COVER SHEET
FOR
ANNUAL REPORT

SEC Registration Number

2 3 0 2 2

Company Name

PANASONIC MANUFACTURING PHILIPPINES CORPORATION AND SUBSIDIARY

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A	**CGFD**	**N/A**

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
www.panasonic.com/ph	**(632) 8 635-2260 to 65**	**N/A**

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
461	**3rd Friday of July**	**March 31st**

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Imelda M. Garcia	**imelda.garcia@ph.panasonic.com**	**(632)8635-2260**	**(+63) 0917 8112175**

Contact Person's Address

Ortigas Avenue Extension, San Isidro, Taytay, Rizal

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-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, 2023**

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
Common shares, P1.00 par value	
Class A	**84,723,432**
Class B	**337,994,588**

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

Yes [✓] No [ ]

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

As of March 31, 2023 and June 30, 2023, 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, 2023 and June 30, 2023 based on stock market price amounted to about ₱321,509,426 and ₱308,901,214, respectively. The price per share used for this computation are the closing average price as of March 31, 2023 at ₱5.10 and closing rate as at June, 2023 at ₱4.90. (63,041,064 shares)

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, 2023 and 2022, and consolidated comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended March 31, 2023, 2022 and 2021), 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, 2023 and 2022, and comprehensive income, statements of changes in equity and statements of cash flows for the years ended March 31, 2023, 2022 and 2021) and Statement of Management Responsibility.

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Annex D – AUDIT COMMITTEE REPORT TO THE BOARD

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, 2023, 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 TV sets, mini-components, video and still cameras, headphones, multi-AV devices, etc.); communications equipment/devices (corded/cordless telephones, PABX etc.); office automation equipment (POS machines, LCD projectors, Flat Panel Display, Closed-circuit television, self-order kiosk, smart food locker, etc.); cooling equipment (package/split-type air conditioners, air-moving equipment, air purifier); 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 the Ultimate Parent Company's (PHD) lines of business, which are grouped on product basis follow: Panasonic Appliances Marketing Asia Pacific (PAPMAP), System Solution Group (SSG) 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.

Electric Works (EW) – 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 are as follows:

	Years Ended March 31		
	2023	2022	2021
Domestic	**81.7%**	87.4%	88.0%
Export	**18.3%**	12.6%	12.0%
	100.0%	100.0%	100.0%
Refrigerator	**42.4%**	44.1%	46.5%
Air conditioner	**25.8%**	25.7%	25.9%
Washing machine	**19.2%**	18.2%	15.7%
Television	**3.6%**	3.3%	4.4%
Others and Export	**9.0%**	8.7%	7.5%
	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		
	2023	2022	2021
Philippines	**₱12,408,003**	₱11,001,382	₱9,580,370
Hong Kong	**2,221,031**	1,589,152	1,302,725
Taiwan	**549,289**	-	-
Total Revenue	**₱15,178,323**	₱12,590,534	₱10,883,095

The Parent Company has two customers each representing 10.0% or more of the Parent Company's total revenue amounting to ₱4.8 billion in 2023 and ₱4.2 billion in 2022.

<u>Disaggregated revenue information</u>

	Year Ended March 31, 2023				
	Consumer	**SSG**	**LS**	**Others**	**Total**
B2B sales	**₱586,697**	**₱142,255**	**₱65,830**	**₱215,096**	**₱1,009,878**
B2C sales	**14,168,445**	**-**	**-**	**-**	**14,168,445**
Total Revenue	**₱14,755,142**	**₱142,255**	**₱65,830**	**₱215,096**	**₱15,178,323**

	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

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, 2023, 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, 2023, the Company leases trucks for the distribution of its locally produced and imported merchandise products nationwide and charters 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, 2023, the Group does not have any publicly announced new major product or service that is being developed.

COMPETITION

In fiscal year 2022, the Company's executed numerous activities in all the areas of its business operations – from product conceptualization, production, marketing, and sales. Despite of the drawbacks in some areas brought about by the detrimental impacts of currency fluctuations and higher cost of raw materials, the Company posted a significant growth in terms of sales, delivering a total of ₱15.2 billion which was 121% of last year's ₱12.6 billion. On the other hand, the Company only generated profit after tax of ₱182.2 million, representing 1.2% of its sales achievement, lower by ₱ 16.6 million of last year's. Net profit deterioration was mainly due to unfavorable effect of peso devaluation and persistent increase in the cost of raw materials used in its production of finished goods.

As of March 31, 2023, the Company's major competitors (major products) in the Philippine electronics home appliances companies were as follows:

Air conditioner – Carrier, TCL, Condura, Samsung, LG, Daikin and Haier
Refrigerator – Samsung, LG, Condura, Haier and Sharp
Washing Machine – Samsung, LG, Sharp, Whirlpool, Haier and TCL

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

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 ₱6.4 billion, ₱5.3 billion and ₱3.8 billion in fiscal year 2023, 2022 and 2021, 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 2023, 2022 and 2021, the Company exported ₱2.221 billion, ₱1.590 billion and ₱1.303 billion, respectively. In addition, the Company exported to Taiwan in 2023 amounting to ₱0.549 billion.

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, 2023, 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, 2023 and 2022 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 2023, 2022 and 2021, 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, 2023 and 2022. 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, 2023 and 2022, 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 2023, 2022 and 2021. 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:

	2023	2022	2021
Short-term employee benefits	**₱44,938,646**	₱53,361,273	₱45,968,958
Post-employment benefits	**3,318,311**	4,002,458	4,338,871
	₱48,256,957	₱57,363,731	₱50,307,829

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, 2023 and carried at fair value. The Retirement Fund recognized a remeasurement gain (loss) amounting to (₱50.6 million) and ₱10.5 million in 2023 and 2022, 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, 2023 and 2022, 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 ₱60.5 million ₱60.6 million as of March 31, 2023 and 2022. The fair value of investment in quoted equity instruments as of March 31, 2023 and 2022 amounted to ₱147.4 million and ₱179.2 million, respectively. Investments also include investment properties pertaining to a parcel of land held for capital appreciation amounting to ₱21.8 million and ₱18.8 million as of March 31, 2023 and 2022.

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, 2023 and 2022.

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 ₱253.4 million, ₱196.1 million and ₱180.6 million in 2023, 2022 and 2021, 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 ₱96.2 million, ₱86.5 million and ₱74.4 million in 2023, 2022 and 2021, 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 Revenue, among others. In its fiscal year 2023 and 2022 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:

	2023	2022	2021
Cost	**₱8,097,599**	₱95,428,523	₱92,845,002
Ratio to Net Sales	**0.05%**	0.76%	0.85%

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 ₱1.7 million, ₱1.6 million and ₱1.3 million for the treatment of wastes, monitoring and compliance, permits and personnel training in 2023, 2022 and 2021, respectively.

HUMAN RESOURCES AND LABOR MATTER

As of March 31, 2023 and June 30, 2023, the Parent Company has 924 and 935 full time employees:

	Mar-23			Jun-23		
	Administrative	Operation	Total	Administrative	Operation	Total
Under CBA	28	331	359	25	332	357
Non - CBA	565	-	565	578	-	578
	593	331	924	603	332	935

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, 2023 and 2022, 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, 2023 and 2022.

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, 2023, the Group had two customers that owed it for a total amount of ₱516.3 million that accounts for more than 35.7% of the total trade receivables outstanding. 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.

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, 2022 and March 31, 2023.

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 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.

<u>*Liquidity Risk*</u>
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.

<u>*Market Risk*</u>
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.

