

COVER SHEET
for
QUARTERLY REPORTS

Page 1 of 33

SEC Registration Number

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Company Name

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R	Y																												

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

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

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Department requiring the report

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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address

www.panasonic.com/ph

Company's Telephone Number/s

(632) 8635-2260 to 65

Mobile Number

N/A

No. of Stockholders

458

Annual Meeting
Month/Day

3rd Friday of July

Fiscal Year
Month/Day

March 31st

CONTACT PERSON INFORMATION

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

Name of Contact Person

Atty. Mamerto Mondragon

Email Address

mzmlaw@yahoo.com

Telephone Number/s

(632) 8818-7739

Mobile Number

(+63) 917 5772162

Contact Person's Address

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17- Q

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

1. For the quarterly period ended June 30, 2021
2. SEC Identification Number 23022 3. BIR Tax Identification No. 000-099-692-000
4. Exact name of registrant as specified in its charter

PANASONIC MANUFACTURING PHILIPPINES CORPORATION

5. Philippines 6. (SEC Use Only)
Province, Country or other jurisdiction of Industry Classification Code:
incorporation or organization
7. Ortigas Avenue Extension, Bo. Mapandan
Brgy. San Isidro, Taytay, Rizal 1920
Address of principal office Postal Code
8. (632) 8635-22-60 to 65
Registrant's telephone number, including area code
9. Not Applicable
Former address changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the RSA.

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

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

Yes ☒ No ☐

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

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

12. Check whether the registrant:

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

Yes ☒ No ☐

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

Yes ☒ No ☐

PART I – FINANCIAL INFORMATION

Item I. Financial Statements

The Unaudited Consolidated Financial Statements of Panasonic Manufacturing Philippines Corporation (PMPC) and its Subsidiary, Precision Electronics Realty Corporation (PERC) as of and for the period ended June 30, 2021 (with comparative figures as of March 31, 2021 and period ended June 30, 2020 & 2019) and selected Notes to Consolidated Financial Statements are on pages 15 to 33.

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

Key Performance Indicators

Name of Index	Calculation	FY 2021 Apr – Jun	FY 2020 Apr – Jun
1. Rate of Sales Increase	$\frac{\text{CY}^{(b)} \text{ Sales} - \text{LY}^{(c)} \text{ Sales}}{\text{LY Sales}} \times 100\%$	81.9%	-51.9%
2. Rate of Profit Increase	$\frac{\text{CY Profit Before Tax} - \text{LY Profit Before Tax}}{\text{LY Profit Before Tax}} \times 100\%$	240.7%	-160.1%
3. Rate of Profit on Sales	$\frac{\text{Profit Before Tax}}{\text{Total Sales}} \times 100\%$	4.0%	-5.1%
4. Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	2.48:1	2.48:1
5. Dividend Ratio to Capital	$\frac{\text{Dividend}}{\text{Average Capital}} \times 100\%$	52.45%	14.98%

Rate of Sales Increase - This measures the sales growth versus the same period last year. For the first quarter of 2021, the Group sales increased by 81.9% from ₱ 1.611 billion last year to ₱2.929 billion due to business disruption caused by COVID19 pandemic last year.

Rate of Profit Increase - This measures the increase in profit before tax versus the same period last year. Rate of profit increased by 240.7 % mainly due to 81.9% increase in sales versus last year.

Rate of Profit on Sales - This measures the percentage of profit before tax versus total sales for the period. Rate of profit increased to 4.0% from -5.1% of the same quarter last year.

Current Ratio - This measures the liquidity of the Group and its ability to pay off current liabilities. The Company registered current ratio of 2.48:1 as of June 30, 2021 and June 30, 2020.

Dividend Ratio to Capital - This measures the dividend payout ratio versus capital for the period. The Group paid 14.98% cash dividend for the 1st quarter of 2020 and 52.45% in 2021.

THREE MONTHS ENDED JUNE 30, 2021 vs. 2020**RESULTS OF OPERATION****Material Changes (+/-5% or more) in the financial statements (*in thousands*)**

Accounts	JUNE 2021 (Unaudited)	JUNE 2020 (Unaudited)	Difference (%)
Sales	2,929,279	1,610,812	81.85%
Cost of sales	2,437,074	1,410,747	72.75%
Gross profit	492,205	200,065	146.02%
General administrative expenses	256,545	206,936	23.97%
Selling expenses	128,523	73,851	74.03%
Other income / (loss) – net	9,084	-1,885	581.94%
Income before tax	116,221	-82,606	240.69%
Income tax expense	34,038	53,332	-36.18%
Income after tax	82,183	-135,939	160.46%

Consolidated sales for the first quarter of FY 2021 rose by 81.85% to ₱2.929 billion from ₱1.611 billion posted in the same period last year. In the midst of the current COVID-19 pandemic, the Company was able to stay competitive and explore innovative solutions to overcome the negative impacts of this crisis and recovered from its low sales achievement last year.

