**	91,858
Total Current Assets	**6,042,102**	6,131,304
Non-current Assets		
Property, plant and equipment - net (Note 7)	**1,039,701**	1,072,553
Right of use Assets - net	**7,036**	10,777
Deferred tax assets – net	**146,143**	168,745
Other assets – net (Note 8)	**25,189**	25,590
Total Non-current Assets	**1,218,069**	1,277,665
	₱7,260,171	₱7,408,968
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 9)	**₱2,230,062**	₱2,365,479
Income tax payable	**115,996**	-
Other current liabilities	**81,411**	79,473
Finance lease liability	**5,157**	8,987
Total Current Liabilities	**2,432,626**	2,453,939
Noncurrent Liability		
Provisions for estimated liabilities (Note 10)	**417,225**	345,463
Retirement liability	**122,592**	122,592
Finance lease liability	**1,722**	1,722
Total Noncurrent Liabilities	**541,539**	469,777
	2,974,165	2,923,716
Stockholders' Equity		
Equity attributable to equity holders of the parent		
Capital stock - ₱1 par value (Note 11)	**422,718**	422,718
Additional paid-in capital	**4,780**	4,780
Other comprehensive income / (loss)	**(146,240)**	(146,240)
Retained earnings (Note 12)		
Appropriated	**3,792,400**	3,792,400
Unappropriated	**139,274**	338,836
	4,212,932	4,412,494
Non-controlling interest	**73,074**	72,758
Total Stockholders' Equity	**4,286,007**	4,485,252
	₱7,260,171	₱7,408,968

See accompanying Notes to Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORP. & SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Three Months ended June 30, 2020, 2019 & 2018

(In Thousand Pesos except Earnings per Common Share Amount)

	JUNE (UNAUDITED)		
	2020	2019	2018
CONTINUING OPERATIONS			
NET SALES	**₱1,610,812**	₱3,346,706	₱3,211,203
COST OF GOODS SOLD (Note 13)	**1,410,747**	2,770,301	2,677,176
GROSS PROFIT	**200,065**	576,405	534,027
SELLING EXPENSES (Note 14)	**73,851**	191,336	132,318
GENERAL AND ADMINISTRATIVE EXPENSES (Note 15)	**206,936**	257,980	271,020
INCOME / (LOSS) FROM OPERATIONS	**(80,722)**	127,089	130,689
OTHER INCOME/(LOSS) – Net (Note 17)	**(1,885)**	10,287	(1,489)
INCOME / (LOSS) BEFORE INCOME TAX	**(82,606)**	137,376	129,200
PROVISION FOR INCOME TAX	**53,332**	30,137	27,080
NET INCOME / (LOSS)	**(135,939)**	107,239	102,120
OTHER COMPREHENSIVE INCOME:			
Net unrealized gains on available-for-sale investments	**-**	-	-
TOTAL COMPREHENSIVE INCOME / (LOSS)	**(₱135,939)**	₱107,239	₱102,120
Attributable to:			
Equity holders of the parent	**(₱136,256)**	₱107,088	₱101,977
Minority interest	**317**	151	143
Earnings Per Share (Note 19)	**(₱0.32)**	₱0.25	₱0.24

See accompanying Notes to Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORP. & SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousand pesos)

	(Unaudited) June 2020	(Unaudited) June 2019	(Unaudited) June 2018
Capital Stock (Note 11)	**₱422,718**	₱422,718	₱422,718
Additional Paid-in Capital	**4,780**	4,780	4,780
Net unrealized Gains on AFS Investments	**626**	3,825	1,381
Re-measurement loss on Retirement liability	**(146,866)**	(84,755)	(16,007)
RETAINED EARNINGS (Note 12)			
Appropriated:			
Balance at beginning of period	**3,792,400**	3,742,400	3,692,400
Appropriations			
Reversals			
Balance at end of period	**3,792,400**	3,742,400	3,692,400
Unappropriated:			
Balance at beginning of period	**338,836**	351,505	414,308
Net income	**(136,256)**	107,088	101,977
Other comprehensive income	**-**	-	-
Reversals	**-**	-	-
Appropriations	**-**	-	-
Cash dividends	**(63,306)**	(88,736)	(157,124)
Balance at end of period	**139,274**	369,857	359,161
	4,212,932	4,112,257	4,051,561
Minority interest	**73,074**	72,520	72,135
Total Stockholders' Equity	**₱4,286,007**	₱4,531,345	₱4,536,568