<u>*Foreign currency risk*</u>
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) 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 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, 2023 and June 30, 2023, 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, 2023 and June 30, 2023, 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:

	High	Low
2023		
Jan – Mar	**5.37**	**4.91**
Apr – June	**5.65**	**4.81**
2022		
Jan – Mar	**6.25**	**5.65**
Apr – Jun	**6.60**	**5.56**
Jul – Sept	**6.01**	**5.20**
Oct – Dec	**5.50**	**5.00**
2021		
Jan – Mar	8.88	5.12
Apr – Jun	6.96	5.50
Jul – Sept	6.30	5.50
Oct – Dec	6.10	5.60

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 (BOD). 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
2023			
May 30, 2023	**25.94%**	**June 14, 2023**	**June 23, 2023**
2022			
May 20, 2022	24.89%	June 4, 2022	June 25, 2022
2021			
May 22, 2021	52.45%	June 4, 2021	June 25, 2021

3. HOLDERS

As of March 31, 2023, there were 461 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)	337,994,588	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

Authorized Capital Stock	847,000,000	(P1.00 par value)
Common Class A shares (Listed)	169,400,000	
Class "B" shares	677,600,000	

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

b. Number of Shares Outstanding as of March 31, 2023 and June 30, 2023

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

c. Amount of Debt Outstanding as of March 31, 2023 and June 30, 2023

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 2023	FY 2022	FY 2021
a) Rate of Sales Increase	CY Sales – LY Sales -------------------------- X 100% LY Sales	**20.55%**	**15.69%**	-8.59%
b) Rate of Profit Increase	CY Profit After Tax – LY Profit After Tax ------------------------- x 100% LY Profit After Tax	**10.10%**	**-53.8%**	183.11%
c) Rate of Profit on Sales	Profit After Tax ------------------- x 100% Total Sales	**1.20%**	1.31%	3.29%
d) Current Ratio	Current Assets --------------------- Current Liabilities	**2.40**	2.23	2.39
e) Dividend Ratio to Capital	Dividend ------------------- x 100% Average Capital	**25.94%**	24.89%	52.45%

(a) Rate of Sales Increase - This measures the sales growth versus the same period last year. Sales increased by 20.55% versus last year.

(b) Rate of Profit Increase - This measures the increase in profit after tax versus the same period versus last year. Rate of profit for the year improved to 10.10% vs negative 53.8%.

(c) Rate of Profit on Sales - This measures the percentage of profit after tax versus net sales for the period. Rate of profit slightly decreased to 1.20% versus 1.31% 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 25.94% and 24.89% cash dividend for the fiscal year 2023 and 2022 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, 2023, 2022 and 2021.

This discussion summarizes the significant factors affecting the consolidated operating results, financial condition, liquidity, and cash flows of the Group for the fiscal year 2022 ended March 31, 2023. 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, 2023 (Annex “B”) and Management Plans and Reviews (Annex “A’).

Fiscal Year 2023 vs. 2022

Financial Positions

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

Accounts	March 31, 2023	March 31, 2022	Difference (%)
Cash and cash equivalent	**2,592,954**	3,162,894	**-18.0%**
Receivables	**1,753,338**	1,766,394	**-0.7%**
Inventories	**2,566,118**	2,479,419	**3.5%**
Other current assets	**189,864**	139,774	**35.8%**
Property & equipment – net	**913,799**	899,516	**1.6%**
Deferred tax assets	**145,432**	132,673	**9.6%**
Other assets	**18,183**	23,167	**-21.5%**
Accounts payable & accrued expenses	**2,961,162**	3,382,089	**-12.5%**
Provision for estimated liabilities	**396,625**	466,867	**-15.1%**
Stockholders’equity	**4,821,901**	4,754,882	**1.4%**

The Company’s consolidated total assets as of March 31, 2023 amounted to ₱8.179 billion, decreased by ₱425 million (-4.9%) from ₱8.604 billion last March 31, 2022 mainly due to deterioration of cash and cash equivalent for the year.

Current ratio for the period ending March 31, 2023 was recorded at 2.4:1 versus 2.2:1 of last year’s.

Cash and cash equivalent – net decrease of ₱569.9 million (-18.0%) was due mainly to increase in operating assets: inventories by ₱284.5 million and accounts payable and accrued expenses by ₱419.8 million. In addition, payment of cash dividend amounting to ₱105.2 million, contribution to the Company’s retirement fund by ₱50.0 million and acquisitions of plant, property and equipment amounted to ₱218.0 million. On the other hand, the following improved net cash: net income for the period ₱240.9 million and adjustment for depreciation by ₱212.5 million and provision for inventory write-down by ₱197.8 million for the period.

Inventory amount increased by ₱86.7 million due to non-achievement of sales forecast and in preparation for the increase in sales during summer season.

Other current assets decreased by ₱50.1 million (-35.8%) due mainly to creditable withholding taxes for the period.

Property, plant and equipment – net increased by ₱14.3 million (1.6%). As of March 31, 2023, the Company’s total capital expenditures amounted to ₱227.4 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 especially in its Refrigerator and Air Conditioning Department. The Company migrated its present BAAN erp system to SGST S4 Hana effective fiscal year ending March 2024. Total depreciation and disposal amounted to ₱220.3 million and ₱14.9 million, respectively. Investment properties were transferred to property, plant and equipment for their use in its operation.

Deferred tax assets increased by ₱12.8 million (9.6%) mainly due to unamortized past service cost and unrealized foreign currency exchange loss – net.

The Company's consolidated total liabilities as of March 31, 2023 amounted to ₱3.358 billion, decreased by ₱491.2 million versus March 31, 2022. This was mainly due to current liabilities decrease of ₱420.9 million (12.4%).

The total stockholders' equity improved by ₱67.0 million – net of cash dividend payment and profit for the period. Total comprehensive income amounted to ₱172.2 million while cash dividend payment amounted to ₱105.2 million.

Results of Operation

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

Accounts	**FY 2023**	FY 2022	**Difference (%)**
Sales	**15,178,323**	12,590,534	**20.6%**
Cost of sales	**12,659,892**	10,044,816	**26.0%**
Gross profit	**2,518,431**	2,545,718	**-1.1%**
Selling expenses	**1,263,363**	1,329,008	**5.1%**
General administrative	**1,118,642**	1,064,675	**-4.9%**
Other income – net	**104,512**	91,422	**14.3%**
Income before tax	**240,938**	243,457	**-1.0%**
Income tax expense	**58,679**	77,924	**-24.7%**
Income after tax	**182,259**	165,532	**10.1%**

The Group's consolidated sales for fiscal year 2022 ending March 31, 2023 increased by ₱2.588 billion (20.6%) versus last year's mostly because of the following favorable sales in the following product lines:

Domestic sales: Aircondtioner ₱514.9 million (15%), washing machine ₱398.7 million (18%), refrigerator by ₱381.0 million (7%) while for export sales: airconditioner by ₱1.181 billion (74%).

Gross profit amount declined by ₱27.3 million (-1.1%) despite the 20.6% increase in sales due to higher cost of sales ratio by 3.6% brought by unfavorable forex and material cost. Cost of sales amount increase because of higher production and sales of merchandise.

Selling expenses declined by ₱65.6 million (-4.9%) due to reduction in sales promotion expenses by ₱181.3 million (20.5%), while freight and handling cost increased by ₱120.0 million (40.3%) due to higher trucking and shipping charges brought by increase in fuel prices.

General and administrative expenses increased by ₱54.0 million (5.1%) mostly attributable to technical and brand license fee by ₱67.0 million due to increase in sales.

Other income – net increased by ₱13.1 million (14.3%) due to higher income from scrap materials by ₱15.3 million and service income by ₱6.8 million. On the other hand, foreign exchange loss increased by ₱9.5 million.

Total income before tax lower by ₱2.5 million (-1.0%) due to higher cost of sales ratio by 3.6%.

Income tax expense decreased by ₱19.2 million (-24.7%) due to lower taxable income under regular corporate income tax and reduction in income taxes provision for retirement liability and estimated liabilities – others. As a result, net income after tax increased by ₱16.7 million.