Cost of sales increased by ₱1.026 billion due mainly to increase in sales, and material cost consumption by ₱703 million, purchases of raw materials ₱539.0 million and direct and indirect labor cost by ₱30.57 million mainly due to increase of production during the fiscal year.

Gross profit increased by 146.02% due mainly to significant increase in sales compared to last year.

General administrative expenses increased by ₱49.61 million (23.97%) mainly due to provision for technical assistance fee ₱26.5 million and brand license fee ₱12.1 million for the quarter which were based on sales performance.

Selling expenses increased by ₱54.7 million (74.03%) mainly due to increase in sales promotion by ₱46.7 million and advertising expense by ₱5.0 million.

Net non-operating income increased by ₱11.0 million was the result of a favorable change in the exchange rate used during the first quarter of this year.

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

The Group's net income before and after tax improvement by ₱198.83 million and ₱218.12 million respectively was due to 81.9% increase in sales achievement and lower cost of sales ratio versus last year.

FINANCIAL POSITIONS

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

Accounts	JUNE 2021 (Unaudited)	MARCH 2021 (Audited)	Difference (%)
Cash and cash equivalents	3,510,507	3,743,229	-6.22%
Receivables	1,503,516	1,476,639	1.82%
Inventories	1,818,993	1,741,172	4.47%
Other current assets	129,784	142,544	-8.95%
Property & equipment	966,366	972,342	-0.61%
Right of use assets	11,192	12,350	-9.37%
Other noncurrent assets	22,244	22,430	-0.83%
Accounts payable & accrued expenses	2,723,339	2,889,647	-5.76%
Provision for estimated liabilities	549,057	391,115	40.38%
R/E – Unappropriated	393,494	583,016	-32.51%

The Group's total assets amounted to ₱8.090 billion and ₱8.238 billion as of June 30, 2021 and March 31, 2021 respectively. Total equity amounted to ₱4.675 billion in June 30, 2021 and ₱4.802 billion as of March 31, 2021.

Net decrease in cash by ₱232.7 million (-6.22%) mainly due to 81.85% sales achievement for the quarter caused by Enhance Community Quarantine (ECQ) nationwide due to covid19 pandemic.

Accounts receivable increased by ₱26.9 million (1.82%) due to extended collection due date and no-payment of customers during ECQ.

Inventories increased by ₱77.8 million (4.47%) mainly due to increase in finished goods and merchandise production for the first quarter.

Net decrease in other current assets by ₱12.8 million (-8.95%) mainly due the recognition of expenses for the three months ended June 30, 2021 charged to prepaid expenses.

Property, plant and equipment – net decreased by ₱5.97 million due to depreciation expenses incurred for the period. Total purchases amounted to ₱44.0 million while total amortization of depreciation expense amounted to ₱50.3 million.

Net Right of use assets valued at ₱11.2 million – net of depreciation for the first quarter of 2021.

Net decrease in accounts payable and accrued expenses by ₱166.3 million (-5.76%) mainly due to decrease in trade payable by ₱89.3 million.

Provision for estimated expenses increased by ₱157.9 million mainly due for reserves for price risk and overhead expenses.

Retained earnings – unappropriated decreased by ₱189.5 million mainly due to the payment of cash dividend amounted to ₱221.7 million and additional appropriation of ₱50.0 million. Net income for the period recorded at ₱82.2 million.

THREE MONTHS ENDED JUNE 30, 2020 vs. 2019**RESULTS OF OPERATION****Material Changes (+/-5% or more) in the financial statements (*in thousands*)**

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

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

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

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

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

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

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

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

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

FINANCIAL POSITIONS

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

Accounts	JUNE 2020 (Unaudited)	MARCH 2020 (Audited)	Difference (%)
Cash and cash equivalents	2,545,595	2,945,350	-13.57%
Receivables	1,746,150	1,440,043	21.26%
Inventories	1,568,845	1,654,053	-5.15%
Other current assets	181,511	91,858	97.60%
Property & equipment	1,039,701	1,072,552	-3.06%
Investment properties	7,036	10,777	-34.71%
Other noncurrent assets	25,189	25,590	-4.66%
Accounts payable & accrued expenses	2,230,062	2,365,479	-5.72%
Provision for estimated liabilities	621,228	549,250	13.46%
R/E – Unappropriated	139,274	338,836	-58.90%

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

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

Accounts receivable increased by ₱306.1 million (21.26%) due to extended collection due date and non-payment of customers during ECQ.