See accompanying Notes to Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORP. & SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three Months Ended June 30, 2020 and 2019

(In thousand pesos)

	JUNE (UNAUDITED)	
	2020	**2019**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income/(Loss) before income tax	**(₱82,606)**	₱137,376
Adjustments for:		
Depreciation and amortization (Note 18)	**59,258**	51,626
Interest income (Note 17)	**(4,776)**	(14,734)
Net movement for estimated liabilities	**73,701**	59,198
Operating income before working capital changes	**45,577**	233,466
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	**(306,108)**	177,065
Inventories	**85,208**	421,671
Other current assets	**(89,653)**	(18,338)
Increase (decrease) in:		
Accounts payable and accrued expenses	**(2,930)**	(223,718)
Net cash generated in operations	**(262,046)**	590,147
Income taxes paid	**(53,332)**	(30,137)
Interests received	**4,776**	14,734
Net cash provided by (used in) operating activities	**(310,602)**	574,744
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment –net	**(22,416)**	(80,138)
Decrease (increase) in other assets	**401**	(184)
Net cash used in investing activities	**(22,015)**	(80,322)
CASH FLOW FROM FINANCING ACTIVITIES		
Cash dividends paid	**(63,306)**	(88,736)
Finance lease liabilities paid	**(3,832)**	(1,326)
Cash used in financing activities	**(67,138)**	(90,062)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(399,755)**	404,360
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**2,945,350**	2,831,509
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱2,545,595**	₱3,235,869

See accompanying Notes to Financial Statements.

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

1. Corporate Information

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

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

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

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation
The accompanying unaudited consolidated interim financial statements of the Parent Company and the Subsidiary (collectively referred to as the "Group") as of and for the period ended June 30, 2020 has been prepared on a historical cost basis, except for financial assets which are measured at fair value and inventories at lower of cost or net realizable value (NRV). 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 accounting policies adopted are consistent with those of the previous years. The adoption of the new and amended standards and interpretations effective April 1, 2019 did not have any impact on the consolidated financial statements of the Group unless otherwise indicated.

*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 beginning on or after June 1, 2020*

- Amendments to PFRS 16, COVID-19-*related Rent Concessions*
  The amendments provide relief to lessees from applying PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if its meets all of the following criteria:
    - The rent concession is a direct consequence of COVID-19;
    - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
    - Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
    - There is no substantive change to other terms and condition of the lease.

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

The amendments are effective for annual reporting periods beginning on or after June1, 2020. Early adoption is permitted.

<u>Effective in fiscal year 2023</u>

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

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

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

<u>Deferred effectivity</u>

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

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

3. Summary of Significant Accounting and Financial Reporting Policies

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

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

4. Cash and Cash Equivalents

This account consists of: (in thousand)

	(Unaudited) June 2020	(Audited) March 2020
Cash on banks	**₱1,938,595**	₱634,292
Cash equivalents	**607,000**	2,311,058
	₱2,545,595	₱2,945,350

5. Receivables

This account consists of: (in thousands)

	(Unaudited) June 2020	(Audited) March 2020
Trade		
Domestic	**₱1,302,518**	₱1,219,746
Export	**303,521**	108,537
Non-trade		
Related parties	**15,510**	63,801
Third parties	**45,014**	3,024
Employees	**10,658**	14,468
Others	**78,109**	34,794
	1,755,330	1,444,370
Less allowance for doubtful accounts	**9,180**	4,328
	₱1,746,150	₱1,440,043