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.

<u>Fiscal Year 2020 vs. 2019</u>

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.

CASHFLOWS

A brief summary of cash flow movement is shown below:

	Years Ended March 31		
(in thousands)	**2023**	2022	2021
Net cash provided by (used in) operating activities	**(₱242,621)**	(₱229,890)	₱1,000,797
Net cash used in investing activities	**(212,591)**	(126,365)	(130,960)
Net cash used in financing activities	**(110,289)**	(226,639)	(71,031)
Effect of exchange rate changes	**(4,440)**	2,560	(927)
Net increase (decrease) in cash and cash equivalents	**(569,941)**	(580,334)	797,879

Net cash flows used in operating activities for the year ended 2023 were at -₱242.6 million, net of income before income tax of ₱240.9 million**.** The decrease in operating activities were mainly due to high inventory and receivables.

Net cash used in investing activities included the following:

(in thousands)	**2023**	2022	2021
Proceeds from disposal of PPE	**₱3,415**	₱2,272	₱481
Acquisitions of property, plant and equipment	**(217,996)**	(129,746)	(129,285)
Acquisition of software	**(2,983)**	(157)	-
Decrease (increase) in other assets	**4,973**	1,266	(2,156)
Total	**(₱212,591)**	(₱126,365)	(₱130,960)

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

(in thousands)	**2023**	2022	2021
Cash dividends paid	**(₱105,215)**	(₱221,713)	(₱63,056)
Finance lease liabilities paid	**(5,074)**	(4,926)	(7,975)
Total	**(₱110,289)**	(₱226,639)	(₱71,031)

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 know 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 2023 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 2022 ended March 31, 2023 is Mr. Bryan Chrisnel M. Baes who was appointed in 2022.

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, 2023, 2022 and 2021.

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

(in millions)	**2023**	2022	2021
Annual Audit Fee	**₱3.072**	₱3.078	₱2.896
Others	**-**	-	-
Total	**₱3.072**	₱3.078	₱2.896

There were no fees paid to external auditors other than for audit services.

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
Kazuya Higami	51	Chairman / President / Chief Executive Officer	Japanese	2023
Atsushi Kozuma	45	Vice-chairman / Treasurer / Executive Director / Senior Managing Executive Officer	Japanese	2021
Satoshi Kono	54	Executive Director / Senior Managing Executive Officer	Japanese	2020
Angelo Tamayo	56	Director / Managing Executive Officer	Filipino	2022
Hirokazu Yoshida	59	Director	Japanese	2020
Shinichi Hayashi	59	Director	Japanese	2023
Takahiro Oyama	48	Director	Japanese	2021
Justina Callangan	70	Independent Director	Filipino	2020
Elizabeth Gildore	65	Independent Director	Filipino	2015
Marlon Molano	62	Independent Director	Filipino	2021

Profiles of Directors of the Company:

Kazuya Higami*, *Japanese, 51, was elected to the Board and appointed as the Chairman, Managing Director and President on April 01, 2023. He is also the Chief Executive Officer, Chief Technology Officer, Chief Quality Officer, Chief Procurement and Chief Compliance Officer of the Company. Prior to his assignment to the Company, he was assigned to Vision 2030 Group, Refrigerator and Dishwasher Business Unit, Living Appliances and Solutions Company ("PC") as General Manager from October 2021 to March 2023. From July 2017 to September 2021, he worked as Manager of PC Engineering Group, Refrigerator Division, Appliance Company. He was assigned to Panasonic Vietnam Co. Ltd., as Assistant Director of Research and Development Center and he was promoted to Director in September 2016. He graduated from Kansai University in March 1994, and earned Bachelor's degree in Engineering.

Atsushi Kozuma*, *Japanese, 45, 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. From 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 a degree of Master of Arts in International Policy Studies.

Satoshi Kono, Japanese, 55, was elected as Director since September 1, 2020 and Executive Director of PPH Sales & Marketing Division. Currently, Mr. Kono is also the Chief Brand Communication Officer of the Company. From 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.

Shinichi Hayashi, Japanese, 59, was elected as PMPC – Executive Director since April 01, 2023. Currently, he is the Vice-President of Panasonic Corporation's Living Appliances and Solutions Company in Japan, in-charge of Corporate Planning, Beauty Personal Care Business, Housing Appliance Business and Procurement Strategy. In 2019, he was the former Director of Beauty Personal Care Division, Appliace Company, PC. He also worked with the Company as President, Chairman and Chief Executive Officer from 2016 to 2018. He was the Managing Director of Panasonic Corporation ("PC") Malaysian subsidiary, Panasonic Management Malaysia Sdn hd ("PMAM") – Panasonic Asia Pacific Procurement Management Center from January – December 2015. Prior to PMAM, he was assigned to Material Purchasing Center, Procurement Company, PC, as Director (Jan – Dec 2013). He was the General Manager of PC's Procurement Company's Centralized Purchasing Group, Deice Procurement Center (Jan – Dec 2012). He graduated from the University of Dosisha, Japan with a Bachelor's Degree in Commerce.

Angelo Tamayo, Filipino, 56, was elected as Director on October 20, 2022. Currently, he is a Managing Executive Officer and Chief Manufacturing Officer, responsible for the operation of Sta. Rosa Branch of the Company. He was the Business Division Head, Air Conditioning Department from 2019 to August 2022 and Refrigeration Division from 2014 to 2018. He was assigned to Manufacturing Enhancement Group, Manager from 2010 to 2013 and Refrigeration Division, Production Engineering Head from 2008 to 2009. He graduated from Siliman University and finished Bachelor of Science in Mechanical Engineering.

Hirokazu Yoshida, Japanese, 59, 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.

Takahiro Oyama, ***Japanese, 49,*** was elected as Director on December 09, 2021. Currently, he is a Director of Panasonic Marketing CIS ("PMCIS"), 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, 70***, 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 2, 2021, an Independent Director 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, 65***, 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, 62***, 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 Transactons, 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 Philippies (PMCP) from July 1992 to March 2007. He worked with Sycip Gorres & Velayo Company as Senior Auditor from 1981 to 1987. He graduated from the University of Pangasinan, Bachelor of Science in Commerce, Major in Accounting and Certified Public Accountant.

Executive Officers

The following are the current executive officers of the Company:

Name	Position	Age	Citizenship	Year Appointed as Officer
Kazuya Higami	President, Chief Executive Officer & Chief Officer - Technology, Procurement, Quality & Compliance	51	Japanese	2023
Atsushi Kozuma	Treasurer, Senior Managing Executive Officer & Chief Officer - Information, Risk Mgt., Financial & HR	45	Japanese	2021
Satoshi Kono	Senior Managing Executive Officer & Chief Brand Communication Officer	54	Japanese	2020
Angelo Tamayo	Managing Executive Officer & Chief Manufacturing Officer	56	Filipino	2022
Ramil Telan	Compliance Officer	53	Filipino	2023
Angel Enrico Mira	Corporate Secretary	52	Filipino	2023

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

Compliance Officer
Ramil Telan, Filipino, 53, has eas elected as the Company's compliance officer effective June 19, 2023. He is currently the Group Manager of Supply Chain and Solution Center – Logistics from October 2015. He was previously assigned to Accounting Department from 1993 – September 2015. He was the Group Manager of Global Consumer Marketing Sector of Accounting from 2012 to August 2015, Finished Goods Accounting, Team Manager from 2010 to 2011, Head Office Accounting and Consolidation, Team Manager from 2006 to 2009 and Manufacturing Accounting – Sta. Rosa Branch, Team Manager from 2005 to 2006. He graduated from the Colegio San Juan de Letran, Bachelor of Science in Commerce, Major in Accounting.