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

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

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

Net Right of use assets valued at 7.04 million.

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

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

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

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

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

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

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

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

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

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

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

FINANCIAL POSITIONS

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

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

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

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

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

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

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

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

Net Right of use assets valued at 43.4 million.

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

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

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

CASH FLOWS

A brief summary of cash flow movement is shown below

<i>(In thousands pesos)</i>	2021	2020
Net cash flows provided by operating activities	34,350	(310,602)
Net cash flows used in investing activities	(44,306)	(22,015)
Net cash flows used in financing activities	(222,765)	(67,138)

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

Net cash flows used in investing activities included the following:

<i>(In thousands pesos)</i>	2021	2020
Additions to property and equipment - net	(44,310)	(22,416)
Additions to other assets	4	401

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

<i>(In thousands pesos)</i>	2021	2020
Cash dividends paid	(221,716)	(63,306)
Finance lease liabilities paid	(1,050)	(3,832)

RETAINED EARNINGS

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

The appropriated retained earnings pertain to the appropriation for plant expansion and modernization and upgrade of factory facilities and equipment of the Parent Company.

OTHER MATTERS

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

The causes for any material change from period to period of the relevant accounts were discussed in the Management's Discussion and Analysis of Financial Conditions and Results of Operation.

- b. There were no known events, trends, and demands, commitments or uncertainties that might affect or might have a material impact on the Company's liquidity or cash flows within the next twelve (12) months, except those stated in Management's Discussion and Analysis of Financial Conditions and Results of Operations.
- c. There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets since the last annual balance sheet date.
- d. There were no material off-balance sheet transactions, arrangements, obligations and other relationship of the Parent Company with unconsolidated entities or other persons created during the reporting period.
- e. The Company has commitments for capital expenditures. Among these are investments on relocation and renovation of its head office and branch premises, acquisition and repairs of machinery and equipment, furniture and fixtures, and IT-related projects needed to bring the Company at par with competitors.
- f. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operation.
- g. There were no significant elements of income or loss that did not arise from the Company's continuing operations.
- h. There were no seasonal aspects that have had a material effect on the Company's financial condition or results of operations.

The COVID-19 pandemic had impact to the Group's operation for the first quarter. However, the Group is determined to realize a better scenario and to regain momentum, not only on sales growth but a positive operating profit.

The Group is continuously assessing and monitoring the impact to its financial position, performance and cash flows. The Group will continue to monitor the situation.

PART II – OTHER INFORMATION

NOT APPLICABLE

SIGNATORIES

Pursuant to the requirements of the Securities Regulation Code, Panasonic Manufacturing Philippines Corporation has duly caused this report to be signed on its behalf by the following persons in their capacities stated below in Taytay, Rizal on August 10, 2021.

PANASONIC MANUFACTURING PHILIPPINES CORPORATION

By:


YOSHIYUKI TAKAHASHI
Treasurer & Executive Director


MARIA VIRGINIA AREVALO
Compliance Officer

**PANASONIC MANUFACTURING PHILIPPINES
CORPORATION AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

As of June 30, 2021 (Unaudited) and March 31, 2021 (Audited)
And for the Three Months ended June 30, 2020 and 2019 (Unaudited)

PANASONIC MANUFACTURING PHILIPPINES CORP. & SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In Thousand Pesos)

	(Unaudited) June 30, 2021	(Audited) March 31, 2021
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱3,510,507	₱3,743,228
Receivables - net (Notes 5)	1,503,516	1,476,639
Inventories - net (Note 6)	1,818,993	1,741,172
Other current assets (Note 8)	129,784	142,544
Total Current Assets	6,962,800	7,103,583
Non-current Assets		
Property, plant and equipment - net (Note 7)	966,366	972,342
Right of use Assets - net	11,192	12,350
Deferred tax assets – net	127,188	127,188
Other assets – net (Note 8)	22,244	22,430
Total Non-current Assets	1,126,990	1,134,310
	₱8,089,790	₱8,237,893
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 9)	₱2,723,339	₱2,889,647
Other current liabilities	79,041	76,686
Finance lease liability	3,312	4,361
Total Current Liabilities	2,805,692	2,970,694
Noncurrent Liability		
Provisions for estimated liabilities (Note 10)	491,717	335,209
Retirement liability	122,445	122,445
Finance lease liability	7,284	7,284
Total Noncurrent Liabilities	621,446	464,938
	3,427,138	3,435,632
Stockholders' Equity		
Equity attributable to equity holders of the parent		
Capital stock - ₱1 par value (Note 11)	422,718	422,718
Additional paid-in capital	4,780	4,780
Other comprehensive income	(124,187)	(124,187)
Retained earnings (Note 12)		
Appropriated	3,892,400	3,842,400
Unappropriated	393,494	583,016
	4,589,205	4,728,727
Non-controlling interest	73,447	73,534
Total Stockholders' Equity	4,662,652	4,802,261
	₱8,089,790	₱8,237,893