6. Inventories

This account consists of: (in thousands)

	(Unaudited) June 2020	(Audited) March 2020
At NRV:		
Finished goods and merchandise	**-**	₱1,313
At cost:		
Finished goods and merchandise	**₱761,424**	1,001,547
Raw materials	**764,222**	602,944
Goods in-process	**9,669**	14,435
Supplies	**33,531**	33,814
	1,568,845	1,652,740
	₱1,568,845	₱1,654,053

7. Property, Plant and Equipment

This account consists of (Php1,000):

As of June 30, 2020	Land and Improvements	Factory Machinery, Equipment and Tools	Building and Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Construction in Progress	Right of Use of Assets	Total
Cost								
Balance at beginning of period	₱236,029	₱2,020,870	₱1,223,511	₱184,017	₱141,320	₱10,443	₱25,740	₱3,816,191
Acquisitions		8,010,622	1,361	2,172	-	10,872	-	22,416
Retirements/disposals		-	-	-	-	-	-	-
Reclassification		2,470	-	-	-	(2,470)	-	-
Balances at end of period	**236,029**	**2,031,350**	**1,224,872**	**186,189**	**141,320**	**18,845**	**25,740**	**3,838,607**
Accumulated Depreciation And Amortization								
Balance at beginning of period	₱2,851	₱1,620,874	₱834,806	₱168,368	₱116,740	-	₱14,963	₱2,743,639
Depreciation (Note 18)		36,992	13,090	2,918	2,266		3,741	55,267
Retirements/disposals		-	-	-	-	-	-	-
Reclassification		-	-	-	-	-	-	-
Balances at end of period	**2,851**	**1,657,866**	**847,896**	**171,286**	**119,006**	**-**	**18,704**	**2,798,906**
Net Book Value								
(Unaudited) June 2020	**₱233,178**	**₱373,485**	**₱376,976**	**₱14,903**	**₱22,314**	**₱18,845**	**₱7,036**	**₱1,046,737**
(Audited) March 2020	₱233,178	₱399,997	₱388,705	₱15,649	₱24,580	₱10,443	₱10,777	₱1,083,329

8. Other Current Assets and Other Assets

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

	June 2020	March 2020
Other current assets		
Creditable withholding taxes (CWTs)	**₱103,391**	₱33,887
Prepaid expenses	**65,484**	39,227
Advances to suppliers and employees	**₱12,675**	₱10,831
Tax credit certificate (TCC)	**3,460**	11,413
	185,011	95,358
Less: Allowance for probable loss	**3,500**	3,500
	₱181,511	₱91,858
Other assets		
Deposits	**₱19,115**	₱19,115
Deferred input VAT	**2,103**	2,253
Financial assets at FVOCI	**1,586**	1,586
Software	**2,385**	2,636
	₱25,189	₱25,590

The composition and movements of Intangible Assets - software follow:

	June 2020	March 2020
Cost		
Balances at beginning of year	**₱110,099**	₱108,992
Additions	**-**	1,458
Retirement	**-**	(351)
Balances at end of period	**110,099**	110,099
Accumulated amortization		
Balances at beginning of year	**107,464**	106,520
Amortization (Note 18)	**251**	1,295
Retirement		(351)
Balances at end of period	**107,715**	107,464
Net book value	**₱2,385**	₱2,635

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

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

Accounts payable consists of:

	June 2020	March 2020
Trade payable		
Related parties	**₱121,816**	₱209,302
Third parties	**263,244**	317,128
Non-trade payable		
Related parties	**30,228**	111,920
Third parties	**11,458**	7,164
Accrued expense		
Third parties	**1,669,295**	1,659,084
Related parties	**24,984**	19,923
Others		
Advances from customers	**32,966**	40,954
Dividends payable	**5**	3
Output VAT	**76,066**	-
	₱2,230,062	₱2,365,479

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

Accrued expense to third parties consists of:

