

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

**ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended March 31, 2022
2. SEC Identification Number 23022
3. BIR Tax Identification No. 000-099-692-0000
4. Exact name of issuer 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
Barangay San Isidro, Taytay, Rizal
Address of principal office
- 1920
Postal Code
8. (632) 8635-22-60 to 65
Issuer's telephone number, including area code
9. Not applicable
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
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Common shares, P1.00 par value

<u>Class A</u>	<u>84,723,432</u>
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<u>Class B</u>	<u>337,994,588</u>
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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:

As of March 31, 2022 and June 30, 2022, 84,723,432 common shares are listed with the Philippine Stock Exchange ("PSE").

12. Check whether the issuer:

- (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder 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 subject to such filing requirements for the past ninety (90) days.

Yes [] No []

13. Estimated aggregate market value of the voting stock held by non-affiliates of the issuer as of March 31, 2022 and June 30, 2022 based on stock market price amounted to about ₱393,975,373 and ₱373,140,137, respectively. The price per share used for this computation are the closing average price as of March 31, 2022 at ₱6.24 and closing rate as at June, 2022 at ₱5.91.

**APPLICABLE ONLY TO ISSUERS INVOLVED IN
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS
DURING THE PRECEDING FIVE (5) YEARS**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Not Applicable

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly discuss them and identify the part of SEC 17-A into which the document is incorporated:

- (a) Any Annual Report to security holders: **None**
 (b) Any Information Statement filed pursuant to SRC Rule 20: **None**
 (c) Any prospectus filed pursuant to SRC Rule 8.1: **None**
 (d) Others
- 1) Sustainability Report
 - 2) Annex A – Management’s Discussion and Analysis (President’s Report)
 - 3) Annex B – Audited Consolidated Financial Statements of the Company (with consolidated statements of financial position as at March 31, 2022 and 2021, and consolidated comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended March 31, 2022, 2021 and 2020), Statement of Management Responsibility including Supplementary Schedules and Reconciliation of Retained Earnings Available for Dividend Declaration
 - 4) Annex C – Audited Separate Financial Statements of the Parent Company (with statements of financial position as at March 31, 2022 and 2021, and comprehensive income, statements of changes in equity and statements of cash flows for the years ended March 31, 2022, 2021 and 2020) and Statement of Management Responsibility.

TABLE OF CONTENTS

		<u>Page No.</u>
PART I	BUSINESS AND GENERAL INFORMATION	
Item 1	Business	5
Item 2	Properties	15
Item 3	Legal Proceedings	15
Item 4	Submission of Matters to a Vote of Security Holders	15
PART II	OPERATIONAL AND FINANCIAL INFORMATION	
Item 5	Market for Issuer’s Common Equity and Related Stockholder Matters	15
Item 6	Management’s Discussion and Analysis of Operation	18
Item 7	Audited Financial Statements	26
Item 8	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	27
PART III	CONTROL AND COMPENSATION INFORMATION	
Item 9	Directors and Executive Officers of the Issuer	28
Item 10	Executive Compensation	32
Item 11	Security Ownership of Certain Beneficial Owners and Management	33
Item 12	Certain Relationships and Related Transactions	34
PART IV	CORPORATE GOVERNANCE	
Item 13	Corporate Governance	34
Item 14	Report of the Audit Committee to the Board of Directors	40
Item 15	Sustainability Report	40
PART V	EXHIBITS AND SCHEDULES	
Item 16	Exhibits and Reports on SEC Form 17 – C	40
	SIGNATURES	42
	Annex A – MANAGEMENT PLANS AND REVIEW	
	Annex B – AUDITED CONSOLIDATED FINANCIAL STATEMENTS	
	Annex C – AUDITED SEPARATE PARENT FINANCIAL STATEMENTS	

PART I - BUSINESS AND GENERAL INFORMATION

ITEM 1 - BUSINESS

BUSINESS DEVELOPMENT

Panasonic Manufacturing Philippines Corporation (the Parent Company) was incorporated in the Philippines on May 14, 1963 and is a subsidiary of Panasonic Holdings Corporation (PHD 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 life for another fifty (50) years or until May 15, 2063. The Parent Company holds 40.0% 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.

On February 20, 2019 Republic Act No. 11232, otherwise known as the “Revised Corporation Code of the Philippines” or “RCC”, was signed into law. The RCC took effect on February 23, 2019. The corporate term of a corporation with certificate of incorporation issued prior to the effectivity of the RCC and which continue to exist, shall be deemed perpetual upon the effectivity of the RCC, without any action on the part of the corporation. As of February 23, 2019, the Parent Company is deemed to have selected a perpetual term.

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, and acts as an agent of any persons, firms or corporation, domestic or foreign, for and in transaction relative to the acquisition, sales, lease, mortgage, disposition of, administration and management of real state and/or improvements thereon; to acquire by purchase, lease or other lawful means, lands and interest in lands, and to own, hold, improve, use, administer and manage any real state so acquired or held by the corporation.

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

The Parent Company’s shares were listed at the Philippine Stock Exchange (“PSE”) on January 21, 1983.

As of March 31, 2022, there has been no bankruptcy, receivership or similar proceeding nor any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business in the last three (3) years of the Parent Company’s and its Subsidiary’s operations (collectively referred to as the “Group”).

Moreover, please refer to the accompanying Annual Reports of the Company (Annex “A”).

PRODUCTS

The primary products of the Parent Company are refrigerators, air conditioners and washing machines. Other products include electric fans, freezers, imported appliances like LCD/PDP TV sets, Digital AV products (DVD/VCD mini-components, home theater systems, video and still cameras, D-Snap multi-AV devices, etc.); communications equipment/devices (corded/cordless telephones, fax machines,

PABX, etc.); office automation equipment (copiers, POS machines, Panaboard, plasma displays, LCD projectors, closed-circuit video equipment, etc.); cooling equipment (package/split-type air conditioners, air-moving equipment); and various kitchen and home appliances (rice cookers, vacuum cleaners, hair dryers/stylers, etc.).

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.

Life Solutions (LS) – This segment includes lamps, ventilation fans, Panasonic Nanoe Generator (PNG) and other lighting accessories primarily use and sell to business consumers or thru distributors and dealers.

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 reporting information is disclosed in Note 25 of the Audited Consolidated Financial Statements included in the accompanying Annual Report (Annex "B").

Information as to sales and relative contributions of the main products to total sales were as follows:

	Years Ended March 31		
	2022	2021	2020
Domestic	87.4%	88.0%	91.2%
Export	12.6%	12.0%	8.8%
	100.0%	100.0%	100.0%
Refrigerator	44.1%	46.5%	39.7%
Air conditioner	25.7%	25.9%	29.7%
Washing machine	18.2%	15.7%	15.4%
Television	3.7%	4.4%	5.1%
Others and Export	8.3%	7.5%	10.1%
	100.0%	100.0%	100.0%

GEOGRAPHIC INFORMATION

The table below shows the net sales information of the Parent Company based on the location of the customer (in thousands):

	Year Ended March 31		
	2022	2021	2020
Philippines	₱11,000,388	₱9,580,370	₱10,864,195
Hong Kong	1,590,146	1,302,725	1,031,580
Africa	-	-	11,173
Total Revenue	₱12,590,534	₱10,883,095	₱11,906,948

The Parent Company has two customers each representing 10.0% or more of the Parent Company's total revenue amounting to ₱4.2 billion in 2022 and ₱3.3 billion in 2021.

Disaggregated revenue information

	Year Ended March 31, 2022				
	Consumer	SSG	LS	Others	Total
B2B sales	₱343,367	₱169,849	₱109,054	₱120,523	₱742,793
B2C sales	11,847,741	-	-	-	11,847,741
Total Revenue	₱12,191,108	₱169,849	₱109,054	₱120,523	₱12,590,534

	Year Ended March 31, 2021				
	Consumer	SSG	LS	Others	Total
B2B sales	₱306,710	₱181,337	₱117,244	₱100,549	₱705,840
B2C sales	10,177,255	-	-	-	10,177,255
Total Revenue	₱10,483,965	₱181,337	₱117,244	₱100,549	₱10,883,095

DISTRIBUTION NETWORK

The Group's principal office is located along Ortigas Avenue Extension, Barrio Mapandan, Barangay San Isidro, Taytay, Rizal. The Group has PEZA registered activity (Air conditioner) located at 102 Laguna Boulevard Laguna Technopark, Sta. Rosa City, Laguna.

Aside from its warehouses located in its plant in Taytay and Sta. Rosa, the Group also has three (3) regional branches located in Pampanga, Cebu and Davao. The Group has a nationwide network of sales offices and accredited dealers to cater to its customers anywhere in the country. For customers' convenience, the Group has established a nationwide distribution network through its area offices and accredited service centers are strategically located at key towns, provinces, and cities.

As of March 31, 2022, the Company's distribution infrastructure utilizes five (5) distribution port terminals and eight (8) land distribution centers/warehouses located across the country. The Company distributes its products using several trucking companies which is administered directly by its employees with the assistance of third-party service providers. As at March 31, 2022, the Company

leases 221 trucks for the distribution of its locally produced and imported merchandise products nationwide and charters nine (9) domestic shipping lines to transfer said products to area destination.

Because of this wide distribution network, the Group is not dependent upon a single dealer or a few dealers, the loss of which would have a material adverse effect on the Group.

STATUS OF ANY PUBLICLY ANNOUNCED NEW PRODUCT OR SERVICE

The Company continues to work with its current product portfolio and as of March 31, 2022, the Group does not have any publicly-announced new major product or service that is being developed.

COMPETITION

The Parent Company's business operation in fiscal year 2021 ended March 31, 2022 turned out to be another challenging year, which was the second year of the coronavirus disease 2019 (CPVID-19). The virus continued to surge in various places in the Philippines wherein lockdowns remained for the most part of the year along with the emergence of new variants that up to the end of the fiscal year. The prolonged pandemic has had a great impact on the various aspects of our lives and in our ways of doing business. The Company is still facing disruptions of supply chain, shortage of semiconductors, increased in the price of raw materials, and more recently the conflict between Russia and Ukraine with oil prices soaring the record highs. Despite of the lockdown, the company recorded a favourable total sales performance of 12.6 billion pesos or 116 percent of the 10.9 billion pesos generated in FY2020.

In Fiscal year 2022, the Company needs to change and adopt customer value that would truly meet customers' need by exerting their best effort to stay competitive in the "new normal" initiating new strategies and new practices that are in accordance with the management philosophy, continuously delivering something of value and contribution to society.