See accompanying Notes to Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORP. & SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Three Months ended June 30, 2021, 2020 & 2019

	JUNE (UNAUDITED)		
	2021	2020	2019
<u>CONTINUING OPERATIONS</u>			
NET SALES	₱2,929,279	₱1,610,812	₱3,346,706
COST OF GOODS SOLD (Note 13)	2,437,074	1,410,747	2,770,301
GROSS PROFIT	492,205	200,065	576,405
SELLING EXPENSES (Note 14)	128,523	73,851	191,336
GENERAL AND ADMINISTRATIVE EXPENSES (Note 15)	256,545	206,936	257,980
INCOME FROM OPERATIONS	107,137	(80,722)	127,089
OTHER INCOME/(LOSS) – Net (Note 17)	9,084	(1,885)	10,287
INCOME BEFORE INCOME TAX	116,221	(82,606)	137,376
PROVISION FOR INCOME TAX	34,038	53,332	30,137
NET INCOME	82,183	(135,939)	107,239
OTHER COMPREHENSIVE INCOME:			
Remeasurement Loss on Retirement Liability	-	-	-
TOTAL COMPREHENSIVE INCOME	₱82,183	(₱135,939)	₱107,239
Attributable to:			
Equity holders of the parent	₱82,194	(₱136,256)	₱107,088
Minority interest	(11)	317	151
Earnings Per Share (Note 19)	₱0.19	(₱0.32)	₱0.25

(In Thousand Pesos except Earnings per Common Share Amount)

See accompanying Notes to Financial Statements.

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

(In thousand pesos)

	(Unaudited) June 2021	(Unaudited) June 2020	(Unaudited) June 2019
Capital Stock (Note 11)	₱422,718	₱422,718	₱422,718
Additional Paid-in Capital	4,780	4,780	4,780
Net unrealized Gains on AFS Investments	699	626	3,825
Re-measurement loss on Retirement liability			
	(124,886)	(146,866)	(84,755)
RETAINED EARNINGS (Note 12)			
Appropriated:			
Balance at beginning of period	3,892,400	3,792,400	3,742,400
Appropriations			
Reversals			
Balance at end of period	3,892,400	3,792,400	3,742,400
Unappropriated:			
Balance at beginning of period	583,016	338,836	351,505
Net income	82,194	(136,256)	107,088
Appropriations	(50,000)	-	-
Cash dividends	(221,716)	(63,306)	(88,736)
Balance at end of period	393,494	139,274	369,857
	4,589,205	4,212,932	4,112,257
Minority interest	73,447	73,074	72,520
Total Stockholders' Equity	₱4,662,652	₱4,286,007	₱4,531,345

See accompanying Notes to Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORP. & SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended June 30, 2021 and 2020
(In thousand pesos)

	JUNE (UNAUDITED)	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱116,221	(₱82,606)
Adjustments for:		
Depreciation and amortization (Note 18)	51,626	59,258
Interest income (Note 17)	(2,935)	(4,776)
Net movement for estimated liabilities	158,863	73,701
Operating income before working capital changes	323,775	45,577
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	(26,877)	(306,108)
Inventories	(77,822)	85,208
Other current assets	12,760	(89,653)
Increase (decrease) in:		
Accounts payable and accrued expenses	(166,384)	(2,930)
Net cash generated in operations	65,453	(262,046)
Income taxes paid	(34,038)	(53,332)
Interests received	2,935	4,776
Net cash provided by (used in) operating activities	34,350	(310,602)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment –net	(44,310)	(22,416)
Decrease (increase) in other assets	4	401
Net cash used in investing activities	(44,306)	(22,015)
CASH FLOW FROM FINANCING ACTIVITIES		
Cash dividends paid	(221,716)	(63,306)
Finance lease liabilities paid	(1,050)	(3,832)
Cash used in financing activities	(222,766)	(67,138)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(232,722)	(399,755)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	3,743,229	2,945,350
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱3,510,507	₱2,545,595

See accompanying Notes to Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORP. & SUBSIDIARY

SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Panasonic Manufacturing Philippines Corporation (the Parent Company) was incorporated in the Philippines on May 14, 1963 and is a subsidiary of Panasonic Corporation (PC or the Ultimate Parent Company) which was incorporated in Japan on December 15, 1935. The Securities and Exchange Commission (SEC) approved on March 19, 2013 the extension of Parent Company's corporate life for another 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.