Corporate Secretary
Angel Enrico Mira, Filipino, 52, was elected as Corporate Secretary of the Company in April 2023. He is currently practicing lawyer at The Law Office of Angel Enrico Mira since 2017. He worked as the legal consultant the Quezon City Government under Legal Division of Business Permits and Licensing Department from 2017-2019 and Attorney II of the City of Caloocan Government from 2013-2017. He was the Corporate Secretary of AMA Group of Companies from 2004-2013. He graduated from 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 2023 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	Principal Position	Year	Salary	Bonus	Other Annual Compensation
Kazuya Higami Atsushi Kozuma Satoshi Kono Angelo Tamayo Harry Sarmiento Julieta Beltran Ma. Virginia Arevalo	President & Chief Executive Officer Treasurer & Senior Managing Executive Officer Senior Managing Executive Officer Managing Executive Officer Executive Officer Executive Officer Compliance Officer	2024 (estimated)	24.635	7.39	0.632
Yasushi Kondo Atsushi Kozuma Hiroshi Yamada * Satoshi Kono Angelo Tamayo * Harry Sarmiento Julieta Beltran Ma. Virginia Arevalo	President & Chief Executive Officer Treasurer & Senior Managing Executive Officer Senior Managing Executive Officer Senior Managing Executive Officer Managing Executive Officer Executive Officer Executive Officer Compliance Officer	2023	29.265	9.143	0.632
Yasushi Kondo ** Masatoshi Sasaki ** Atsushi Kozuma ** Yoshiyuki Takahashi ** Hiroshi Yamada Satoshi Kono Ma. Virginia Arevalo	President & Chief Executive Officer President & Chief Executive Officer Treasurer & Senior Managing Executive Officer Treasurer & Senior Managing Executive Officer Senior Managing Executive Officer Managing Executive Officer Compliance Officer	2022	37.258	10.898	0.251
All other officers and directors as a group unnamed		2024	3.328	0.708	1.123
		2023	3.918	0.857	1.123
		2022	3.157	0.644	1.543

Estimated amount:
For ensuing year 2023, no significant change is anticipated in the compensation of Directors and Officers.

** Mr. Yamada resigned as director effective October 20, 2022 and replaced by Mr. Tamayo as new director effective October 20, 2022.*

*** 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.*

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

As of March 31, 2023, 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, 2023 and June 30, 2023**

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. Kazuya Higami – 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, 2023 and June 30, 2023.

Title of Class	Name of Beneficial Owner	Amount of Beneficial Ownership (Php)	Nature of Beneficial Ownership	Citizenship	Percent
Common “B”	Kazuya Higami	1	Direct	Japanese	NIL
Common “B”	Atsushi Kozuma	1	Direct	Japanese	NIL
Common “B”	Satoshi Kono	1	Direct	Japanese	NIL
Common “B”	Shinichi Hayashi	1	Direct	Japanese	NIL
Common “B”	Hirokazu Yoshida	1	Direct	Japanese	NIL
Common “B”	Takahiro Oyama	1	Direct	Japanese	NIL
Common “B”	Angelo Tamayo	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”	Angel Enrico Mira		Direct	Filipino	NIL

The aggregate number of shares owned of record by all or key officers and directors as a group is 6,207 shares or approximately 0.0015% of the Company’s outstanding capital stock.

(1) Shares owned by foreigners

The total number of shares owned by foreigners as of March 31, 2023 and June 30, 2023 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, 2023, 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 directors that possess the 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 its Implementing Rules and Regulations, 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 Transactions 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). The Chairman of the Audit Committee is Mr. Marlon Molano. 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 2022, 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 2022, internal audit plan for 2022, 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. The Board appointed Independent Director Atty. Justina Callangan as PMPC's Corporate Governance Chairman for fiscal year 2023.

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 committee.

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. The Board appointed Independent Director Ms. Elizabeth Gildore as PMPC's Corporate Governance Chairman for fiscal year 2023. Ms. Gildore 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 fiscal year 2023.

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 RPT. 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 15, 2022, the shareholders re-appointed Sycip Gorres Velayo & Co. (SGV & Co.) as the company's external auditor for the fiscal year 2023, with Bryan Chrisnel M. Baes 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:

2021	2020
3.3 M	3.2M

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 issues or concern.

MEASURE TO FULLY COMPLY WITH CORPORATE GOVERNANCE

In 2022, 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 Program 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.

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 2022.

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 2023 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, 2023 and 2022, and consolidated comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years ended March 31, 2023, 2022 and 2021), 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, 2023 and 2022, and consolidated comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years ended March 31, 2023, 2022 and 2021) and Statement of Management Responsibility.

Reports on SEC Form 17 – C

List of reports filed under SEC Form 17 – C for fiscal year 2022 ended March 31, 2023:

Date	Description
April 15, 2022	List of Top 100 PMPC Stockholders as of March 31, 2022
May 20, 2022	Notice of cash dividend declaration during Special Meeting of the board of directors on May 20, 2022 declaring 24.89% cash dividend equivalent to P0.2489 per share or the total amount of ₱21,087,662.00 in favor of all its stockholders of record as of June 4, 2022 payable on June 25, 2022
August 30, 2022	Election of Mr. Angel Tamayo as Executive Director to replace Mr. Hiroshi Yamada effective September 1, 2022
January 30, 2023	Retirement of Atty. Mamerto Z. Mondragon as Corporate Secretary of Panasonic Manufacturing Philippines Corporation effective March 31, 2023
March 1, 2023	Resignation of President and Director effective April 1, 2023 1. Mr. Yasushi Kondo – President 2. Mr. Michikazu Matsushita - Director Election of new President and Director effective April 1, 2023 1. Mr. Kazuya Higami – President 2. Mr. Shinichi Hayashi – Director
May 30, 2023	Declaration of cash dividend equivalent to Php0.2594 per share in favor of all its stockholders of record as of June 14, 2023 payable on June 23, 2023

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 10, 2023.

PANASONIC MANUFACTURING PHILIPPINES CORPORATION
REGISTRANT

By:

KAZUYA HIGAMI
Chairman & President

ATSUSHI KOZUMA
Vice – Chairman & Chief Finance Officer

SATOSHI KONO
Executive Director

SUBSCRIBED AND SWORN to before me on JUL 13 2023 in Taytay, Rizal, affiants exhibiting to me their passport numbers as follows:

NAMES	PASSPORT NO.	DATE ISSUED	PLACE ISSUED
Kazuya Higami	TT2127269	May 20, 2022	Japan
Atsushi Kozuma	TS0579539	April 17, 2018	Japan
Satoshi Kono	TR5272182	January 04, 2016	Japan

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Page No. 58
Book No. XIV
Series of 2023

NOTARY PUBLIC
ATTY. JOHN KENNETH T. MORENO
Notary Public
Roll No. 35640
IBP No. 257589 - 02 Jan. 2023
PTR No. 18620946 - 03 Jan. 2023
MCLE No. VII - 0011285 - 14 April 2025
Appt. No. 22-26 - 30 June 2022
Until Dec. 31, 2023
For Antipolo City, Taytay, Cainta
Province of Rizal

Panasonic

PANASONIC MANUFACTURING PHILIPPINES CORPORATION

FISCAL YEAR 2022 ANNUAL REPORT

FY2022 ended March 31, 2023

Our Company, Our Commitment

Panasonic Manufacturing Philippines Corporation (PMPC) is a manufacturer, importer, and distributor of electronic, electrical, mechanical, and electro-mechanical appliances, other types of machines, parts and components, batteries, and related products bearing the brand name, "Panasonic". PMPC, which is a subsidiary of Panasonic Holdings Corporation (PHD) Japan is the first Filipino-Japanese joint venture operation in the area of consumer electronics in the country. The primary products manufactured by the Company are refrigerators, air conditioners, washing machines, and electric fans.