As of March 31, 2022, the Company's major competitors (major products) in the Philippine electronics home appliances companies were as follows:

Air conditioner – Carrier, TCL, Condura, Samsung, LG, Sharp & Haier

Refrigerator – Samsung, LG, Condura, Sharp & Haier

Washing Machine – Samsung, LG, Sharp, Whirlpool, Haier & TCL

SOURCES OF RAW MATERIALS AND SUPPLIES

The Parent Company has a broad base of suppliers, both local and foreign. The Company is not dependent on one or a limited number of suppliers.

The Parent Company imports substantially all of its raw material requirements, merchandise, machinery and equipment and other spare parts and supplies from Panasonic Holdings Corporation affiliates. Purchases made from affiliates amounted to ₱5.3 billion, ₱3.8 billion and ₱4.1 billion in fiscal year 2021, 2020 and 2019, respectively.

The Company aims to increase its purchases of raw materials in the local market to support local businesses in the region.

Purchases of raw materials, merchandise and other supplies are non-interest bearing, unsecured.

CUSTOMER CONCENTRATION

The Group is not dependent upon a single customer or a few customers, the loss of any or more of which would have a material adverse effect on the Company and its subsidiaries taken as a whole. The Group does not have a customer that will account for twenty percent (20%) or more of its revenues.

The Company exports to Hong Kong its window air conditioner products. In 2022, 2021 and 2020, the Company exported ₱1.590 billion, ₱1.303 billion and ₱1.032 billion, respectively.

TRANSACTIONS WITH RELATED PARTIES

The Parent Company has entered into various transactions with related parties. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, such as affiliates. Related parties may be individuals or corporate entities. Transactions with related parties are made substantially on the same terms as with other individuals and businesses and are generally settled in cash.

For the companies under common control of the Ultimate Parent Company (referred to as affiliates) that the Parent Company has transactions, including the amount/volume and outstanding balances with related parties as of March 31, 2022, please see Note 20 of the attached Annual Audited Financial Statements (Annex “B”).

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm’s length transactions. Outstanding balances as at March 31, 2022 and 2021 are unsecured and interest-free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. In 2022, 2021 and 2020, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

The Parent Company has interest-bearing loans receivable from its Subsidiary amounting to ₱154.0 million as of March 31, 2022 and 2021. The 12.0% nominal annual interest is to be paid on a monthly basis while the principal is payable on its maturity date, March 31, 2026.

The carrying amount of the receivable in the Parent Company’s books and payable in the Subsidiary’s books amounted to ₱154.0 million as of March 31, 2022 and 2021, respectively, which were eliminated in the consolidation. The net expenses in the Parent Company’s books and net revenue in the Subsidiary’s books amounted to ₱28.9 million and ₱19.1 million in 2022, 2021 and 2020. These balances and transactions were eliminated in the consolidation.

Key Management Personnel

The Group’s key management personnel include the president and directors. The compensation of key management personnel consists of:

	2022	2021	2020
Short-term employee benefits	₱53,361,273	₱45,968,958	₱58,169,352
Post-employment benefits	4,002,458	4,338,871	4,390,861
	₱57,363,731	₱50,307,829	₱62,560,213

There are no agreements between the Group and any of its key management personnel providing for benefits upon termination of employment, except for such benefits to which they may be entitled under

the Parent Company's retirement plan.

Transactions with the Retirement Fund

Under PFRS, certain post-employment benefit plans are considered as related parties.

The Parent Company's retirement plan is in the form of different investments being managed by the Parent Company. The Board of Trustees (BOT) of the retirement plan is mandated to approve the plan, trust agreement, investment plan including any amendments or modifications thereto, and any other activities of the plan. Certain members of the BOD of the Parent Company are represented in the BOT. The BOT manages the plan based on the mandate as defined in the trust agreement. The retirement fund has 58.0% interest in the subsidiary of the Parent Company amounting to ₱7.4 million and 5.1% interest in the Parent Company amounting to ₱21.6 million as of March 31, 2022 and carried at fair value. The Retirement Fund recognized a remeasurement gain (loss) amounting to ₱10.5 million and ₱22.3 million in 2022 and 2021, respectively.

The fair value of the net plan assets of the fund by each classes as at the end of the reporting period are presented in Note 11 of the attached Audited Financial Statements of the Company.

As of March 31, 2022 and 2021, certain loans and receivables amounting to ₱58.0 million and ₱51.7 million, respectively, are receivables of the retirement fund from certain employees of the Parent Company. These are being deducted from the monthly salary of the employees and are payable within two (2) to four (4) years. Investments include equity instruments which have quoted market prices except for the investment in PERC amounting to ₱60.6 million as of March 31, 2022 and 2021. The fair value of investment in quoted equity instruments as of March 31, 2022 and 2021 amounted to ₱143.0 million and ₱136.4 million, respectively. Investments also include investment properties pertaining to a parcel of land held for capital appreciation amounting to ₱18.8 million and ₱18.0 million as of March 31, 2022 and 2021.

There are no other transactions or outstanding balances by the Parent Company, or its related parties, with the retirement plan of the employees of the Parent Company as of March 31, 2022 and 2021.

TECHNICAL ASSISTANCE AND TRADEMARK LICENSE AGREEMENT

The Parent Company has several Technical Assistance Agreements with Panasonic Holdings Corporation – Japan (“PHD” or the Ultimate Parent Company) and Panasonic Ecology Systems Co., Ltd. (“PES”) valid for five (5) years from April 1, 2019 until March 31, 2024. Under the terms of the agreements, the Parent Company pays semi-annual technical assistance fees equivalent to a certain percentage of sales of selected products equivalent to 3.0%. Technical assistance fees charged by the Ultimate Parent Company amounted to ₱196.1 million, ₱180.6 million and ₱183.9 million in 2022, 2021 and 2020, respectively.

The Parent Company has existing trademark license agreements with PC – Japan and affiliates. Under the terms of the agreements, the Parent Company is granted a non-exclusive license to use the trademark “KDK” and “Panasonic” on or in relation to its products and shall be effective as far as the Company uses the trademarks on its products. Currently, existing trademark license agreement became effective since the 1st day of April 2016 and shall thereafter continue and remain in full force and in effect until the 31st day of March 2024. The Parent Company pays royalty equivalent to 0.70% of the sales price of the products bearing the brands and 0.35% in the event that the Company uses the trademarks solely as either a tradename or as a corporate mark only. Brand license fees charged by the Ultimate Parent Company amounted to ₱86.5 million, ₱74.4 million and ₱87.1 million in 2022, 2021 and 2020, respectively.

NEED FOR GOVERNMENT APPROVAL OF PRINCIPAL PRODUCTS OR SERVICES

The Group's principal products and services are offered to customers only upon receipt of the necessary regulatory approvals or clearances. The Group strictly complies with government product safety and quality standards before these are offered to the market.

The Group also complies with the related regulatory requirements such as reserves, liquidity position, provision on losses, anti-money laundering provisions and other reportorial requirements.

EFFECT OF EXISTING OR PROBABLE GOVERNMENTAL REGULATIONS ON THE BUSINESS

The Group strictly complied with the existing reportorial requirements of the regulatory agencies such as Securities and Exchange Commission, Philippines Stock Exchange and the Bureau of Internal Revenues, among others. In its fiscal year 2021 and 2020 consolidated financial statements, the Group adopted the changes to Philippine Accounting Standards and Philippine Interpretations of International Financial Reporting Interpretations Committee.

The Group will dedicate time and personnel to ensure proper and effective implementation of the future changes in accounting standards.

RESEARCH AND DEVELOPMENT COSTS

The amount spent for research and development costs and its percentage to net sales for each of the last three fiscal years ended March 31 were as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Cost	₱95,428,523	₱92,845,002	₱74,583,358
Ratio to Net Sales	0.76%	0.85%	0.63%

The Parent Company's research and development activities are mainly driven by new technology and/or improvements of the technical know-how and production technique relating to the products, which is useful for the manufacture/assembly of the products. The efficient use of technology is expected to boost productivity and reduce manufacturing costs of the Parent Company.

COSTS AND EFFECTS OF COMPLIANCE WITH ENVIRONMENTAL LAWS

As an industrial corporation, the Group conducts its operations in compliance with all environmental, occupational health and safety and other related regulations of the government and along with the environmental policy and directives of PC, with its dedication to continuously improve its environmental, occupational health and safety, product safety performance and responding to the requirement of the industrial organization in managing, controlling and mitigating all types of risk that the Group has been exposed to. In fact, the Group, more often than not, implements environment-protection measures ahead of government regulations.

Compliance with the various environmental laws definitely entails costs and additional investments on the part of the Group, resulting higher production costs and operating expenses. The Group spent a total of ₱1.6 million, ₱1.3 million and ₱1.1 million for the treatment of wastes, monitoring and compliance, permits and personnel training in 2022, 2021 and 2020 respectively.

HUMAN RESOURCES AND LABOR MATTER

As of March 31, 2022 and June 30, 2022, the Parent Company has 886 and 885 full time employees:

	Mar-22			Jun-22		
	Administrative	Operation	Total	Administrative	Operation	Total
Under CBA	30	312	342	28	313	341
Non - CBA	544	-	544	544	-	544
	574	312	886	572	313	885

Around half of the Parent Company's employees are rank and file employees who are subject to collective bargaining agreements (CBA). The Parent Company did not deal with any labor strike for the past three years nor were there union complaints submitted to the Department of Labor and Employment.

In addition to the statutory benefits, the Parent Company provides life insurance; hospitalization benefits; vacation, sick, birthday and emergency leaves; and company and emergency loans to employees.

The Parent Company also maintains a retirement plan for its regular full-time employees.

RISK MANAGEMENT OBJECTIVES AND POLICIES

This is incorporated by reference to Note 26 of the Consolidated and Parent Company's Audited Consolidated Financial Statements (Annex "B").

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 Group. 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 consist 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 as, accounts payable and accrued expenses, dividends payable and technical assistance fees payable which arise from normal operations.

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

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 March 31, 2022 and 2021, the Group does not hold collateral or other credit enhancement for cash and cash equivalents, receivables and refundable Meralco deposits (included in other noncurrent 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 March 31, 2022 and 2021.

Risk concentrations of the maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Group's financial strength and undermine public confidence.

As of March 31, 2022, the Group had two customers that owed it for a total amount of ₱572.6 million that accounts for more than 36.3% of the total trade receivables outstanding. As of March 31, 2021, the Group had two customers that owed it for a total amount of ₱450.2 million that accounts for more than 34.6% of the total trade receivables outstanding.