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 Group 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 (see Note 7).

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

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The accompanying consolidated financial statements of the Parent Company and the Subsidiary (collectively referred to as the "Group") have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI) that have been measured at fair value and inventories that have been measured at lower of cost or net realizable value (NRV). The accompanying consolidated financial statements are presented in Philippine peso (₱), which is also the Parent Company's functional currency. The functional currency of PERC is also the Philippine peso. All values were rounded to the nearest peso except when otherwise indicated.

Statement of Compliance

The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and PERC, a subsidiary which it controls.

All inter-company balances, income and expenses are eliminated in full.

Noncontrolling interest represents the interest in PERC not held by the Parent Company.

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.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective in fiscal year 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs 2018-2020 Cycle*
 - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
 - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
 - Amendments to PAS 41, *Agriculture, Taxation in fair value measurement*

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- PFRS 17, *Insurance Contracts*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

3. Summary of Significant Accounting and Financial Reporting Policies

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

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

4. Cash and Cash Equivalents

This account consists of: (in thousand)

	(Unaudited) June 2021	(Audited) March 2021
Cash on banks	₱1,262,067	₱1,126,221
Cash equivalents	2,248,440	2,617,008
	₱3,510,507	₱3,743,229

5. Receivables

This account consists of: (in thousands)

	(Unaudited) June 2021	(Audited) March 2021
Trade		
Domestic	₱1,273,755	₱1,253,152
Export	141,914	132,916
Non-trade		
Related parties	18,820	63,183
Third parties	2,084	3,392
Employees	4,452	4,708
Others	74,167	31,560
	1,515,192	1,488,911
Less: Allowance for doubtful accounts	11,676	12,272
	₱1,503,516	₱1,476,639

6. Inventories

This account consists of: (in thousands)

	(Unaudited) June 2021	(Audited) March 2021
At NRV:		
Finished goods and merchandise	-	₱947
At cost:		
Finished goods and merchandise	₱1,081,310	1,054,961
Raw materials	689,919	630,876
Goods in-process	8,366	11,664
Supplies	39,398	42,724
	1,818,993	1,740,225
	₱1,818,993	₱1,741,172

7. Property, Plant and Equipment

This account consists of (Php1,000):

As of June 30, 2021	Land and Improvements	Factory Machinery, Equipment and Tools	Building and Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Construction in Progress	Right of Use of Assets	Total
Cost								
Balance at beginning of period	₱236,029	₱2,064,503	₱1,233,298	₱190,291	₱146,703	₱54,437	₱13,893	₱3,939,154
Acquisitions		13,797	10,670	2,322	-	17,276	-	44,065
Reclassification		35,192	-	-	-	(35,192)	-	-
Balances at end of period	236,029	2,113,492	1,243,968	192,613	146,703	36,521	13,893	3,983,219
Accumulated Depreciation And Amortization								
Balance at beginning of period	₱2,851	₱1,762,022	₱887,460	₱180,579	₱120,006	-	₱1,544	₱2,954,462
Depreciation (Note 18)		32,260	12,896	2,294	2,592		1,157	51,199
Retirements/disposals		-	-	-	-	-	-	-
Reclassification		-	-	-	-	-	-	-
Balances at end of period	2,851	1,794,282	900,356	180,873	122,598	-	2,701	3,005,661
Net Book Value								
(Unaudited) June 2021	₱233,178	₱319,210	₱343,612	₱11,740	₱24,105	₱36,521	₱11,192	₱977,558
(Audited) March 2021	₱233,178	₱302,480	₱345,837	₱9,712	₱26,697	₱54,438	₱12,350	₱984,692

8. Other Current Assets and Other Assets

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

	June 2021	March 2021
Other current assets		
Creditable withholding taxes (CWTs)	₱95,311	₱91,598
Prepaid expenses	31,972	48,531
Advances to suppliers and employees	6,001	5,915
	133,284	146,044
Less: Allowance for probable loss	3,500	3,500
	₱129,784	₱142,544
Other assets		
Deposits	₱17,641	₱17,788
Deferred input VAT	1,493	1,350
Financial assets at FVOCI	1,660	1,660
Software	1,450	1,632
	₱22,244	₱22,430