In October 2003, the Company ceased using the "National" brand and unified the branding of all its products under the Panasonic brand. PMPC has a wide base of sales and service distribution centers strategically located in key municipalities, cities, and provinces all over the Philippines. In 2011, PHD made Panasonic Electric Works Co., Ltd. (PEW) and SANYO Electric Co., Ltd. wholly owned subsidiaries. Consequently, with the said integration, PEW-Philippines and SANYO-Philippines ceased their existence as independent companies in the country. However, some of PEW operations with products under Life-solutions like solar panel business and other devices, as well as SANYO's commercial refrigeration businesses among others were integrated into the business operation of PMPC's Sales Division, Panasonic Philippines (PPH) effective April 1, 2012.

On March 19, 2013, the Securities and Exchange Commission (SEC) approved the extension of PMPC's corporate life for another 50 years or until May 15, 2063. In 2021, PMPC marked the initial year of its business operation under the umbrella of Panasonic Living Appliances and Solutions (LAS) Company.

In celebrating its golden anniversary in 2017, PMPC renewed its commitment to operate with dedication and continuing growth along with its corporate mission as a gesture of its gratitude to the continuing support of its loyal customers, business partners, and the communities where it operates, looking forward to the future with confidence, and focusing its efforts and resources in serving both the customers and society.

PMPC, as part of Panasonic Group, recognizes that the primary role of its business is to serve society in return for the use of its resources, thus devoting its business activities to the progress and development of society and the well-being of the people. This commitment serves as guidance for the Company in carrying out its operation and corporate activities.

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FY2022 Highlights of Operation 4-16

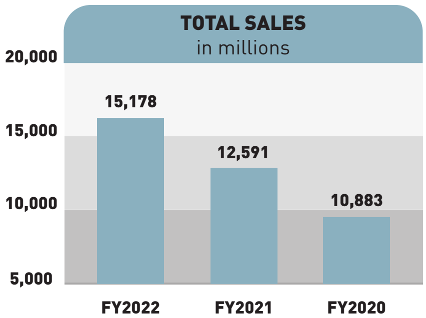
Financial Highlights

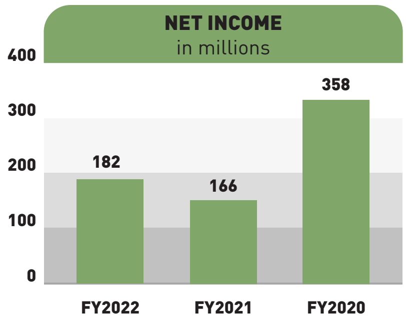
FISCAL YEARS 2022, 2021, & 2020

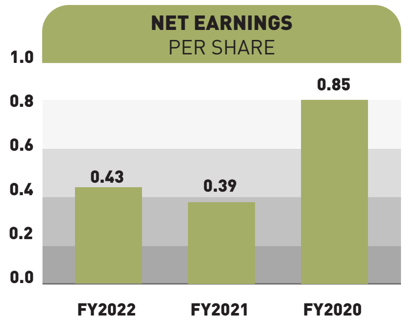
TOTAL OPERATIONS	F.Y.2022	F.Y.2021	F.Y.2020
NET SALES	15,178,323,266	12,590,533,901	10,883,095,262
NET INCOME AFTER TAX	182,179,669	165,532,439	358,015,592
ATTRIBUTE TO: Equity Holders of the Parent Company	182,536,855	165,526,543	357,239,514
Minority Interest	357,186	5,896	776,078
EARNINGS PER SHARE	0.43	0.39	0.85
TOTAL EQUITY	4,820,734,355	4,754,881,995	4,802,260,909
BOOK VALUE PER SHARE	11.40	11.25	11.36
WORKING CAPITAL (EOY) (CURRENT ASSETS - CURRENT LIABILITIES)	4,141,031,725	4,166,392,570	4,132,888,427
CURRENT ASSETS RATIO	2.40	2.23	2.39

CASH DIVIDENDS

2022 - 25.94% regular Cash Dividend. Declaration date: May 30, 2023 ; Recorded June 14, 2023
2021 - 24.89% regular Cash Dividend. Declaration date: May 20, 2022 ; Recorded June 4, 2022
2020 - 52.45% regular Cash Dividend. Declaration date: May 20, 2021 ; Recorded June 4, 2021







Message to our Stockholders

Dear Valued Shareholders,

Indeed, I am grateful for your continued confidence and trust, which served once again as our encouragement in executing our corporate plans and programs, given the determination to overcome all the hurdles brought about by the Covid-19 pandemic for the past two years as well as the ongoing global crisis.

Moreover, the year in review gave us the motivation to work even harder and to look forward to a better and more successful business operation, particularly with the domestic market's positive acceptance of Panasonic products as we continue to enjoy our No.1 position for both refrigerator and washing machine and No.2 position for our air conditioner. Likewise, we remain in keeping up with a satisfactory export sale of our window air conditioner. All of these will not be attainable without the unwavering determination of the dynamic men and women of our PMPC family.

In Fiscal Year 2022, we executed numerous activities in all the areas of our business operation - from product conceptualization, production, marketing and sales to advocating our corporate social responsibilities, unswerving in our firm resolve to have a more meaningful celebration of our 55th anniversary. As a result, in spite of the drawbacks in some areas brought about by the detrimental impacts of currency fluctuations and higher cost of raw materials, we also have advantages to be thankful for, as we posted a significant growth in terms of sales, delivering a total of 15.2 billion sales, which was 121% of last year's 12.6 billion pesos.

On the other hand, reflecting on the result of our performance in terms of profitability, I would like to apologize that we were not able to generate an improved profit despite our favorable sales growth of 21 percent last year. We only generated a profit after tax of 182 million pesos, representing 1.2% percent of our sales. Said result was heightened by the unfavorable foreign currency fluctuations and the persistent increase in the cost of the raw materials we use. This has affected much of our importation costs and eventually shooting its effect on our cost of sales.

As I assume my position in April 1, 2023, and towards our goal 10 years from now, we are determined to continue our efforts to sustain our sales growth, improve profitability and to help our customers live their best, make their life simpler, safer, healthier, more enjoyable and more sustainable. We can do these by better understanding what our customers really need in their present way of life and imagine their future lifestyle. We aim to bring better value in their lifestyle experience with our products and services.

In order to make these unrivalled contributions, we must produce highly competitive products of quality and integrity. This requires identifying the evolving needs of the society and the market earlier than our competitors, improving our development efficiency and enhancing our productivity by eliminating wastes in production sites. We will focus on strengthening our operational capabilities and taking extra effort to be in constant communication with our customers to gain their trust in Panasonic brand.

Rest assured that we will carry out all our responsibilities, bearing in mind the many expectations on us in creating and implementing strategies for our products and services, not only to comply with the everchanging markets, but to stay ahead proactively with our customer needs and put things in concrete action.

In behalf of the Board, the Management and the dynamic men and women of PMPC family, I would like to express my utmost gratitude to our loyal customers, business partners, and our valued shareholders for your enduring trust, loyalty and support.

Sincerely,

K. Higami

Kazuya Higami
President

FY2022 OPERATIONAL HIGHLIGHTS

Taking Fiscal Year 2022 as an opportunity to reconfirm the Company's partnership with our devoted customers and the Philippine society, coupled with its commitment to mark its 55th anniversary with successful accomplishments, the members of PMPC worked with utmost determination, exerting their best efforts and enthusiasm in promoting and accomplishing the Company's key activities and programs.

RENEWING OUR COMMITMENT THROUGH INNOVATIVE PRODUCTS .....