Credit risks from cash in banks and cash equivalents are minimal since these are placed and recoverable from banks. Accordingly, these financial assets are considered to be low credit risk investments. The ECL allowance of these financial assets are measured using 12-month ECL (Stage 1) which is considered insignificant as at April 1, 2021 and March 31, 2022.

For receivables, an impairment analysis is performed at each reporting date using a provision matrix to measure ECL.

The credit quality of financial assets was determined as follows:

Cash and cash equivalents - are composed of bank deposits and money market placements made with reputable financial institutions and hence, graded as "high grade".

Receivables - high grade receivables are receivables from related parties and employees while standard grade receivables are receivables from dealers who pay within the Group's normal credit terms.

Other assets - pertains to deposits in refundable Meralco deposits and advances to employees which are considered as "high grade" since collectability of the refund is reasonably assured.

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 Parent Company'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.

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

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

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

Equity Price Risk

The Group's exposure to equity price pertains to its investments in quoted shares of the Parent Company which are classified as FVOCI 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 March 31, 2022 and 2021) due to a reasonably possible change in equity indices is not material to the consolidated financial position of the Group.

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.

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.

ITEM 2 – PROPERTIES

Manufacturing operations are conducted in a plant with an area of 72,503.5 sq. m. located in Ortigas Avenue Extension, Taytay, Rizal and another plant with an area of 147,195 sq. m. in Laguna Technopark, Sta. Rosa, Laguna. The land owned by its Subsidiary on which the manufacturing facilities are located is leased by the Parent Company under yearly lease agreement. Upon expiration of the lease, title to the land will not be transferred to the Parent Company. The lease agreement was matured last March 31, 2022 and was renewed for another one year that will mature on March 31, 2023, while the land improvements, buildings, machinery and equipment, transportation equipment, office furniture and equipment, and/or tools and small equipment on these parcel of land in which the head office, region offices, sales office and warehouse are located are owned by the Company. Rental expense from these leases amounted to ₱28.9 million during the recent fiscal year. Operations of sales offices and service centers in Pampanga, Cebu, and Davao are operated on properties owned by the Parent Company except for the land that is also owned by its subsidiary. Operations of other sales offices and service centers are being conducted on properties leased by the Parent Company in various areas: Naga, Isabela, Dagupan, Bacolod, Iloilo, Tacloban and Cagayan de Oro.

The properties owned and/or leased by the Company are in good condition and are free from mortgages, liens and encumbrances.

The aggregate fair value of the investment properties amounted to ₱59.7 million as of March 31, 2020 and for the aggregate fair value of the land owned by its Subsidiaries amounted to ₱9.4 billion as of March 31, 2021.

There are no plans for the acquisition of the Group’s property over the next twelve (12) months.

ITEM 3 - LEGAL PROCEEDINGS

As of March 31, 2022 and June 30, 2022, the Group is not involved in any material litigation or any pending legal proceedings to which the registrant or any of its subsidiaries or affiliates is a party or of which any of their property is the subject.

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters, except for the matters taken up last Annual Stockholders Meeting, submitted to a vote of security holders during the period covered by this report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5 - MARKET FOR ISSUER’S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

1. MARKET INFORMATION

The Parent’s Company’s common shares were officially listed and first traded at the Philippine Stock Exchange on January 21, 1983.

As of March 31, 2022 and June 30, 2022, a total of 84,723,432 Common shares are listed in the Philippine Stock Exchange (“PSE”).

The price performance of the Company's common equity for each quarter within the two fiscal years and the subsequent interim period has been as follows in Philippine peso:

	<u>High</u>	<u>Low</u>
<u>2022</u>		
Jan – Mar	6.25	5.65
Apr – June	6.60	5.56
<u>2021</u>		
Jan – Mar	8.88	5.12
Apr – Jun	6.96	5.50
Jul – Sept	6.30	5.50
Oct – Dec	6.10	5.60
<u>2020</u>		
Jan – Mar	5.70	2.56
Apr – Jun	4.94	3.50
Jul – Sept	6.98	4.01
Oct – Dec	7.90	4.56

2. DIVIDENDS

The payment of dividend, either in the form of cash or stock, will depend upon the Parent Company's earnings, cash flow and financial condition, among other factors. The Parent Company may declare dividends only out of its unrestricted retained earnings. These represent the net accumulated earnings of the Parent Company, with its capital unimpaired, that are not appropriated for any other purpose. Dividends paid are subject to the approval by the Board of Directors. The Parent Company's Board of Director declared cash dividends as follows:

Date of Declaration	Cash Dividend Per Share	Date of Record	Date of Payment
<u>2022</u>			
May 20, 2022	24.89%	June 4, 2022	June 25, 2022
<u>2021</u>			
May 22, 2021	52.45%	June 4, 2021	June 25, 2021
<u>2020</u>			
May 07, 2020	14.98%	May 21, 2020	May 29, 2020

3. HOLDERS

As of March 31, 2022, there were 463 holders of the Company's common shares.

The following table sets forth the top 20 shareholders.

Rank / Name of Holder	Number of Shares	Percentage of Ownership
1. Panasonic Holdings Corporation (Japanese)	337,994,581	79.96 %
2. PCD Nominee Corporation (Filipino)	38,026,842	9.00%
3. PMPC Employees Retirement Plan	21,586,360	5.11 %
4. Pan Malayan Management & Investment Corporation	6,076,341	1.44%
5. Jesus V. Del Rosario Foundation, Inc.	3,870,926	0.92%
6. Vergon Realty Investment Corporation	3,389,453	0.80 %
7. J.B. Realty and Development Corporation	1,778,915	0.42 %
8. So Sa Gee	855,716	0.20 %
9. David S. Lim	656,393	0.16 %
10. Efren M. Sangalang	603,156	0.14 %
11. Vicente L. Co	577,245	0.14%
12. Susan L. Tan	500,000	0.12%
13. Vincent S. Lim	500,000	0.12%
14. Jason S. Lim	500,000	0.12%
15. Jonathan Joseph C.C. Lim	500,000	0.12%
16. Falek Enterprises, Inc.	298,106	0.07%
17. Jaime Agabin	252,995	0.06%
18. So Ki Lim	252,995	0.06%
19. Vladimir Co	248,164	0.06%
20. Edgar N Lim	246,712	0.06%

4. RECENT SALE OF UNREGISTERED SECURITIES

The Parent Company has neither sold any securities nor reacquired or issued new securities in exchange of properties within the past three (3) years.

5. DESCRIPTION OF REGISTRANT'S SECURITIES

- | | |
|--------------------------------|--------------------------------------|
| a. Authorized Capital Stock | <u>847,000,000</u> (P1.00 par value) |
| Common Class A shares (Listed) | <u>169,400,000</u> |
| Class "B" shares | <u>677,600,000</u> |

Only Class "A" shares are listed in Philippine Stock Exchange.

- b. Number of Shares Outstanding as of March 31, 2022 and June 30, 2022

Common Shares @ P1.00/share	
Class "A"	84,723,432
Class "B"	<u>337,994,588</u>
Total	<u>422,718,020</u>

- c. Amount of Debt Outstanding as of March 31, 2022 and June 30, 2022

NONE

- d. Stocks Options, Warrants, Securities subject to redemption or call, other securities and Market information for securities other than common equity

NONE

ITEM 6 - MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Management's Discussion and Analysis of Financial Condition and Results of Operations Top 5 Key Performance Indicators of the Company

Name of Index	Calculation	FY 2021	FY 2020	FY 2019
1. Rate of Sales Increase	$\frac{\text{CY Sales} - \text{LY Sales}}{\text{LY Sales}} \times 100\%$	15.69%	-8.60%	3.35%
2. Rate of Profit Increase	$\frac{\text{CY Profit After Tax} - \text{LY Profit After Tax}}{\text{LY Profit After Tax}} \times 100\%$	-53.76%	183.11%	-14.86%
3. Rate of Profit on Sales	$\frac{\text{Profit After Tax}}{\text{Total Sales}} \times 100\%$	1.31%	3.29%	1.06%
4. Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}} \times 100\%$	2.23%	2.39%	2.50%
5. Dividend Ratio to Capital	$\frac{\text{Dividend}}{\text{Average Capital}} \times 100\%$	24.89%	52.45%	14.98%

- (a) Rate of Sales Increase - This measures the sales growth versus the same period last year. Sales increased by 15.69% versus last year. Such was due gradual recovery of sales from the pandemic.
- (b) Rate of Profit Increase - This measures the increase in profit after tax versus the same period last year. Rate of profit for the year decreased by -53.76% due mainly to higher utilization of general and administrative expenses.
- (c) Rate of Profit on Sales - This measures the percentage of profit after tax versus net sales for the period. Rate of profit decreased to 1.31% versus 3.29% of last year.
- (d) Current Ratio - This measures the liquidity of the Company and its ability to pay off current liabilities.
- (e) Dividend Ratio to Capital - This measures the dividend payout ratio versus capital for the period. The Group declared 24.89% and 52.45% cash dividend for the fiscal year 2021 and 2020 respectively.

INTRODUCTION

The following are discussions on the Consolidated Financial Conditions and Results of the Company and its Subsidiary (The Group) based on the Audited Financial Statements as of and for the years ended March 31, 2022, 2021 and 2020.

This discussion summarizes the significant factors affecting the consolidated operating results, financial condition, liquidity and cash flows of the Group for the fiscal year 2021 ended March 31, 2022. The following discussion should be read in conjunction with the attached Audited Consolidated Financial Statements of the Company as of and for the year ended March 31, 2022 (Annex “B”) and Management Plans and Reviews (Annex “A”).

Fiscal Year 2021 vs. 2020

Financial Positions

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

Accounts	March 31, 2022	March 31, 2021	Difference (%)
Cash and cash equivalent	3,162,894	3,743,229	-15.5%
Receivables	1,766,394	1,476,639	19.6%
Inventories	2,479,419	1,741,172	42.4%
Other current assets	139,774	142,544	-1.9%
Property & equipment – net	899,516	984,692	-8.6%
Deferred tax assets	132,673	127,189	4.3%
Other assets	23,167	22,430	3.3%
Current liabilities	3,382,089	2,970,694	13.8%
Noncurrent liabilities	466,867	464,938	0.4%
Stockholders' equity	4,754,882	4,802,261	-1.0%

The Company's consolidated total assets as of March 31, 2022 increased by ₱365.9 million (4.4%) to ₱8.604 billion from March 31, 2021. This was mainly due to increase in inventories and accounts receivables.

Current ratio for the period ending March 31, 2022 was recorded at 2.2:1 versus 2.4:1 of last year's.

Current assets increased by ₱444.9 million and current liabilities increased by ₱411.4 million.