The composition and movements of Intangible Assets - software follow:

	June 2021	March 2021
Cost		
Balances at beginning of year	₱110,099	₱110,099
Additions	–	–
Balances at end of period	110,099	110,099
Accumulated amortization		
Balances at beginning of year	108,467	107,464
Amortization (Note 18)	182	1,003
Balances at end of period	108,649	108,467
Net book value	₱1,450	₱1,632

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

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

Accounts payable consists of:

	June 2021	March 2021
Trade payable		
Related parties	₱423,408	₱443,414
Third parties	335,233	404,534
Non-trade payable		
Related parties	32,953	129,272
Third parties	3,815	5,799
Accrued expense		
Third parties	1,852,138	1,829,377
Related parties	3,745	21,340
Others		
Advances from customers	31,243	41,200
Dividends payable	–	5
Output VAT	40,804	14,706
	₱2,723,339	₱2,889,647

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

Accrued expense to third parties consists of:

	June 2021	March 2021
Accrued advertising expenses and sales promotions	₱1,084,100	₱998,430
Payable to suppliers	711,430	785,946
Accrued freight expenses	20,644	17,581
Salaries and other employee benefits	35,964	27,420
	₱1,852,138	₱1,829,377

10. Retirement and Other Liabilities

This account consists of:

	June 2021	March 2021
Current		
Other liabilities		
Provisions for estimated liabilities	₱79,041	₱76,686
Noncurrent		
Other liabilities		
Provisions for estimated liabilities	₱470,016	₱314,429
Other long-term employee benefits	21,701	20,780
	491,717	335,209
	₱570,758	₱411,895

Provisions for estimated liabilities

Current and noncurrent portion of this account follows:

	June 2021	March 2021
Current		
Warranty claims	₱79,041	₱76,686
Noncurrent		
Warranty claims	13,392	12,993
Others	456,624	301,436
	470,016	314,429
	₱549,057	₱391,115

The roll-forward of this account follows:

	June 2021		
	Warranty Claims	Others	Total
Balances at beginning of year	₱89,679	₱301,436	₱391,115
Provisions	12,628	1,017	13,645
Claims/usage/reclassifications	(9,874)	154,171	144,297
Balances at end of year	₱92,433	₱456,624	₱549,057

	March 2021		
	Warranty Claims	Others	Total
Balances at beginning of year	₱101,319	₱301,729	₱403,048
Provisions	32,225	(13,003)	19,222
Claims/usage/reclassifications	(43,865)	12,710	(31,155)
Balances at end of year	₱89,679	₱301,436	₱391,115

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

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

11. Capital Stock

Details of capital stock follow:

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

- a. The Class A shares of stock can be issued to Philippine nationals only, while the Class B shares of stock can be issued to either Philippine or foreign nationals. As of June 30, 2021, all Class B shares are issued to foreign nationals only. The Group's Class A shares of stock are listed in the Philippine Stock Exchange.
- b. Below is the summary of the Parent Company's track record of registration of securities under the Securities Regulation Code (SRC):

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

As of June 30, 2021, the total number of shares registered under the SRC is 84,723,432 shares being held by 458 stockholders.

The Parent Company declared cash dividends amounting to ₱221.7 million and ₱63.3 million in the first quarter of fiscal year 2021 and 2020, respectively.

12. Retained Earnings

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

The retained earnings inherited from NPPI before the effectivity of the merger amounting to ₱64.7 million are included in the consolidated statement of financial position under "unappropriated retained earnings". Such is not available for distribution to stockholders in the form of cash or property dividends. Based on the SEC guidelines and after considering this adjustment, the retained earnings available for dividend declaration as of March 31, 2021 and 2020 amounted to ₱418.0 million and ₱150.1 million, respectively.

In 2021 and 2020, the consolidated retained earnings include the retained earnings of PERC amounting to ₱42.4 million, which are not available for dividend declaration.