	June 2020	March 2020
Accrued advertising expenses and sales promotions	**₱1,111,184**	₱1,038,747
Payable to suppliers	**531,123**	587,586
Accrued freight expenses	**19,339**	6,360
Salaries and other employee benefits	**7,649**	26,392
	₱1,669,295	₱1,659,084

10. Retirement and Other Liabilities

This account consists of:

	June 2020	March 2020
Current		
Other liabilities		
Provisions for estimated liabilities	**₱81,411**	**₱79,473**
Noncurrent		
Retirement liability	**122,592**	122,592
Other liabilities		
Provisions for estimated liabilities	**₱394,456**	₱323,575
Other long-term employee benefits	**22,769**	21,888
	539,818	**468,055**
	₱621,228	**₱547,528**

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

	June 2020	March 2020
Current		
Warranty claims	**₱81,411**	**₱79,473**
Noncurrent		
Warranty claims	**22,379**	**21,846**
Others	**372.077**	**301,729**
	394,456	**323,575**
	₱475.867	**₱403,048**

The roll-forward of this account follows:

	June 2020		
	Warranty Claims	**Others**	**Total**
Balances at beginning of year	**₱101,319**	**₱301,729**	**₱403,048**
Provisions	**6,959**	**1,131**	**8,090**
Claims/usage/reclassifications	**(4,488)**	**69,217**	**64,729**
Balances at end of year	**₱103,790**	**₱372,077**	**₱475,867**

	March 2020		
	Warranty Claims	**Others**	**Total**
Balances at beginning of year	**₱100,990**	**₱284,232**	**₱385,222**
Provisions	**67,831**	**(42,712)**	**25,119**
Claims/usage/reclassifications	**(67,502)**	**60,209**	**(7,293)**
Balances at end of year	**₱101,319**	**₱301,729**	**₱403,048**

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

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

11. Capital Stock

Details of capital stock follow:

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

a. The Class A shares of stock can be issued to Philippine nationals only, while the Class B shares of stock can be issued to either Philippine or foreign nationals. As of June 30, 2020, all Class B shares are issued to foreign nationals only. The Group's Class A shares of stock are listed in the Philippine Stock Exchange.

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

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

As of June 30, 2020, the total number of shares registered under the SRC is 84,723,432 shares being held by 453 stockholders.

The Parent Company declared cash dividends amounting to ₱63.3 million and ₱88.7 million in the first quarter of fiscal year 2020 and 2019, 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, 2020 and 2019 amounted to ₱77.8 million and ₱119.5 million, respectively.

In 2020 and 2019, 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 April 14,2020 the Parent Company's BOD authorized and directed the reversal of the appropriated retained earnings amounting to ₱798.8 million. On the same date, the BOD authorized the appropriation of retained earnings amounting to ₱848.8 million, having a total of appropriated retained earnings amounting to ₱3.8 billion of which ₱3.2 billion represents the reinstatement of the previous appropriations for in-plant production of plastic and metal parts, the Group's change of IT System and other future projects of the Parent Company, while the additional ₱530.0 million appropriations represents appropriations for expansion of warehouses to cope with business growth and the replacement and upgrading of old machines, molds and dies and other expected undertakings to expand production including target increase in B2B sales volume. Several projects of the Parent Company that were expected to be completed in 2020 were delayed. These projects are expected to be completed by 2030.

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

d. On March 31, 2018, the Parent Company's BOD authorized and directed the reversal of the appropriated retained earnings amounting ₱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.

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

14.98% cash dividend on May 7, 2020 to stockholders of record as of May 21, 2020 and paid on May 29, 2020 (₱0.1498 per share).

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 25, 2018 and paid on May 11, 2018 (₱0.3717 per share).

f. No subsequent event after June 30, 2020.