Cash and cash equivalent – net decrease of ₱580.3 million (-15.5%) was due mainly to increase in operating assets: inventories by ₱820.2 million and accounts receivable by ₱281.9 million. In addition, payment of cash dividend amounting to ₱221.7 million and acquisitions of plant, property and equipment amounted to ₱129.7 million. On the other hand the following improved net cash: increase in accounts payable and accrued expenses by ₱404.8 million, adjustment for depreciation by ₱221 million, and net income for the period ₱243.4 million.

Total accounts receivable (net) increase of ₱289.8 million was due to increase in sales during the last quarter of the period versus last year's, collection of which was due the following month.

Inventory amount increased by ₱738.2 million due to non-achievement of sales forecast and in preparation for the increase in sales during summer season.

Property, plant and equipment – net decreased by ₱85.2 million (-8.6%). As of March 31, 2022, the Company's total capital expenditures amounted to ₱135.7 million which mainly pertained to construction in progress for the improvements of factory machinery and equipment due to the increase of production and volume capacity in its Washing Machine Department, as well as building renovation of Washing Machine and Electric Fan Production. Total depreciation and disposal amounted to ₱220.3 million and ₱15.3 million, respectively. Investment properties were transferred to property, plant and equipment for their use in its operation.

Other current assets decreased by ₱2.8 million (-1.9%) due mainly to creditable withholding taxes for the period.

The Company's consolidated total liabilities as of March 31, 2022 amounted to ₱3.849 billion, increased by ₱413.3 million versus March 31, 2021. This was mainly due to current liabilities increase of ₱411.4 million (13.8%).

The total stockholders' equity decreased by ₱47.4 million (-1.0%) caused by the decline of net income versus last year's by ₱192.5 million and declaration of cash dividend amounting to ₱221.7 million.

Results of Operation

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

Accounts	FY 2021	FY 2020	Difference (%)
Sales	12,590,534	10,883,095	15.7%
Cost of sales	10,044,816	8,316,814	20.8%
Gross profit	2,545,718	2,566,281	-0.8%
Selling expenses	1,329,008	1,204,276	10.4%
General administrative	1,064,675	950,375	12.0%
Other income – net	91,422	67,019	36.4%
Income before tax	243,457	478,650	-49.1%
Income tax expense	77,924	120,634	-35.4%
Income after tax	165,532	358,016	-53.8%

The Company's consolidated group sales for fiscal year 2021 ending March 31, 2022 increased by ₱1.707 billion (15.7%) versus last year's because of the following favorable sales in the following product lines:

Air conditioner by ₱590 million (16%) and refrigerator by ₱452 million (10%).

Gross profit amount declined by ₱20.6 million (-0.8%) despite the increase in sales due to increase in cost of sales ratio by 3.4%.

Selling expenses rose by ₱124.7 million (10.4%) due to increase in sales promotion expenses ₱167.7 million (23.5%), provision for warranty claims ₱14.8 million (46%), advertising and commissions expenses ₱15.5 million (17.9%) despite of the decrease in freight and handling cost by ₱73.3 million (-19.7%).

General and administrative expenses increased by ₱114.3 million (12%) mostly attributable to salaries, wages and employee benefits ₱36.9 million, provision for other estimated liabilities ₱16.5 million and technical and brand license fee by ₱27.5 million due to increase in sales.

Other income – net increased by ₱24.4 million (36.4%) due to higher income from scrap materials by ₱8.5 million and service income by ₱8.3 million and recovery of allowance of credit and impairment losses by 6.2 million.

Total income before tax decreased by ₱235.2 million (-49.1%) due to increase in general and administrative expense, selling expense and cost of goods sold ratio as stated above.

Income tax expense decreased by ₱42.7 million (-35.4%) and net income after tax decreased by ₱192.5 million (-53.8%) due to increase in operating and general and administrative expenses.

Fiscal Year 2020 vs. 2019

Financial Positions

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

Accounts	March 31, 2021	March 31, 2020	Difference (%)
Cash and cash equivalent	3,743,229	2,945,350	27.1%
Receivables	1,476,639	1,440,043	2.5%
Inventories	1,741,172	1,654,053	5.3%
Other current assets	142,544	91,858	55.2%
Property & equipment – net	984,692	1,083,329	-9.1%
Deferred tax assets	127,189	168,745	-24.6%
Other assets	22,430	25,590	-12.3%
Current liabilities	2,970,694	2,453,939	21.1%
Noncurrent liabilities	464,938	469,778	-1.0%
Stockholders' equity	4,802,261	4,485,251	7.1%

The Company's consolidated total assets as of March 31, 2021 increased by ₱828.93 million (11.19%) to ₱8.238 billion from March 31, 2020. This was mainly due to increase in cash and cash equivalent and other current assets.

Current ratio for the period ending March 31, 2021 was recorded at 2.4:1 versus 2.5:1 of last year's.

Current assets increased by ₱972.3 million and current liabilities increased by ₱516.8 million.

Cash and cash equivalent increased by ₱797.9 million (27.09%) due to decrease in cash used in operating expenses.

Total accounts receivable (net) increase of ₱36.6 million was due to increase in sales during the last quarter of the period versus last year's, collection of which was due the following month.

Inventory amount increased by ₱87.1 million due to non-achievement of sales forecast and in preparation for the increase in sales during summer season.

Property, plant and equipment – net decreased by ₱98.6 million (-9.11%). As of March 31, 2021, the Company's total capital expenditures amounted to ₱149 million which mainly pertained to construction in progress for the improvements of factory machinery and equipment due to the increase of production and volume capacity in its Washing Machine division, as well as building renovation of Washing Machine and Electric Fan Production. Total depreciation and disposal amounted to ₱242.7 million and ₱51.8 million, respectively. Investment properties were transferred to property, plant and equipment for their use in its operation.

Other current assets increased by ₱50.7 million (55.18%) due mainly to creditable withholding taxes for the period.

The Company's consolidated total liabilities as of March 31, 2021 amounted to ₱3.436 billion, increased by ₱511.92 million versus March 31, 2020. This was mainly due to current liabilities increase of ₱516.76 million (21.06%).

The total stockholders' equity increased by ₱317 million (7.07%) caused by operating income of ₱371 million and remeasurement gain on retirement liability and income tax expense.

Results of Operation

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

Accounts	FY 2020	FY 2019	Difference (%)
Sales	10,883,095	11,906,948	-8.6%
Cost of sales	8,316,814	9,508,271	-12.5%
Gross profit	2,566,281	2,398,677	7.1%
Selling expenses	1,204,276	1,265,827	-4.9%
General administrative	950,375	1,045,315	-9.1%
Other income – net	67,019	152,520	-56.1%
Income before tax	478,650	240,055	99.4%
Income tax expense	120,634	113,599	6.2%
Income after tax	358,016	126,456	183.1%

The Company's consolidated group sales for fiscal year 2020 ending March 31, 2021 decreased by ₱1.024 billion (-8.6%) versus last year's because of the following unfavorable sales in the following product lines:

Air conditioner by ₱751.3 million (-24%) and washing machine by ₱241.2 million (-13%).

Gross profit amount improved by ₱167.6 million (7.0%) despite the decrease in sales due to improvement in cost of sales ratio by 3.5%.

Selling expenses dropped by ₱61.6 million (-4.9%) due to decrease in advertising and commission expenses ₱69.8 million (-44.7%), provision for warranty claims ₱35.6 million (-52.5%), freight and handling cost ₱29.4 million (-7.4%) inspite of increase in sales promotion by ₱73.3 million (11.4%).

General and administrative expenses decreased by ₱94.9 million (-9.1%), mostly attributable to travel expenses - 22.1 million and outsourcing expenses by -₱20.1 million.

Other income – net decreased by ₱85.5 million (-56.1%) due to the reversal of other estimated liabilities amounting to ₱31.42 and bank interest income from time deposits by ₱41.07 million due to decrease in interest rate during the period.

Total income before tax increased by ₱238.6 million (99.4%) due to decrease in general and administrative expenses, selling expense and cost of goods sold as stated above.

Income tax expense slightly increased by ₱7.0 million (6.2%) and net income after tax increased by ₱231.6 million (183.1%) due to decrease in operating and general and administrative expenses.

Fiscal Year 2019 vs. 2018**Financial Positions****Material Changes (+/-5% or more) in the financial statements (in thousands):**

Accounts	March 31, 2020	March 31, 2019	Difference (%)
Cash and cash equivalent	2,945,350	2,831,509	4.0%
Receivables	1,440,043	1,667,305	-13.6%
Inventories	1,654,053	1,637,439	1.0%
Other current assets	91,858	127,904	-28.2%
Property & equipment – net	1,083,329	969,014	11.8%
Deferred tax assets	168,745	112,091	50.5%
Other assets	25,590	31,324	-18.3%
Accounts payable & accrued expenses	2,453,939	2,443,486	0.4%
Provision for estimated liabilities	469,778	420,258	11.8%
Stockholders' equity	4,485,251	4,512,842	-0.6%

The Company's consolidated total assets as of March 31, 2020 increased by ₱32.4 million (0.44%) to ₱ 7.409 billion from March 31, 2019. This was mainly due to increase in deferred tax asset and property plant and equipment.

Current ratio for the period ending March 31, 2020 was recorded at 2.5:1 versus 2.6:1 of last year's. Current assets decreased by ₱132.8 million and current liabilities increased by ₱10.4 million.

Cash and cash equivalent increased by ₱113.8 million (4.0%) due to decrease in cash used in operating expenses.

Total accounts receivable (net) decrease of ₱227 million was due to decrease in sales during the last quarter of the period versus last year's, collection of which was due the following month.

Inventory amount increased by ₱16.6 million due to non-achievement of sales forecast and in preparation for the increase in sales during summer season.

Property, plant and equipment – net increased by ₱114.3 million (11.80%). As of March 31, 2020, the Company's total capital expenditures amounted to ₱346.9 million which mainly pertained to construction in progress for the improvements of factory machinery and equipment due to the increase of production and volume capacity in its Washing Machine division, as well as building renovation of Washing Machine and Electric Fan Production. Total depreciation and disposal amounted to ₱258.0 million and ₱14.8 million, respectively. Investment properties were transferred to property, plant and equipment for their use in its operation.

Other current assets decreased by ₱36 million (-28.18%) due mainly to creditable withholding taxes for the period.

The Company's consolidated total liabilities as of March 31, 2020 amounted to ₱2.924 billion, increased by ₱59.97 million versus March 31, 2019. This was mainly due to noncurrent liabilities increase of ₱49.52 million (11.78%) majority for reserves for Price Risk and Pension Liability.