Since the Pandemic happened, the entire effort of the Panasonic family never stopped competing. Marcomm Team boosts digital marketing strategies. The *Skip or Save Summer Facebook Live last April 2023* Panasonic did a Facebook Live: Skip or Save with Sarah Lahbati, Gary Valenciano, and Joyce Pring as part of the #PureEnergySavings campaign last April 23, 2022. The Facebook Live lasted for 2hrs and 14 minutes. It reached 1,103,438 people and gathered 136,314 engagements, 252,377 views, 92,000 comments, and 12,300 website visitors, Average time spent is 45s & WTB clicks are 427 clicks. Facebook followers of Panasonic who watched and participated during the Facebook Live had a chance to win P50,000 worth of prizes. Winners were announced on the official Panasonic Facebook page.

The *#stylewithnanoe* Beauty Campaign from March to June 2023 with the aim of increasing the awareness of our Panasonic Beauty products, launched the style with a nanoe digital campaign targeting the modern-day busy, on-the-go mom. The messaging is geared towards the styling needs of these busy moms and executed through a PR-led campaign that will get through to her no matter her pace, space, and persona. The campaign started in FY22 and is still ongoing now.

The *#CareWins campaign* from January to February 2023, now in its second year, is the local interpretation of Regional HQ's Create Today, Enrich Tomorrow messaging, where we champion the holistic well-being of each family and individual through Inner, Outer, Spatial, and social well-being. By achieving this, customers will be able to live their best lives that are enriched, and sustainable, and have a sense of balance and well-being in mind, body, their homes, and our planet through our Japan Quality Panasonic appliances. Though this campaign only ran for 2 months, it garnered 17.99M reach, 1.1M engagements, and a total of 215.7K link clicks.

The *"Wishing you Wellness"* Christmas / Year-end Campaign and Pure Energy Savings – SUMMER from October to December 2022. This is also the second year that we have promoted Pure Energy Savings during the dry (summer) season. This time of the year, what is important for the customers is to stay cool while having low electricity bills, and what better way to appeal to our products than to continue featuring our 5-Star & Energy Efficient products together with our other energy-saving technologies like Inverter, AI ECONAVI, AI ECO, and our Inverter system powered by DC motors for Electric Fans. This campaign achieved 30.4M reach, 7.1M engagements, and 366K website visits, and garnered a total of 5.1K Where to Buy clicks. Our Christmas campaign revolves still around wellness, under the Carewins messaging umbrella. This campaign highlights all our major products – we all know that Christmas is the best-selling season for us, and we always take this opportunity to advertise the benefits of our products so they will

choose Panasonic to be given as gifts to their loved ones or upgrade their own appliance with our products. There were 2 objectives of this campaign – first is the awareness of new models, which focused on the top of the funnel activities, and the second is conversion, which focused on the bottom of the funnel activities. All KPIs that were set exceeded the projected targets. Our reach was 159% vs the projection, with a total of 22.2M, while website visits reached a total of 484K. Where to Buy clicks were also higher than the projection at 8.4K. Lastly, the click-through rate in our SEM efforts exceeded the projected numbers at 2.06%.

Panasonic has been awarded as the Asia Winner of the Reader's Digest Trusted Brand for 2022 for our Refrigerators, Washing Machines, and Air Conditioners; and the gold award for Air Conditioners in the Philippines, which is a testament to Filipinos' continuous trust in our brand. We are very proud of this achievement and thank the loyal customers who believe in our products. Reader's Digest *"What's Behind the Brand"* Now Feature (online & offline). To further promote our Reader's Digest Trusted Brand awards, we opted to be featured in Reader's Digest online and offline platforms (online website and in their November 2022 magazine issue) with the article *"What's Behind the Brand"* where we talked about our history and latest products.

Digital platforms such as Lazada & Shoppe – eCOMM MEGA CAMPAIGNS, During the 6.6, 9.9, 11.11, 12.12, 3.3 & Birthday Sale Megacampaigns, we advertise in-platform and in SNS to amplify our presence in the digital space and encourage customers to check out our products online. Our activities lead to the achievement of KPIs like CTR, ROAS, and revenue. Another digital activity that we did was to produce product videos featuring actress Camille Prats that we posted on our FB page, but we also distributed these videos to our dealers for posting on their SNS.

The video content highlighting *Panasonic Green Impact* was also posted to showcase the goal of Panasonic in contributing to global carbon neutrality by creating impacts that reduce our own CO2 emissions. Panasonic will make an impact on CO2 reduction in homes, towns, mobility, and supply chain and accelerate toward carbon neutrality together with society. We featured Panasonic employees that shared their mission to achieve a more sustainable society. *The New York Digital 1st Awards Vega Digital Awards*, SVEN x Panasonic won three (3) awards from New York's Digital 1st Awards or Vega Digital Awards. Panasonic in the House received one (1) Platinum Award for social media – Live Streaming and one (1) Gold Award for Digital Marketing – Marketing Effectiveness. Maalagang Pasko received one (1) Gold for Digital Marketing – Marketing Effectiveness.

Panasonic Manufacturing Philippines Corporation (PMPC), in partnership with Savers Industrial Building Solutions (SIBS) officially opened Panasonic Business Solutions Showroom, B2B Showroom (Best Western, Savers Mall) last March 16, 2023, its first end-to-end building solutions showroom in the Philippines. comprises three (3) experiential zones – Residential, Commercial, and Hotel solutions highlighting different products from Consumer Appliance, System Solutions, Electric Works, Cold Chain, and Air Conditioning Solutions.

Panasonic Philippines (PPH), led the recently concluded Zamboanga Dealers and Promoters Product Orientation Training held on February 21, 2023 (Promoters), February 22, 2023 (Various dealers), and February 23, 2023 (Exclusively for Pricewise Dealer) at the Grand Orchid Hotel in Zamboanga del Sur. The 3-day activity emphasized the latest models for Refrigerators, Washing Machines, TVs, and Air-conditioners, including features, advantages, and benefits, as well as responding to dealers' and promoters' inquiries during the Q&A portion with support from Consumer Sales, Trade Marketing, PACPH, and Customer Service. In line with the continuous training activities nationwide, PPH along with its departments, groups, and teams' endeavors to Create Today and Enrich Tomorrow for a holistic well-being for people, society, and the planet.

Customer Service Group successfully concluded the FY2022 Nationwide Technical Skills Competition to its Authorized Service Centers (ASC). A total of 15 technicians reached the final round of the competition held last February 17, 2023, at PMPC Covered Court. The participants were winners of each mini competition held in different Panasonic branches conducted from June 2022 to November 2022. This activity gave them the venue to showcase their technical skills in hands-on repairing and challenged them to give their best to be victorious. This event helped motivate the ASC and its members to do their best, in their daily operations, to exceed customer expectations, and to continually provide customers with the best CX.

SMCT Group of Companies (Des Appliance Plaza, Inc.) had their 31st anniversary last January 2023 and celebrating continuously along with their key persons in their shopfronts – a way of giving back to all of their efforts and most especially recognizing their sales performance yearly. And finally, after 2 years of the Global Pandemic, they conducted their Annual Conference last February 7-8, 2023 in Tagbilaran City, Bohol entitled "SMCT Group of Companies Annual Conference 2023" and Panasonic, as the top 1 ever-supportive supplier and business partner of Des Appliance Plaza, Inc., has taken the opportunity to join this prestigious activity headed by our PPH Executive Director Mr. Satoshi Kono, Consumer Sales Senior Manager Mr. Eric Delos Reyes, Regional Manager-Mindanao Mr. John Capitan, Cebu Branch Manager Ms. Jennifer Alforque and VisMin Sales team members.

With enrichment and sellout increase in mind, Panasonic led the K-Servico Central Area Product Orientation Training to store managers, supervisors, and Panasonic promoters to strengthen product knowledge of storefront liners on January 19, 2023, in Angeles, Pampanga. The face-to-face activity highlighted Panasonic's latest models for refrigerators, washing machines, air-conditioners, and TVs, as well as DC electric fans, air purifiers, and vacuum, reiterated Panasonic Nanoe technology and Prime Plus Edition; and responded to customer-related inquiries. K-Servico Human Resources Manager also joined the one-day event to show support for Panasonic's aim to be the No. 1 Leading Home Appliance Brand in the Philippines.