- b.* On April 22, 2021 the Parent Company's BOD authorized and directed the reversal of the appropriated retained earnings amounting to ₱814.5 million. On the same date, the BOD authorized the appropriation of retained earnings amounting to ₱864.5 million, having a total of appropriated retained earnings amounting to ₱3.8 billion of which ₱3.6 billion represents the reinstatement of the previous appropriations for in-plant production of plastic and metal parts, the Group's change of IT System and other future projects of the Parent Company, while the additional ₱221.4 million appropriations represents appropriations for expansion of warehouses to cope with business growth and the replacement and upgrading of old machines, molds and dies and other expected undertakings to expand production including target increase in B2B sales volume. Several projects of the Parent Company that were expected to be completed in 2021 were delayed. These projects are expected to be completed by 2030.
- c.* On April 14, 2020, the Parent Company's BOD authorized and directed the reversal of the appropriated retained earnings amounting to ₱798.8 million. On the same date, the BOD authorized the appropriation of retained earnings amounting to ₱848.8 million, having a total of ₱3.8 billion of which ₱3.2 billion represents the reinstatement of the previous appropriations for in-plant production of plastic and metal parts, Group's change of IT System and other future projects of the Parent Company, while the additional ₱530.0 million appropriations represents appropriations for expansion of warehouses to cope with business growth and the replacement and upgrading of old machines, molds and dies and other expected undertakings to expand production including target increase in B2B sales volume. These projects are expected to be completed by 2030.
- d.* On March 29, 2019, the Parent Company's BOD authorized and directed the reversal of the appropriated retained earnings amounting ₱724.6 million. From the total appropriations of ₱3.7 billion as of March 31, 2019, ₱3.3 billion represents the reinstatement of the previous appropriations for in-plant production of plastic and metal parts, Group's change of IT System and other future projects of the Parent Company, while the additional ₱382.8 million appropriations represents appropriations for replacement and upgrading of old machines, molds and dies and other future projects and activities intended to boost B2B sales as growth engine. These projects are expected to be completed by 2024.
- e.* The Parent Company's BOD declared cash dividends as follows:

₱221.7 million – 52.45% cash dividend on May 20, 2021 to stockholders of record as of June 4, 2021 and paid on June 25, 2021 (₱0.5245 per share).

₱63.3 million – 14.98% cash dividend on May 7, 2020 to stockholders of record as of May 21, 2020 and paid on May 29, 2020 (₱0.1498 per share).

₱88.7 million – 20.99% cash dividend on April 22, 2019 to stockholders of record as of May 7, 2019 and paid on May 24, 2019 (₱0.2099 per share).
- f.* No subsequent event after June 30, 2021.

13. Cost of Goods Sold

This account consists of: (in thousands)		
	(Unaudited) June 2021	(Unaudited) June 2020
Material costs	₱1,251,530	₱548,166
Direct labor (Note 16)	64,405	41,413
Manufacturing overhead:		
Indirect labor (Note 16)	50,528	42,948
Depreciation and amortization (Note 18)	44,759	49,191
Research and development	25,104	13,174
Electricity, gas and water	16,112	13,511
Indirect materials	10,282	5,482
Repairs and maintenance	8,192	4,247
Traveling	7,436	4,373
Provision for obsolescence of materials	7,423	13,335
Supplies	5,400	2,476
Outsourcing	5,063	2,985
Insurance	3,106	2,706
Rent	1,065	1,346
Taxes and dues	862	954
Others	578	618
Total manufacturing overhead	185,910	157,346
	1,501,845	746,925
Goods in process:		
Beginning of period	11,664	14,435
End of period	(6,336)	(8,331)
Cost of goods manufactured	1,507,173	753,029
Finished goods and merchandise:		
Beginning of period	1,055,908	1,002,859
Add purchases – net	955,303	416,283
End of period	(1,081,310)	(761,424)
	₱2,437,074	₱1,410,747

14. Selling Expenses

This account consists of: (in thousands)		
	(Unaudited) June 2021	(Unaudited) June 2020
Sales promotion, rebates and discounts	₱106,137	₱59,441
Advertising	17,598	12,575
Provision for warranty costs	1,534	1,758
Freight	3,254	77
	₱128,523	₱73,851

15. General and Administrative Expenses

This account consists of: (in thousands)

	(Unaudited) June 2021	(Unaudited) June 2020
Salaries, wages and employees' benefits	₱93,271	₱88,381
Technical assistance fees	50,773	24,260
Brand license fees	21,299	9,196
Taxes and dues	16,439	11,593
Information processing expenses	16,401	19,886
Outsourcing	11,046	9,894
Depreciation and amortization (Note 18)	6,867	10,067
Rent	5,584	4,219
Insurance	5,212	4,541
Traveling	4,720	2,277
Allocated Cost – Regional Headquarter	4,294	1,922
Repairs and maintenance	2,978	1,055
Communication	2,250	1,017
Supplies	2,164	2,638
Provision for other estimated liabilities	1,017	1,131
Freight and storage	720	77
Electricity, gas and water	(416)	1,361
Others	11,926	13,421
	256,545	206,936