The total stockholders' equity decreased by ₱27.6 million (-0.61%) caused by operating income of ₱126 million and remeasurement loss on retirement liability and income tax expense.

Results of Operation

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

Accounts	FY 2019	FY 2018	Difference (%)
Sales	11,906,948	11,520,814	3.3%
Cost of sales	9,508,271	9,267,010	2.6%
Gross profit	2,398,677	2,253,804	6.4%
Selling expenses	1,265,827	983,828	28.7%
General administrative	1,045,315	1,103,257	-5.2%
Other income – net	152,520	107,873	41.4%
Income before tax	240,055	274,592	-12.6%
Income tax expense	113,599	126,070	-9.9%
Income after tax	126,456	148,522	-14.9%

The Company's consolidated group sales for fiscal year 2019 ending March 31, 2020 increased by ₱386.1million (3.4%) versus last year's because of the following favorable sales in the following product lines: Refrigerator by ₱382.6 million (13%) and washing machine - ₱272.8 million (36.4%) .

Cost of sales and gross profit amount rose with the increase in sales.

Selling expenses grew by ₱282.0 million (28.66%), composed of increase in sales and product promotion expenses ₱360.98 million (129%), advertising and commission expense ₱46.4 million (42%) inspite of decrease in freight cost by ₱127.7 million (-24%).

General and administrative expenses decreased by ₱57.9 million (-5.25%) mostly attributable to reversal of provision for other estimated liabilities -₱153.2 million.

Other income – net increased by ₱44.65 million (41.39%) due to the reversal of other estimated liabilities amounting to ₱42.71 and bank interest income from time deposits by ₱4.66 million due to increase in interest rate during the period.

Total income before tax decreased by ₱34.5 million (-12.58%) due to increase in selling expenses as stated above.

Income tax expense and net income after tax also decreased by ₱12.47 million (9.89%) and ₱22.1million (14.86%) respectively due to increase in selling expenses for sales promotion and advertising expenses to achieve the company's sales target for the period.

CASHFLOWS

A brief summary of cash flow movement is shown below:

<i>(in thousands)</i>	Years Ended March 31		
	2022	2021	2020
Net cash provided by (used in) operating activities	(₱229,890)	₱1,000,797	₱570,469
Net cash used in investing activities	(126,365)	(130,960)	(346,314)
Net cash used in financing activities	(226,639)	(71,031)	(104,299)
Effect of exchange rate changes	2,560	(927)	(6,016)
Net increase (decrease) in cash and cash equivalents	(580,334)	797,879	113,840

Net cash flows used in operating activities for the year ended 2022 were at -₱229.9 million, net of income before income tax of ₱243.5 million. The decrease in operating activities were mainly due to high inventory and receivables.

Net cash used in investing activities included the following:

<i>(in thousands)</i>	2022	2021	2020
Proceeds from disposal of PPE	₱2,272	₱481	₱360
Acquisitions of property, plant and equipment	(129,746)	(129,285)	(339,763)
Acquisition of software	(157)	-	(1,458)
Decrease (increase) in other assets	1,266	(2,156)	(5,453)
Total	(₱126,365)	(₱130,960)	(₱346,314)

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

<i>(in thousands)</i>	2022	2021	2020
Cash dividends paid	(₱221,713)	(₱63,056)	(₱88,734)
Finance lease liabilities paid	(4,926)	(7,975)	(15,565)
Total	(₱226,639)	(₱71,031)	(₱104,299)

The Group can internally provide its own cash requirements for its operation for the next twelve months and in succeeding years. Various cash flow improvements such as aggressive operational cost reduction, cost negotiation, productivity and system enhancements are being implemented to maintain the Group's loan-free operation.

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. The appropriated retained earnings of the Subsidiary for the payment of its outstanding loan payable to 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. **NONE**
- 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.
NONE
- 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 6 of Part I for the vertical and horizontal analyses on pages 18 to 25 of this report.
- h. Any seasonal aspects that have had a material effect on the Group's financial condition or results of operations. **NONE**

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.

ITEM 7 - FINANCIAL STATEMENTS

The Group's Audited Consolidated Financial Statements as at March 31, 2022 and 2021 and the Parent Company's Separate Audited Financial Statements as at March 31, 2022 and 2021, including the Statement of Management's Responsibility and Supplementary Schedules form part of this Annual Report as Annex B and Annex C hereto.

**ITEM 8 – CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON
ACCOUNTING AND FINANCIAL DISCLOSURES**

Information on Independent Accountants and Other Related Matters

Audit Committee’s Approval Policies

The Group’s Audit Committee reviews the eligibility of the incumbent external auditor for retention. Otherwise, the Audit Committee then follows the selection process. Audit Committee selects from among the qualified external auditors and presents their recommendation to the Board of Directors for approval.

Sycip Gorres Velayo and Co., CPAs (SGV) is the current external auditor of the Group for FY 2021 and for the last three (3) fiscal years. To comply with the amended SRC Rule 68 (3) (b) (ix), the signing partners are rotated every five (5) years.

The Group’s audit partner-in-charge for fiscal year 2021 ended March 31, 2022 is Mr. Juan Carlo B. Maminta who was appointed in 2018.

Changes in and Disagreements with External Accountants on Financial Accounting and Disclosures

The Group had no disagreements with accountants, SGV & Co., the Group’s external auditor, on any matter of accounting principles or practices, financial statements disclosures or auditing scope and procedures.

External Audit Fees and Services

The SGV& Co. has audited and reviewed the Group’s consolidated financial statements as of and for the year ended March 31, 2022, 2021 and 2020.

The following fees were billed to Company and paid to SGV (exclusive of out-of-pocket expenses):

<i>(in millions)</i>	2022	2021	2020
Annual Audit Fee	₱3.078	₱2.896	₱2.474
PFRS 9, 15 & 16	-	-	0.400
Total	₱3.078	₱2.896	₱2.874

There were no fees paid to external auditors other than for audit services, including the incremental fees for the additional audit procedures for the adoption of PFRS 9, 15 and 16 of the Company in 2020.

Management presents proposals on possible external auditors to be engaged together with their respective proposed audit fees to the Audit Committee for proper consideration. The Audit Committee evaluates and thereafter, upon its recommendation, the appointment of the external auditor is presented to the Board of Directors and/or stockholders for confirmation. However, financial statements duly approved by the Audit Committee are still subject to confirmation of the Board of Directors prior to submission to the respective government regulatory agencies.

PART III – CONTROL AND COMPENSATION INFORMATION

ITEM 9 – DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

1. Directors, including Independent Directors, and Executive Officers

Listed below are the directors, including independent directors, and the incumbent executive officers of the Company with their respective age, citizenships, and current and past positions held and business experience for the last five (5) years.

Name	Age	Position	Citizenship	Year Appointed as Director
Yasushi Kondo	52	Chairman / President / Chief Executive Officer	Japanese	2021
Atsushi Kozuma	44	Vice-chairman / Treasurer / Executive Director / Senior Managing Executive Officer	Japanese	2021
Hiroshi Yamada	59	Executive Director / Senior Managing Executive Officer	Japanese	2014
Satoshi Kono	53	Director / Managing Executive Officer	Japanese	2020
Hirokazu Yoshida	58	Director	Japanese	2020
Michikazu Matsushita	56	Director	Japanese	2021
Takahiro Oyama	47	Director	Japanese	2021
Elizabeth Gildore	64	Independent Director	Filipino	2015
Justina Callangan	69	Independent Director	Filipino	2020
Marlon Molano	61	Independent Director	Filipino	2021

Profiles of Directors of the Company:

Yasushi Kondo, Japanese, 52, was elected to the Board and appointed as the Chairman, Managing Director and President on October 01, 2021. He is also the Chief Executive Officer, Chief Manufacturing Officer, Chief Quality Officer, Chief Procurement and Chief Compliance Officer of the Company. Prior to his assignment to the Company, he was assigned to Panasonic Corporation’s Vietnamese Subsidiary, Panasonic Appliances Vietnam Co. Ltd., (“PAPVN”), as the Deputy General Director and Asia Washing Machine Business Unit until September 2021. In April 2011 to March 2017, he was assigned to Panasonic Corporation’s American Subsidiary, as the President of the Panasonic Home Appliances Company of America (“PHAA”) and Panasonic Home Appliance Company of Mexico (“PHAM”). He graduated from Waseda University – Tokyo Japan, obtaining a Bachelor’s degree in Science and Engineering.

Atsushi Kozuma, Japanese, 44, was elected as Director on October 01, 2021 and appointed as the Vice – Chairman of the Board, Treasurer and Executive Director. He is also a Senior Managing Executive Officer, Chief Information Officer, Chief Risk Managing Officer, Chief Financial and HR Officer of the Company. He was elected as Chairman of the Nomination Committee and Remuneration and Compensation Committee. Concurrently, he is a member of the Audit, Board Risk Management, Related Party Transactions and Corporate Governance Committees. Prior to his assignment to the Company, he was the Manager of Divisional Management Support Section, Company Management Support Center, Company Strategy Division, Appliances Company of

Panasonic Corporation – Japan from April 2020 until September 30, 2021. In December 2017, he was assigned to Global Consolidated Management Section, Air-Conditioning Department, Head Office Accounting Center, Appliances Company, Panasonic Corporation – Japan, as the Manager until March 2020. In December 2015 to 2017, he was assigned to Global Accounting Section, TV Accounting Department, Accounting Center, Appliances Company, Panasonic Corporation – Japan, as the Manager. He completed the required program at Monterey Institute of International Studies, California, USA, obtaining the degree of Master of Arts in International Policy Studies.

Hiroshi Yamada, Japanese, 59, was elected as PMPC – Executive Director since February 01, 2014. He is one of the Company's Senior Managing Officer and Chief Officer for Technology and Strategy. He was a former Councilor for Refrigerator Business Division, Appliances Company, PC – Japan from October 2012 to August 2013. He was the General Manager of Refrigerator Business Unit, Home Appliances Company, PC – Japan from October 2010 to September 2013. He was also the General Manager of Engineering Group, Refrigerator Business Unit, PC – Japan from April 2008 to September 2010 and from July 2005 to March 2008 he was assigned Engineering Group, Refrigerator Division, PC – Japan as the General Manager. He is a graduate of the Toyama University in Japan with a Degree in Science of Engineering.