Last January 13, 2023, Imperial Appliance Plaza had a grand opening and blessing of the grandest and most state-of-the-art Panasonic showroom of IAP in its Mega-Showroom. A ribbon cutting was headed by PMPC President Mr. Yasushi Kondo, PACPH President Mr. Masaru Toyota together with IAP CEO Mr. Rudy Tiu, and Vice President for Operations in Visayas Operations Mr. Edgar Tiu. The event has also attended by Panasonic Marketing Department Head Mr. Harry Sarmiento, Visual Merchandiser Mr. Allen Sadsad, Consumer Sales Senior Manager Mr. Eric Delos Reyes, Visayas Regional Manager Ms. Jennifer Alforque, and Iloilo sales team members. IAP Vice President for Operations in Mindanao Mr. Edward Tiu, Vice President for Operations in Luzon Mr. Eugene Tiu, Vice President for Finance Ms. Mary Tiu, and the whole board of directors, family, and personnel of IAP were all present to witness this momentous event.

PACPH organized a series of A/C Sales orientations all over the Philippines. These were held in different areas such as Greater Manila (Thunderbirds, Binangonan), South Mindanao (Davao), South Luzon (Tagaytay), North Luzon, and Central Visayas. Also conducted the Kickoff and AC Sales Orientation Iloilo. The KO Theme is "Accelerate Business Growth That Promotes Health and Reduced Environmental Impact". A total of 36 dealers (companies) are to attend the event at the Grand Xing Imperial Hotel, Iloilo - owned and operated by Imperial Appliances Corporation, one of PPH's biggest mass merchandising dealers in the South. This is to encourage attendees to arrive early in all succeeding Panasonic events in the future. Mr. Masaru Toyota, President, and CEO of PACPH, formally opened the occasion with his message on the current and future business outlook of the air conditioning industry in the Philippines as well as his insights on how to strengthen the partnerships between PACPH and its dealers. He ended his opening message with his favorite quote emphasizing the importance of seriousness in everything that we do to develop a sense of responsibility and a goal to land endless opportunities and possibilities. PACPH Vice President, Mr. Tomohiro Yamada, presented the plans for business expansion for PACPH to reach the top of the Philippine air conditioning industry. He asserted in his presentation that Panasonic has gone through many evolutions over the years, but the mission has always been the same—to keep growing and innovating to become the country's best air conditioner brand. Engr. Francis Serrato, PACPH's Marketing - Communication and Product Planning Manager, presented the innovative features of all new air conditioner products this year. Engr. Serrato highlighted that as a result of Panasonic's ongoing research on nanoe™ technology for deodorization of enclosed spaces, it has already evolved into the new nanoe TM X Generator Mark 3—providing 100 times more concentration by producing 48 trillion "hydroxyl radicals contained in water," making it ideal for use in larger spaces such as restaurants, offices, veterinary clinics, and supermarkets. Engr. Serrato also presented the newest multi-Split lineup which will be launched in February 2023.

On February 9, 2023, Philippine President Ferdinand "Bongbong" Marcos, Jr., more popularly known as "BBM", made a state visit to Japan together with his delegate of government officials and cabinet secretaries. Part of BBM's Japan state visit was a roundtable discussion of economic security measures and concerns, with 10 to 15 Japanese companies joining the forum. Panasonic Corporation was privileged to be one of the invited Japanese companies participating in the discussion. Representing Panasonic was Mr. Masahiro Shinada, President of Panasonic Corporation. He was joined in that significant event by no less than our PMPC President, Mr. Yasushi Kondo. The state visit of BBM was seen as an important part of maintaining economic ties and partnerships between the Philippines and Japan.

LAS President visits PMPC for building safe and secure workplaces. As part of the enhancement initiatives toward ZERO serious accidents, Living Appliances and Solutions (LAS) Company President Michikazu Matsushita visited PMPC on October 3, 2022, to personally deliver his message on Safety to the members of the PMPC Family and conducted a safety "gemba" walk in Taytay and Sta. Rosa factories. Led by PMPC President Yasushi Kondo, a special General Assembly was held at PMPC Taytay Auditorium to formally introduce Mr. Matsushita and provided the latter a venue for face-to-face communication with PMPC employees. On his way to the Auditorium, Mr. Matsushita was escorted by Mr. Kondo to the Company's BBP Room to acquaint him with PMPC's continuing commitment to promote and carry out the Basic Business Philosophy (BBP), which is the very foundation of the management philosophy practiced by Panasonic Group. In his message, Mr. Matsushita emphasized the need to identify root causes through why-why analysis, and faithfully take measures to eliminate serious accidents. Likewise, he requested the need for building safe and secure workplaces, declaring that "No safety, no business continuation". Moreover, he asked particularly the PMPC senior management to take the lead in determining and following up on results from the viewpoint of safety as a top priority, wholeheartedly conducting risk assessment and ensuring compliance with equipment safety standards. Together with Mr. Michikazu Matsushita during his visit were the following: Mr. Yuzuru Isozaki, Executive in overseas business planning, LAS Co.; Mr. Akio Ota, Director of KABD of LAS Co. and Mr. Takehiro Uwahara, GM of KABD-RDBU at LAS Co.

PMPC's Refrigerator Business Division continues its advocacy for bringing Japan Quality products to the Philippine market by introducing its latest No Frost Models, *BP242VD, BP272VD*, and *BP292VD*. The Launching Ceremony was held in Refrigerator Factory last August 23, 2022. The focus of the new models is to further increase customer satisfaction levels with elegant new designs and better power consumption efficiency thus exceeding our current brand position and market share.

The new BOC AEO office was inaugurated on December 19, 2022, to institutionalize and further improve the services of the AEO Philippines. During the inauguration ceremony, Panasonic Manufacturing Philippines Corporation was added to the roster of AEO Members with the awarding of their AEO Level 1 Accreditation. AEO Level 1 member will be entitled to exemption from renewal of accreditation; self-assessment; filing of supplementary goods declaration; and access to a dedicated help desk.

RENEWING OUR COMMITMENT THROUGH RESPONSIBLE MANAGEMENT .....

As part of the Marketing Communication team's PR initiatives, a contract signing event with Mr. Gary Valenciano was held to celebrate his 5 years with Panasonic Philippines as a Brand Ambassador. The event was held last November 23, 2022, at the PMPC Taytay Office together with Mr. Yasushi Kondo, Mr. Satoshi Kono, Mr. Gary Valenciano, and Mrs. Angeli Valenciano. Here are the highlights of the event.

It was really a double "high five" milestone for PMPC as it made a limited (strictly observing social distancing protocols) face-to-face comeback (with 139 online participants) for its simple but meaningful 3-pronged 55th-anniversary celebration on September 14, 2022, after more than two years of holding such event virtually due to the COVID-19 pandemic. In his message, PMPC President Yasushi Kondo emphasized the need not only to embrace change continuously but also to develop the Panasonic brand by creating a culture along with the Company's mission to contribute to the progress and development of society and the well-being of people. "We should understand that we are not merely delivering products and services to our customers, but also to feel happy while working or attending to our respective tasks and responsibilities," Mr. Kondo said. As part of its tradition, PMPC gave out special awards and recognitions.

Mr. Naohiro Kato (PC-CHRO), Mr. Yasuo Tonooka (LAS-CHRO), and Mr. Tadashi Hisadomi (PC-HR) visited PMPC from September 5 to 6, 2022 to conduct some activities for possible improvement, which started with market research. At PMPC-Taytay Plant, the visitors were given a warm welcome as they met and greeted each department's expats before proceeding to the Company Business overview and REF BD for the factory tour. HR was given the opportunity to present its key initiatives and plans, including programs for training as well as for improving employee engagement. The occasion also provided HR the chance to request support from Mr. Kato and Mr. Tonooka, particularly for possible HR activities and programs that can be introduced to PMPC.