16. Personnel Expenses

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

	(Unaudited) June 2021	(Unaudited) June 2020
Compensation	₱155,687	₱137,635
Other salaries	31,167	12,801
Retirement and severance	8,760	8,100
Other benefits	12,571	14,205
	₱208,185	₱172,741

17. Other Income (Expenses)

This account consists of: (in thousands)

	(Unaudited) June 2021	(Unaudited) June 2020
Interest income	₱2,936	₱4,776
Scrap sales	2,611	582
Miscellaneous – net	3,222	4,093
Forex gain / (loss)	315	(11,336)
	₱9,084	(₱1,885)

18. Depreciations and Amortization Expenses

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

	(Unaudited) June 2021	(Unaudited) June 2020
Cost of goods sold (Note 13)	₱44,759	₱49,191
Operating expenses (Note 15)	6,867	10,067
	₱51,626	₱59,258

19. Earnings per Share

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

	(Unaudited) June 2021	(Unaudited) June 2020
Net income (a)	₱82,183	(₱135,939)
Weighted average number of common shares (b)	422,718	422,718
Earnings per share (a/b)	0.19	(0.32)

20. Reporting Segments

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

Products under each business segment are as follows:

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

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

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

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

The Group's segment information for the periods ended June 30, 2021 and 2020 are as follows
(in thousands):

Three Months ended June 30, 2021 vs. 2020 (Unaudited)

	2021			
	Consumer	SSG	Others	Total
Consolidated Statement of Comprehensive Income				
Net sales	₱2,856,653	₱39,590	₱33,036	₱2,929,279
Cost of goods sold (Note 13)	(2,380,671)	(29,608)	(26,795)	(2,437,074)
Selling expenses (Note 14)	(138,203)	(729)	10,409	(128,523)
General and administrative expenses (Note 15)	(242,444)	(5,362)	(8,739)	(256,545)
Other income - net (Note 17)	13,845	—	(4,761)	9,084
Income before income tax	₱109,180	₱3,891	₱3,150	116,221
Provision for income tax				(34,038)
Net income				₱82,183
2020				
	Consumer	SSG	Others	Total
Consolidated Statement of Comprehensive Income				
Net sales	₱1,529,000	₱35,155	₱43,657	₱1,610,812
Cost of goods sold (Note 13)	(1,335,373)	(32,284)	(43,090)	(1,410,747)
Selling expenses (Note 14)	(66,569)	(757)	(6,525)	(73,851)
General and administrative expenses (Note 15)	(218,485)	(6,768)	18,316	(206,936)
Other income - net (Note 17)	724	51	(2,660)	(1,885)
Income before income tax	(₱90,703)	(₱1,602)	₱9,699	(82,606)
Provision for income tax				53,332
Net income				(₱135,939)

21. Subsequent Events

None

22. Financial Risk Management Objectives and Policies

Risk management structure

All policy directions, business strategies and management initiatives emanate from the BOD which strives to provide the most effective leadership for the 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 June 30, 2021 and 2020, 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 June 30, 2021 and 2020.

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.

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.

As of June 30, 2021 and March 31, 2021, the foreign currency-denominated financial assets and financial liabilities in original currencies and their Philippine Peso (PHP) equivalents are as follows:
(in thousands)

June 2021			
	USD	JPY	Equivalents in PHP
Financial assets			
Cash in banks and cash equivalents	11,742	1,700	573,756
Receivables – net	3,025	-	147,620
	14,767	1,700	721,376
Financial liabilities			
Accounts payable and accrued expenses	6,776	36,435	346,667

March 2021			
	USD	JPY	Equivalents in PHP
Financial assets			
Cash in banks and cash equivalents	13,818	5,253	672,867
Receivables – net	3,831	463	186,140
	17,649	5,716	859,007
Financial liabilities			
Accounts payable and accrued expenses	12,761	28,385	631,760

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.

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.

AGING OF ACCOUNTS RECEIVABLE
As of June 30, 2021

	Amount (Php 1,000)
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Trade Receivables:	
Current Due	1,389,990
01 – 30 days	21,891
31 – 60 days	1,256
61 – 90 days	408
Over 90 days	2,124
	<hr/>
	1,415,669
Less: Allowance for doubtful accounts	(11,676)
Total	<hr/> 1,403,993 <hr/>
Other Receivables:	
Receivable from affiliates	6,249
Third parties	56,922
Employees	3,807
Others	32,545
	<hr/>
	99,523
Total	<hr/> 1,503,516 <hr/>