Satoshi Kono, Japanese, 53, was elected as Director since September 01, 2020 and Executive Director of PPH Sales & Marketing Division. Currently, Mr. Kono is also the Chief Brand Communication Officer of the Company. In 2016 to 2019, he was the Chief of PPH Sales and Marketing Division. He was a former Chief of Planning Team, Major Appliances Group Consumer Marketing Division Appliances Company, Panasonic Japan from October 2014 to March 2016. He graduated from Tohoku University, Faculty of Economics with a Bachelor Degree of Economics.

Hirokazu Yoshida, Japanese, 58, was elected to the Board on September 1, 2020. He is the Director – Consumer Marketing Division and Sales Company Support Center and Managing Officer of Appliances Company, Panasonic Corporation since April 2020. In July 2016, Mr. Yoshida was a Director of Panasonic Corporation, AVC Marketing Center – Consumer Marketing Division and Appliances Marketing Center. He was a former Vice-President of Panasonic of Brasil Ltd. from July 2009 to March 2013. He graduated from Osaka University of Foreign Studies.

Michikazu Matsushita, Japanese, 56, was elected as Director on October 01, 2021. Currently, he is the President of Living Appliances and Solutions Company, Panasonic Corporation – Japan since October 2021. In July 2021, he was the Regional Head Latin America, President of Panasonic Latin America. Concurrently, he was the Executive for in-charge of promotion of Home Business Appliances, Appliances Company of Panasonic Corporation – Japan. He worked as Chief Executive Officer at the Regional Head for Latin America and President of Panasonic do Brasil from April 2020 to June 2021. He was also the President of Panasonic do Brasil from April 2015 to March 2020. He graduated from Kobe University and finished Bachelor of Education and Teaching Credential.

Takahiro Oyama, Japanese, 47, was elected as Director on December 09, 2021. Currently, he is a Director of Panasonic Marketing CIS (“PM CIS”), Head of Corporate Planning Division, Moscow, Russia since April 2019. In April 2016, he was assigned as General Manager of Home Entertainment Business Division Audio Network Business Unit, Product Planning Department, Panasonic Appliance Company, Osaka, Japan until March 2019. He worked at Panasonic Europe GmbH. / Hamburg, Germany as General Manager of Panasonic Deutschland Division, CE Products Marketing Department from July 2010 to March 2016. He graduated from Doshisha, Faculty of Commerce, Kyoto, Japan with a Bachelor of Commerce degree.

Independent Directors

Justina Fernandez-Callangan, Filipino, 69, was elected as Independent Director on September 01, 2020. She is the Chairman of the Corporate Governance Committee and Related Party Transactions Committee. She was elected as Independent Director of VReit last 18 March 2022. Currently, she is also an Independent Director of Vista Land and Lifescapes, Inc. since June 15, 2021, Independent Director of AIB Money Market Mutual Fund, Inc. since July 2021, an Independent of ORIX Metro Leasing and Finance Corporation since June 2019. In August 2020, she was elected as Director (representing the public sector) of the Securities Investors Protection Fund, Inc. To date, Ms. Callangan is a Consultant of ASA Philippines Foundation, Inc., a Microfinance NGO, since October 2018. She worked at the Securities and Exchange Commission holding various positions until she retired as Director of the Corporate Governance and Finance Department in 2017. She was also an AVP of the Legal Department of then Urban Bank from November 1995 to November 2020. She graduated from the University of the East, AB Political Science, Cum Laude and finished Bachelor of Laws from San Sebastian College.

Elizabeth Gildore, Filipino, 64, was elected as Independent Director on May 4, 2015. She is the Chairman of the Board Risk Management Committee. She is also a member of the Audit Committee, Corporate Governance, Related Party Transactions, Nomination and Remuneration Committees. Currently, she is the Finance Manager of Moduvi Inc. since March 2014. Ms. Gildore is a former General Manager – PPH Accounting from September 2007 to August 2012. She was the Finance Manager of PMPC – PPH Accounting from June 2000 to August 2007. She is a graduate of B. S. in Commerce, Major in Accounting.

Marlon Molano, Filipino, 61, was elected as Independent Director on March 01, 2021. He is concurrently the Chairman of Audit Committee and a member of the Board Risk Management, Corporate Governance, Related Party Transactions, Nomination and Remuneration Committees. He is a former Finance and Administrative Assistant Director of the Company from April 2007 to August 2018. Prior to PMPC, he was the General Manager of Panasonic Mobile Communication Corporation of the Philippines (PMCP) from July 1992 to March 2007. He worked with Sycip Gorres & Velayo Company as Senior Auditor from 1981 to 1987. He is a graduate of B. S. in Commerce, Major in Accounting from the University of Pangasinan and Certified Public Accountant.

Executive Officers

The following are the current executive officers of the Company:

Name	Position	Age	Citizenship	Year Appointed as Officer
Yasushi Kondo	President & Chief Executive Officer & Chief Manufacturing, Procurement, Quality & Compliance Officer	52	Japanese	2021
Atsushi Kozuma	Treasurer & Senior Managing Executive Officer & Chief Information, Risk Mgt., Financial & HR Officer	44	Japanese	2021
Hiroshi Yamada	Senior Managing Executive Officer & Chief Technology & Strategy Officer	59	Japanese	2014
Satoshi Kono	Managing Executive Officer & Chief Brand Communication Officer	53	Japanese	2020
Ma. Virginia Arevalo	Compliance Officer	57	Filipino	2018
Mamerto Mondragon	Corporate Secretary	78	Filipino	1968

Below are the Profiles of the executive officers who are not nominees for election as directors:

Compliance Officer

Virginia Arevalo, Filipino, 57, has been the compliance officer of the Company since 2018. She is currently the Manager of Corporate Planning Center from May 2017. She was previously the Manager of Quality Assurance Center from September 2012 – April 2017 and Manager of Purchasing and Import/Export Department from April 2010 to August 2012. And she was the Manager of Purchasing Management Center from April 2006 to March 2010. She graduated from the University of Santo Tomas with a Bachelor Degree in Electrical Engineering and joined the Company in 1987.

Corporate Secretary

Mamerto Z. Mondragon, Filipino, 78, has been the corporate secretary of the Company since 1968 and its Subsidiary since 1984. He has also been the Corporate Secretary of Panasonic Industrial Devices Philippines Corporation since 2000. He is a graduate of the University of the East with a Bachelor Degree of Law.

2. Significant Employees

The Group values its human resources and considers the entire manpower force as significant employees. It expects each employee to do his share in achieving its set goals and objectives.

3. Family Relationships

There are no family relationship up to the fourth civil degree either by consanguinity or affinity among the Group's directors, executive officers or persons nominated or chosen by the Group to become its directors and executive officers.

4. Involvement in Certain Legal Proceedings

The above-named executive officers and directors, including independent directors, have not been involved in any material legal proceedings in any court or administrative agency of the government during the past five (5) years up to the date of this report that will affect their ability as directors and officers of the Group.

- a. None of them has been involved in any bankruptcy petition
- b. None of them has been convicted by final judgment in a criminal proceeding or being subject to a pending criminal proceeding, both domestic and foreign.
- c. None of them has been subject to any order, judgment, or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodity or banking activities.
- d. None of them has been found by a domestic or foreign court of competent jurisdiction (in civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self – regulatory organization, to have violated a securities or commodities law or regulation.

ITEM 10 – EXECUTIVE COMPENSATION

Directors and Executive Officers Compensation

The aggregate annual compensation during the last two fiscal years and to be paid in ensuing fiscal year 2022 of the Company's Chief Executive Officer and the four others most highly compensated executive officers and all other officers and directors as a group are as follows:

Annual Compensation (in million pesos)					
Name and Principal Position		Year	Salary	Bonus	Other Annual Compensation
Yasushi Kondo	President & Chief Executive Officer	2022 (estimated)	31.167	10.528	0.251
Atsushi Kozuma	Treasurer & Senior Managing Executive Officer				
Hiroshi Yamada	Senior Managing Executive Officer				
Satoshi Kono	Managing Executive Officer				
Ma. Virginia Arevalo	Compliance Officer				
Yasushi Kondo *	President & Chief Executive Officer	2021	37.258	10.898	0.251
Masatoshi Sasaki *	President & Chief Executive Officer				
Atsushi Kozuma *	Treasurer & Senior Managing Executive Officer				
Yoshiyuki Takahashi *	Treasurer & Senior Managing Executive Officer				
Hiroshi Yamada	Senior Managing Executive Officer				
Satoshi Kono	Managing Executive Officer				
Ma. Virginia Arevalo	Compliance Officer				
Masatoshi Sasaki	President & Chief Executive Officer	2020	38.448	10.602	0.912
Yoshiyuki Takahashi	Treasurer & Senior Managing Executive Officer				
Hiroshi Yamada	Senior Managing Executive Officer				
Masaru Toyota **	Senior Managing Executive Officer				
Satoshi Kono **	Managing Executive Officer				
Ma. Virginia Arevalo	Compliance Officer				
All other officers and directors as a group unnamed		2022 (est.)	3.328	0.708	1.543
		2021	3.157	0.644	1.543
		2020	7.551	0.764	1.795

Estimated amount

For ensuing year 2022, no significant change is anticipated in the compensation of Directors and Officers.

** Mr. Sasaki and Mr. Takahashi resigned as director & officers effective October 1, 2021 and Mr. Kondo and Mr. Kozuma were elected as the new member of the Board effective October 1, 2021.*

*** Mr. Toyota resigned as director effective September 1, 2020 and replaced by Mr. Kono as new director effective September 1, 2020.*

Employment Contracts and Termination of Employment and Change-in-Control Arrangements

As of March 31, 2022, the Parent Company has no special employment contracts with its exiting directors and executive officers other than the compensation herein stated.

There is no compensatory plan or arrangement with respect to an executive which result or will result from the resignation, retirement or any other termination of such executive officers' employment with the Company and its subsidiary or from a change-in-control of the Company or a change in an executive officer's responsibilities following a change-in-control of the Company.

Warrants and Options Outstanding

The Company has not granted any warrants or options which are held by the executive officers and directors as a group.

ITEM 11 – SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

1. Security Ownership of Certain Record and Beneficial Owner of more than 5% of any class as of March 31, 2022 and June 30, 2022

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Ownership and Relationship with Record Owner	Citizenship	No. of Shares	Percentage
Common Class “B”	Panasonic Holdings Corporation (“PHD”) formerly Panasonic Corporation (“PC”) 1006 Oaza Kadoma, Kadoma City, Osaka 571-8501, Japan Ultimate Parent Company	Various Stockholders	Non-Filipino	337,994,588	79.96%

Panasonic Holdings Corporation (“PHD”) has the power to decide how the PC shares in Panasonic Manufacturing Philippines are to be voted and has authorized Mr. Yasushi Kondo – Chairman of the Board to vote on the shares.