13. Cost of Goods Sold

This account consists of: (in thousands)

	(Unaudited) June 2020	(Unaudited) June 2019
Material costs	**₱548,166**	**₱1,238,290**
Direct labor (Note 16)	**41,413**	**67,722**
Manufacturing overhead:		
Depreciation and amortization (Note 18)	**49,191**	**42,145**
Indirect labor (Note 16)	**42,948**	**50,520**
Electricity, gas and water	**13,511**	**17,128**
Provision for obsolescence of materials	**13,335**	**(4,321)**
Research and development	**13,174**	**31,252**
Indirect materials	**5,482**	**9,400**
Traveling	**4,373**	**3,525**
Repairs and maintenance	**4,247**	**12,523**
Outsourcing	**2,985**	**4,700**
Insurance	**2,706**	**2,804**
Supplies	**2,476**	**5,210**
Rent	**1,346**	**831**
Taxes and dues	**954**	**1,316**
Others	**618**	**3,824**
Total manufacturing overhead	**157,346**	**180,857**
	746,925	1,486,869
Goods in process:		
Beginning of period	**14,435**	**10,565**
End of period	**(8,331)**	**(15,486)**
Cost of goods manufactured	**753,029**	**1,481,948**
Finished goods and merchandise:		
Beginning of period	**1,002,859**	**1,122,042**
Add purchases – net	**416,283**	**1,014,520**
End of period	**(761,424)**	**(848,210)**
	₱1,410,747	**₱2,770,301**

14. **Selling Expenses**

This account consists of: (in thousands)

	(Unaudited) June 2020	(Unaudited) June 2019
Sales promotion, rebates and discounts	**₱59,441**	**₱36,867**
Advertising	**12,575**	**37,525**
Provision for warranty costs	**1,758**	**6,770**
Freight	**77**	**110,174**
	₱73,851	**₱191,336**

15. **General and Administrative Expenses**

This account consists of: (in thousands)

	(Unaudited) June 2020	**(Unaudited) June 2019**
Salaries, wages and employees' benefits	**₱88,381**	**₱83,858**
Technical assistance fees	**24,260**	**54,284**
Information processing expenses	**19,886**	**19,681**
Taxes and dues	**11,593**	**13,160**
Depreciation and amortization (Note 18)	**10,067**	**9,481**
Outsourcing	**9,894**	**17,640**
Brand license fees	**9,196**	**23,819**
Insurance	**4,541**	**5,254**
Rent	**4,219**	**3,822**
Supplies	**2,638**	**2,090**
Traveling	**2,277**	**9,260**
Allocated Cost – Regional Headquarter	**1,922**	**4,227**
Electricity, gas and water	**1,361**	**1,769**
Provision for other estimated liabilities	**1,131**	**1,959**
Repairs and maintenance	**1,055**	**2,117**
Communication	**1,017**	**1,469**
Freight and storage	**77**	**720**
Others	**13,421**	**3,370**
	206,936	**₱257,980**

16. **Personnel Expenses**

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

	(Unaudited) June 2020	(Unaudited) June 2019
Compensation	**₱137,635**	**₱146,162**
Other salaries	**12,801**	**33,614**
Retirement and severance	**8,100**	**8,162**
Other benefits	**14,205**	**14,163**
	₱172,741	**₱202,100**

17. **Other Income (Expenses)**

This account consists of: (in thousands)

	(Unaudited) June 2020	**(Unaudited) June 2019**
Interest income	**₱4,776**	**₱14,734**
Scrap sales	**582**	**3,009**
Miscellaneous – net	**4,093**	**3,595**
Forex gain / (loss)	**(11,336)**	**(11,051)**
	(₱1,885)	**₱10,287**

18. Deprecations and Amortization Expenses

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

	(Unaudited) June 2020	(Unaudited) June 2019
Cost of goods sold (Note 13)	**₱49,191**	**₱42,145**
Operating expenses (Note 15)	**10,067**	**9,481**
	₱59,258	**₱51,626**

19. Earnings per Share

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

	(Unaudited) June 2020	(Unaudited) June 2019
Net income (a)	**(₱135,939)**	**₱107,239**
Weighted average number of common shares (b)	**422,718**	**422,718**
Earnings per share (a/b)	**(0.32)**	**₱0.25**