2. Security Ownership of Directors and Management

The following are the securities beneficially owned by directors, nominees and executive officers of the Parent Company as of March 31, 2022 and June 30, 2022.

Title of Class	Name of Beneficial Owner	Amount of Beneficial Ownership (Php)	Nature of Beneficial Ownership	Citizenship	Percent
Common “B”	Yasushi Kondo	1	Direct	Japanese	NIL
Common “B”	Atsushi Kozuma	1	Direct	Japanese	NIL
Common “B”	Hiroshi Yamada	1	Direct	Japanese	NIL
Common “B”	Satoshi Kono	1	Direct	Japanese	NIL
Common “B”	Hirokazu Yoshida	1	Direct	Japanese	NIL
Common “B”	Michikazu Matsushita	1	Direct	Japanese	NIL
Common “B”	Takahiro Oyama	1	Direct	Japanese	NIL
Common “A”	Elizabeth Gildore	1,000	Direct	Filipino	.00024
Common “A”	Justina Callangan	2,000	Direct	Filipino	.00047
Common “A”	Marlon Molano	3,200	Direct	Filipino	.00076
Common “A”	Mamerto Mondragon	85,360	Direct	Filipino	.02020

The aggregate number of shares owned of record by all or key officers and directors as a group is 91,567 shares or approximately 0.02% of the Company’s outstanding capital stock.

(1) Shares owned by foreigners

The total number of shares owned by foreigners as of March 31, 2022 and June 30, 2022 is 337,994,588

(2) Voting Trust Holders of 5% or More

The Company is not aware of persons holding 5% or more of the Company's common shares under a voting trust or similar arrangement.

(3) Changes in Control

As of the date of this Annual Report, there were/are no arrangements that resulted/may result in a change in control of the Company.

ITEM 12 – CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During the last two years, there were no transactions was undertaken by the Company in which any director, executive officer, beneficial owner, or any member of their immediate family had a direct or indirect material interest.

There were no director, executive officer, principal stockholder, or any member of their immediate family owns 10% or more of the Company's outstanding shares.

There were no transactions with promoters within the past five years.

For information on related party transactions, including the amount/volume and outstanding balances as of March 31, 2022, please refer to Note 20 of the Company's Audited Consolidated Financial Statements which is incorporated herein as Annex B.

PART IV – CORPORATE GOVERNANCE**ITEM 13 – CORPORATE GOVERNANCE**

Panasonic Manufacturing Philippines Corp. (PMPC) since its establishment, has operated its business under its business philosophy, “contributing to the progress and development of society and the well-being of people worldwide through its business activities.” The Company believes it is important to increase corporate value by fulfilling accountability through dialogue with various stakeholders such as shareholders and customers, making effort to execute transparent business activities, and swiftly conducting business activities with fairness and honesty based on its basic philosophy of “A company is a public entity of society.” The company recognizes that corporate governance is the important basic structure for the aforementioned purpose, and endeavors to establish and strengthen an effective board governing body.

BOARD GOVERNANCE

The Corporate Governance structure of the Board prescribes the authority and responsibilities. It is the company's highest governance body which ensures there is an effective governance framework and system in place. It is also responsible for the stewardship of the company, which means that it oversees the day-to-day management delegated to the President and the other officers of the company. The Board as well as in their individual capacity, foster the long-term success of the company, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interest of its stockholders.

Compliance with the principles of good corporate governance starts with the Company's Board of Directors. The Board is responsible for overseeing the business affairs and integrity of the Company; determination of the Company's mission, long term strategy, and objectives; the management of the Company's risks through evaluation and ensuring the adequacy of the Company's internal controls and procedures. It is the responsibility of the Board to foster and engender the long-term success of the Company and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, exercised in the best interest of the Company, its shareholders, and other stakeholders.

BOARD COMPOSITION

The Board consists of ten members, each elected by the common stockholders during the Annual Stockholders' Meeting (ASM). The Board members hold office for one year until their successors are duly elected and qualified in accordance with the amended by-laws of the Company. PMPC Board is a combination of executive and non-executive that are possessed with qualifications and stature that enable them to effectively participate in the deliberations of the Board. It is composed of qualified and competent individuals that provide complementary skills from their respective areas of expertise in the exercise of their fiduciary responsibilities.

The Board includes three independent directors who were selected by the Nomination Committee based on independence criteria as set forth under the SEC's revised Securities Regulation Code and implementing rules and regulation, PMPC By-laws, and the company's Manual of Corporate Governance (MCG). The Board of Directors and the senior management of the Company have all undergone the requisite training on corporate governance. The names, profiles, and shareholdings of each director are found in the Definitive Information Statement, distributed prior to the ASM.

BOARD COMMITTEES

The Board of Directors is the highest governance body of the company. It provides direction and delegates the conduct of business to the company's management and operating levels under the leadership of the President. PMPC has standing committees to support the Board. The Audit Committee, Corporate Governance Committee, Risk Management Committee, and Related Party Transaction Committee have their respective charters approved by the Board. Charters delineate the objectives of the committees, define their functions, composition and procedures. These charters were prepared and benchmarked consistent with SEC's Code of Corporate Governance for PLC's and existing rules and regulations. Every PMPC board committee has at least two independent directors. The Board convenes regular meetings on a monthly basis and special meetings may be called for as needed.

AUDIT COMMITTEE

The Audit Committee is composed of at least three (3) members, majority of whom are Independent Directors including the Chairman. The Committee is composed of two independent directors and one executive director. The Chairman of the Audit Committee is a Certified Public Accountant (CPA). With the resignation of the Audit Committee Chairman Independent Director Emiliano Volante in the last quarter of 2021, the Board approved the appointment of committee member Independent Director

Marlon M. Molano as the new chairperson. Members of the committee must have accounting, auditing, or related financial management expertise, or experience commensurate with the size, complexity of operations, and risk profile of the Company. The Chairperson of the Audit Committee is not the Chairperson of the Board or of any other board-level committees.

The purpose of the Audit Committee is to assist the Board in fulfilling its responsibilities for general oversight of: (1) PMPC's financial reporting processes and the audit of financial statements, (2) PMPC's compliance with legal and regulatory requirements, (3) the external auditors' qualifications and independence, (4) the performance of PMPC's internal audit function and external auditors, and (5) risk assessment and risk management.

For fiscal year 2021, the Audit Committee monitored and evaluated the adequacy and effectiveness of the Company's internal control systems, risk management system, compliance, and governance practices. It provided oversight on the integrity of the Company's financial statements and financial reporting process, performance of the internal and external audit functions and compliance with Company's policies, applicable laws, and regulatory requirements. The Committee also approved the external auditor's annual audit plan and scope of work and assessed its overall performance and effectiveness. In consultation with management, this Committee also approved the external auditor's terms of engagement and audit fees.

As for Internal Audit function, the Audit Committee reviewed and approved the Internal Audit performance report in 2021, internal audit plan for 2021, and the revised internal audit charter. The Internal Audit periodically reports on the status of relevant auditable areas and recommendations which include the current status of internal control over financial reporting. The quarterly Audit Committee meetings were conducted to report significant audit issues and accomplishments of the Internal Audit. The Audit Committee and Internal Auditor reviewed the audited consolidated financial statements in accordance with Philippine Financial Reporting Standards (PFRS) and Philippine Accounting Standards (PAS) for Board approval. The Internal Auditor reports functionally to the Audit Committee Chairman.

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee is composed of at least three (3) members of the Board, who shall all be non-executive directors, majority of whom are Independent Directors including the Chairman. The Board also appointed Independent Director Atty. Justina Callangan as the new Corporate Governance Committee chairman for the remainder of 2021-2022 board term.

The Corporate Governance Committee is appointed to assist the Board in fulfilling its responsibility with respect to four (4) fundamental issues: (i) overseeing the development and the regular assessment of the Corporation's approach to corporate governance issues, (ii) ensuring that such approach supports the effective functioning of the Corporation with a view to promote the best interests of the Corporation's shareholders and effective communication between the Board of Directors and management of the Corporation, (iii) overseeing the process, structure and effective system of accountability by management to the Board of Directors and by the Board to the shareholders, in

accordance with applicable laws, regulations and industry standards for good governance practices, and (iv) carrying out the functions and responsibilities of a nomination and compensation committees.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee is composed of at least three (3) members of the Board, majority of whom shall be Independent Directors, including the Chairperson. Committee members should possess a range of knowledge and expertise on risk management issues and best practices. Ms. Elizabeth Gildore, Chairperson, is not the Chairperson of the Board or of any other board-level committee.

The Risk Management Oversight Committee monitors the risk environment for PMPC and provides direction for the activities to mitigate, to an acceptable level, the risks that may adversely affect the company's ability to achieve its goals. The committee facilitates continuous improvement of the company's capabilities around managing its priority risks. In addition, the committee supports the Audit Committee's efforts to monitor and evaluate, as mandated by the SEC's Code of Corporate Governance, the risk management processes of the company.

RELATED PARTY TRANSACTIONS COMMITTEE

The Related Party Transactions Committee is composed of at least three (3) Non-Executive Directors, majority of whom are Independent Directors including the Chairperson. The Board also appointed Independent Director Atty. Justina Callangan as the Committee chairman for the remainder of 2021-2022 board term.

The purpose of the Related Party Transactions Committee is to assist the Board of Directors of the company to provide independent review, approval, and exercise oversight function over Related Party Transactions (RPTs) to ensure that the transactions are conducted arms-length. The company is exercising extensive effort to ensure that all significant related party transactions are done arm's length. The transactions with related parties involve the supply of raw materials, service, and management consulting. The RPT Committee is guided by approved thresholds for the disclosure of and for the determination of the level of approval required for a particular RPTs. The aggregate amount of RPTs within any twelve (12) month period is monitored and considered for purposes of applying the thresholds for disclosure and approval. In 2019 PMPC adopted the Related Party Transaction Guidelines of SEC pursuant to SEC Memorandum Circular No. 10 Series of 2019.

RISK MANAGEMENT

PMPC recognizes that risks are associated with achieving value-based objectives. Managing these risks forms an essential part of PMPC's business. The aim of risk management within PMPC is to provide reasonable assurance that it understands the risks associated with achieving its business objectives and that it responds appropriately to these risks at all levels within the organization. This is achieved by always ensuring that:

- Risks are properly identified, assessed, managed and reported;
- Risk ownership is taken and communicated;

- Resources are effectively and efficiently allocated to manage risks;
- Risks that could significantly affect employees, the company, suppliers, or clients are suitably managed;
- The company is compliant with regulatory and legal requirements.