20. Reporting Segments

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

Products under each business segment are as follows:

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

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

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

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

The Group's segment information for the periods ended June 30, 2020 and 2019 are as follows *(in thousands):*

Three Months ended June 30, 2020 vs. 2019 (Unaudited)

2020

	Consumer	SSG	Others	Adjustments/ Eliminations	Total
Consolidated Statement of Comprehensive Income					
Net sales	**₱1,529,000**	**₱35,155**	**₱43,657**	**₱–**	**₱1,610,812**
Cost of goods sold (Note 13)	**(1,335,373)**	**(32,284)**	**(43,090)**	**–**	**(1,410,747)**
Selling expenses (Note 14)	**(66,569)**	**(757)**	**(6,525)**	**–**	**(73,851)**
General and administrative expenses (Note 15)	**(218,485)**	**(6,768)**	**18,316**	**–**	**(206,936)**
Other income - net (Note 17)	**724**	**51**	**(2,660)**	**–**	**(1,885)**
Income before income tax	**(₱90,703)**	**(₱1,602)**	**₱9,699**	**₱–**	**(82,606)**
Provision for income tax					**53,332**
Net income / (Loss)					**(₱135,939)**

2019

	Consumer	SSG	Others	Adjustments/ Eliminations	Total
Consolidated Statement of Comprehensive Income					
Net sales	₱3,180,461	₱128,210	₱36,855	₱–	₱3,346,706
Cost of goods sold (Note 13)	(2,630,795)	(105,724)	(33,782)	–	(2,770,301)
Selling expenses (Note 14)	(197,217)	(7,008)	12,889	–	(191,336)
General and administrative expenses (Note 15)	(228,153)	(11,199)	(18,628)	–	(257,980)
Other income - net (Note 17)	10,212	34	41	–	10,287
Income before income tax	₱135,688	₱4,313	₱(2,625)	₱–	137,376
Provision for income tax					30,137
Net income					₱107,239

21. **Subsequent Events**

None

22. **Financial Risk Management Objectives and Policies**

Risk management structure

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

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

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

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

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

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

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

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

As of June 30, 2020 and March 31, 2020, the foreign currency-denominated financial assets and financial liabilities in original currencies and their Philippine Peso (PHP) equivalents are as follows:

(in thousands)

	June 2020		
	USD	**JPY**	**Equivalents in PHP**
Financial assets			
Cash in banks and cash equivalents	**12,515**	**1,306**	**624,227**
Receivables – net	**6,353**	**-**	**316,570**
	18,868	**1,306**	**940,797**
Financial liabilities			
Accounts payable and accrued expenses	**2,346**	**23,548**	**127,816**

	March 2020		
	USD	JPY	Equivalents in PHP
Financial assets			
Cash in banks and cash equivalents	20,787	1,417	1,054,154
Receivables – net	2,517	5,107	129,993
	23,304	6,524	1,184,147
Financial liabilities			
Accounts payable and accrued expenses	11,320	188,430	663,947

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

The effect on equity (as a result of a change in fair value of equity instruments held as financial assets at FVOCI and available-for-sale at June 30, 2020 and March 31, 2020 respectively) due to a reasonably possible change in equity indices is not material to the consolidated financial position of the Group.

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

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

As of June 30, 2020, 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.

AGING OF ACCOUNTS RECEIVABLE
As of June 30, 2020

	Amount (Php 1,000)
Trade Receivables:	
Current Due	1,346,426
01 – 30 days	19,145
31 – 60 days	32,600
61 – 90 days	152,383
Over 90 days	55,485
	1,606,040
Less: Allowance for doubtful accounts	(9,180)
Total	**1,596,859**
Other Receivables:	
Receivable from affiliates	5,510
Third parties	45,014
Employees	10,658
Others	78,109
	149,291
Total	**1,746,150**