ACCOUNTABILITY AND AUDIT

External Auditors. The Audit Committee has the primary responsibility to recommend the appointment and removal of the external auditor to the Board. The external auditors are directly accountable to the Audit Committee in helping ensure the integrity of the company's financial statements and financial reporting process. Their responsibility is to assess and provide an opinion on the conformity of the audited financial statements with Philippine Financial Reporting Standards and the overall quality of the financial reporting process. The Audit Committee oversees the work of the external auditors and ensures that they have unrestricted access to records, properties, and personnel to enable performance of the required audit. During the ASM last July 16, 2021, the shareholders re-appointed Sycip Gorres Velayo & Co. (SGV & Co.) as the company's external auditor for the year 2020, with Juan Carlo Maminta as the lead engagement partner.

The Committee met with the external auditors without the presence of the management team to discuss any issues or concern. To ensure that the external auditor maintains the highest level of independence from the company, both in fact and appearance, the Audit Committee approved all audit, and audit-related, services rendered by the external auditor. The company has paid the following fees, exclusive of taxes, to its external auditors in the past two years:

Internal Audit. Internal Audit supports the Audit Committee in the effective discharge of its oversight role and responsibility. The Head of Internal Audit, Andrei R. Tibi, reports functionally to the Audit Committee of the Board of Directors, and administratively to the President / CEO. The activities of Internal Audit are governed by a separate Internal Audit Charter approved by the Audit Committee and the Board.

Internal Audit adopts a risk-based audit approach in developing its annual work plan, which is reassessed quarterly to consider emerging risks. The Audit Committee reviews and approves the annual work plan and all deviations therefrom and ensures that internal audit examinations cover the evaluation of adequacy and effectiveness of controls encompassing the company's governance, operations, and information systems; reliability and integrity of financial and operational information; safeguarding of assets; and compliance with laws, rules, and regulations. The Committee also ensures that audit resources are adequate and reasonably allocated to the areas of highest risk, including the effectiveness of the internal audit function. Its audit activities conform to the International Standards for the Professional Practice of Internal Auditing. During the year, the Committee regularly met with the Head of Internal Audit without the presence of management to discuss any issues or concern.

MEASURE TO FULLY COMPLY WITH CORPORATE GOVERNANCE

In 2021, PMPC substantially complied with its Manual on Corporate Governance, the provisions of the Revised Code of Corporate Governance of the Securities and Exchange Commission (SEC) and the Corporate Governance Guidelines Disclosure Template of the Philippine Stock Exchange (PSE).

As a mechanism to comply with corporate governance principles and practices, the company has a corporate governance framework, which is initiated and implemented by the company's President, Compliance Officer, Corporate Governance Committee, Audit Committee, Internal Audit, Nominations Committee, Remuneration and compensation Committee and Risk Management Committee. The Corporate Governance Committee has taken various initiatives in the past to embed the good corporate governance practices and principles recommended by the ASEAN Corporate Governance and Integrated Annual Corporate Governance Reports (IACGR) which include the increase in the number of independent directors to three (3) members, the adoption of Corporate Compliance Pro-gram Policy headed by a Compliance Officer, Related Party Transactions Policy, Board Related Party Transactions Committee, Beneficial Ownership Policy, Fraud Statement Policy, among others. These initiatives are closely monitored by the board and facilitated by the company's compliance officer. PMPC has put in place a policy on Corporate Compliance Program to strengthen its compliance initiatives consistent with the corporate governance issuances of regulatory agencies.

A duly appointed Compliance Officer is responsible for monitoring compliance with the provisions and requirements of the Code of Corporate Governance, rules, and regulations, reporting violations and recommending the imposition of disciplinary actions, and adopting measures to prevent repetition of violations. She also ensures that the company's corporate governance education and communication program promotes the development of knowledge, skills, attitudes, and culture that would enhance observance of corporate governance policies.

The company has a Board Assessment Policy and Procedures that provide, at the minimum, criteria and process to determine the performance of the Board, individual directors, and board committees and whether they comply with the Manual of Corporate Governance.

In fiscal year 2020, the onboarding of an additional independent director improved the Company's compliance with the Code of Corporate Governance and Integrated Annual Corporate Governance Report.

NO MATERIAL DEVIATION

The Company has established various internal controls, procedures, and mechanisms to ensure compliance with the Code of Corporate Governance and to avert any possible deviation thereof. PMPC shall continue to monitor, adopt, and evolve in conjunction with corporate governance developments. There have been no material deviations noted by the compliance officer for the fiscal year 2020.

PLANS TO IMPROVE CORPORATE GOVERNANCE

PMPC will continue to monitor any developments in Corporate Governance to consistently comply with local regulatory agencies and improve the Company's governance practices. Areas for improvement noted during the preparation of SEC and PSE corporate governance reports and the result of Corporate Governance audit conducted by the Company's Internal Audit Department will be addressed with positive action.

The Corporate Governance Committee shall principally and periodically review the provisions and enforcement of the company's Manual on Corporate Governance. The said manual is subject to annual review and amendment to continuously improve the company's corporate governance practices by assessing their effectiveness and comparing them with evolving best practices, standards identified by leading governance authorities and the company's changing circumstances and needs. Specifically, PMPC plans to fully comply with the ASEAN Corporate Governance practices and Integrated Annual Corporate Governance Report to reflect global principles and internationally recognized good practices in corporate governance applicable to public listed corporations. The company also adopts SEC's Revised Corporate Governance pursuant to SEC Memorandum Circular No.24 Series of 2019 to improve its Corporate Governance Practices. It revised its Manual of Corporate Governance accordingly.

ITEM 14 – REPORT OF THE AUDIT COMMITTEE TO THE BOARD OF DIRECTORS

The Audit Committee Report to the Board of Directors is attached as an Annex to this Annual Report (SEC 17-A).

ITEM 15 – SUSTAINABILITY REPORT

The Company's Sustainability Report for 2022 is attached as an Annex to this Annual Report.

PART V - EXHIBITS AND SCHEDULES

ITEM 16 – EXHIBITS AND REPORTS ON SEC FORM 17 – C

Exhibits

Annex A – Management's Discussion and Analysis (President's Report)

Annex B – Audited Consolidated Financial Statements of the Company (with consolidated statements of financial position as at March 31, 2022 and 2021, and consolidated comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years ended March 31, 2022, 2021 and 2020), Statement of Management Responsibility including Supplementary Schedules and Reconciliation of Retained Earnings Available for Dividend Declaration

Annex C – Audited Separate Consolidated Financial Statements of the Company (with consolidated statements of financial position as at March 31, 2022 and 2021, and consolidated comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years ended March 31, 2022, 2021 and 2020) and Statement of Management Responsibility

Reports on SEC Form 17 – C

List of reports filed under SEC Form 17 – C for fiscal year 2021 ended March 31, 2022:

Date	Description
April 12, 2021	Final List of Candidates/Nominees for Members of its Board of Director
April 15, 2021	List of Top 100 PMPC Stockholders as of March 31, 2021
May 2, 2021	Notice of cash dividend declaration during Special Meeting of the board of directors on May 20, 2021 declaring 52.43% cash dividend equivalent to P0.5245 per share or the total amount of ₱221, 698, 050.00 in favor of all its stockholders of record as of June 4, 2021 payable on June 23, 2021
June 11, 2021	Notice of Annual Stockholders Meeting held on July 16,2021
August 10, 2021	Certification of Independent Directors <ol style="list-style-type: none"> 1. Ms. Elizabeth Gildore 2. Ms. Justina Callangan 3. Mr. Marlon Molano
September 21, 2021	Resignation of directors and officers effective October 1, 2021 <ol style="list-style-type: none"> 1. Mr. Sasaki – President, CEO & Chairman 2. Mr. Takahashi – CFO and Vice-chairman 3. Mr. Dono Election of new directors and officers effective October 1, 2021 <ol style="list-style-type: none"> 1. Mr. Yasushi Kondo – President, CEO and Chairman 2. Mr. Atsushi Kozuma – CFO, Executive Director and Vice-chairman 3. Mr. Michikazu Matsushita
October 10, 2021	Designation of Mr. Hiroshi Yamada as acting President and Mr. Satoshi Kono as acting CFO
October 15, 2021	List of Top 100 PMPC stockholders as of September 30, 2021
December 10, 2021	Resignation of Mr. Yukio Hirose as director effective December 9, 2021 and election of Mr. Takahiro Oyama as new director
December 10, 2021	Amendment of Article of Incorporation and By-laws increase number of directors to ten (10) from nine (9)
December 16, 2021	Termination of designation of Mr. Hiroshi Yamada as acting President and Mr. Satoshi Kono as acting CFO and assumption of Mr. Yasushi Kondo as President and Mr. Atsushi Kozuma as CFO
January 19, 2022	List of Top 100 PMPC stockholders as of December 31, 2021
May 24, 2022	Declaration of cash dividend equivalent to Php0.2489 per share in favor of all its stockholders of record as of June 4, 2022

Reports under SEC form 17 – C, as amended during the last six (6) months:

NONE

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this Annual Report (SEC Form 17 - A) is signed on behalf of Panasonic Manufacturing Philippines Corporation by the undersigned, thereunto duly authorized, in the City of Taytay, Rizal on July 12, 2022.

PANASONIC MANUFACTURING PHILIPPINES CORPORATION
REGISTRANT

By:


YASUSHI KONDO
 President & Chief Executive Officer



ATSUSHI KOZUMA
 Treasurer & Senior Managing Executive Officer


HIROSHI YAMADA
 Senior Managing Executive Officer

SUBSCRIBED AND SWORN to before me on JUL 12 2022 in Taytay, Rizal,
 affiants exhibiting to me their passport numbers as follows:

NAMES	PASSPORT NO.	DATE ISSUED	PLACE ISSUED
Yasushi Kondo	TZ1385208	September 20, 2019	Japan
Atsushi Kozuma	TS0579539	April 17, 2018	Japan
Hiroshi Yamada	TZ1164469	November 08, 2016	Japan

Doc. No. 38
 Page No. 1
 Book No. 11
 Series of 2022


 NOTARY PUBLIC
 JOHN KENNETH T. MORENO
 Notary Public
 Roll No. 35640
 IBP No. 169375 - 02 Jan. 2022
 PTR No. 17150740 - 03 Jan. 2022
 MCLE No. VII- 0011285 - 14 April 2025
 Appt. No. 22-28 - 30 June 2022
 Until Dec. 31, 2023
 Fer Antipolo City, Taytay, Cainta
 Province of Rizal