PMPC participated in the 23rd LTAI EKIDEN held at Laguna Technopark last July 9, 2022. Ten participants from Air Con, WM/EF, HR, and Ref BD represented the company in the said race and finished 8th among the 19 participating companies. Business Division Heads, Mr. Tamayo and Mr. Matsumoto showed their support to the participants while Mr. Inoue was one of the men who joined the race. PMPC President Mr. Yasushi Kondo graced the event together with ex-pats from other LTAI companies.

Furthermore, Trade Marketing continuously supports and conducts training requests thru Sales to reinforce the superiority of Panasonic features to our business partners (dealers) and promoters nationwide in order to convey Panasonic's goal which is to help people live their best lives by promoting useful, high-quality products that have a positive impact on the world and our end-users day-to-day lives.

PMPC SGST S4 HANA project kick-off and Digital Transformation of SharePoint Platform Last September, the PMPC SGST S4 HANA project kick-off and Digital Transformation Sharepoint Platform was officially launched and opened by Mr. Kondo (MD), Mr. Kozuma, Mr. Komatsu, and Mr. Kodama. The main objective of the project is to build a system with high operational efficiency and improved collaboration between Manufacturing PMPC & Sales PPH.

Taking part in the Panasonic global CSR activities, spearheaded by PEX, PMPC was granted 540 units of Solar Lanterns. HR Training/ CSR Team took an effort to coordinate with NGOs and Volunteer groups to evaluate the recipients of the Solar Lanterns. Partnering with local government units and the parish in charge, they were able to single out the communities that would benefit most from the use of the lanterns. A total of 500 units were divided into NGOs and identified communities. While the remaining 40 units were shared with employees, thru an essay writing contest with the Theme: Importance of using Renewable Energy. With the main intention of encouraging employees to share their thoughts on how they view and give importance, to acknowledging Renewable Energy. Chosen essays were awarded at the company Christmas Party, on December 23, 2022.

On December 9, 2022, at Angat Kabataan Volunteer Group in Barangay Sta. Ana Taytay Rizal, PMPC coordinated with Angat Kabataan Volunteer Group, a non-government organization that is recognized by the Taytay Municipal Council. The group's purpose is focused on youth empowerment, providing livelihood projects, promoting environmental Sustainability, and good citizenship. A total of 200 pcs. Solar Lantern was handed over to the Community.

On December 12 and 17 2022, Mobile Merchants Partnering with Our Lady of Light Parish in Cainta, Rizal, 300 units of solar lanterns were distributed to merchants, ambulant vendors around the vicinity of Cainta, residents in Boso Boso Antipolo and those residing in the settlement area of Dumagat Tribe from Binangonan Rizal.

Sharing the Projection Mapping Activity at Ayala Triangle Gardens Mr. Yasushi Kondo graced the latest project/ activity of System Solutions Group (SSG) accompanied by Mr. Satoshi Kono. The Ayala Land Corporation started the Festival of Lights at Ayala Triangle Gardens last Nov. 10, 2022, and ran until Jan. 8, 2023. In addition to the traditional show using Christmas Lights & Moving Lights, they have added Projection Mapping on their building using 3 sets of our 30,000 Lumens Panasonic Laser Projector.

RENEWING OUR COMMITMENT THROUGH ENVIRONMENT, HEALTH AND SAFETY ACTIVITIES .....

An Energy audit was conducted last January 9, 2023, for Sta. Rosa Plant and January 11, 2023, for Taytay Plant. These audits were conducted in compliance with RA 11285 of the Department of Energy or the Energy Efficiency and Conservation Act of 2019.

Likewise, a Fire Olympics was held both in Taytay Plant and Sta. Rosa Plant last March 17 and 18, 2023, respectively.

RENEWING OUR COMMITMENT THROUGH CORPORATE CITIZENSHIP.....

On January 23, 2023, Panasonic Philippines (PPH) thru Trade Marketing resumed the Promoters Face-to-Face Office Day for the GMA area at PMPC Auditorium Head Office, Taytay, Rizal. The activity halted for three (3) years since 2020 due to the COVID-19 lockdown, which was then continued online thru Microsoft Teams despite network challenges for the past years. The January 2023 activity highlighted the frequent and general FAB (Features, Advantages & Benefits) of Panasonic products' new models. With the resumption of face-to-face GMA promoters' office day, the event has enhanced collaboration with various departments in PMPC and PPH from the constant support from Customer Service and PACPH, along with Market Quality and Electric Works for the month of February 2023.

RENEWING OUR COMMITMENT THROUGH CO-EXISTENCE AND CO-PROSPERITY .....

FY2022 Range Review Meeting was held in Edsa Shangri la, a one-week event last July 18-22 with the participation of different partners/dealers regarding sales review and plans. The first day was participated by Ansons and Co group Dealers, 2nd day was for Abenson, 3rd day was for Western and Emcor 4th day Brills and K-Servico 5th day Due Ek Sam and Imperial.

PMPC Chairman of the Board and President, Mr. Yasushi Kondo, presided over the Annual Stockholders Meeting held via remote communication last July 15, 2022. In his report, Mr. Kondo reiterated that the fiscal year 2021 recorded a favorable total sales performance, though lower than that of the fiscal year 2020. But in spite of this, the company has yielded a positive profit after tax. He mentioned that the company needs to change and adopt customer values that would truly meet the customers' needs. Thus, the best effort should be exerted to stay competitive in the new normal.

RENEWING OUR COMMITMENT THROUGH PEOPLE DEVELOPMENT......

Despite the global financial challenges brought about by the recent pandemic, the Management and the Union Representatives successfully signed a new CBA on March 17, 2023, in Sta. Rosa, Laguna, which maintains and unceasingly promotes a harmonious relationship between the PMPC workers. The Top Management, Management Representatives, and Union Representatives attended the signing, *"Mutual Respect and a Spirit of Cooperation."*

The 1st Living Appliance and Solution Company (LAS) QC Circle Convention was held from August 26th to September 16, 2022, through a virtual presentation. The company participated in the Indirect Category and was represented by Customer Service QC Circle, "The CS Quality Achiever", with their Project: "Reduction of Internal Leak Cases by 50% thru Enhancement of Leak Testing Method." This competition in the indirect category was also participated in by three other circles from different LAS global companies. At the conclusion of this event last September 21, 2022, the company's QC Circle was able to win the Silver Award.

Last August 23, 2022, PMPC facilitated the Panasonic Scholarship Asia (PSA) first Homecoming program for scholarship completers from batches 2020 and 2021 at Taytay Auditorium. Then President Mr. Yasushi Kondo gladly welcomed the scholars as well as Panasonic Holding's Corporations' CSR & Citizenship Officer Mr. Tada Naoyuki, who gave an encouraging message. It was indeed a successful mini-reunion and a catching-up opportunity that provided a chance for the scholars to interact and exchange pleasantries with their co-completers and the PMPC management. HR Training Team vowed to carry out similar activities on a regular base as part of the program's continuing commitment.

With regards to the JOBSTART IN PMPC last June 30, 2022, from initially over a hundred trainees, 53 successfully completed the program and among which 35 were deployed as Fixed Term Employees with the possibility of qualifying for a regular position in REFBD. On December 15, 2021, PMPC received a grant from DOLE and become a part of the government-sponsored internship program JOBSTART. This is a full-cycle employment facilitation service, designed to enhance the employability of at-risk youth to improve their integration into productive employment. PMPC as a partner employer conducted Life Skills Training, Technical Training, and Internship program. REFBD generously shared with the trainees the technical know-how during the internship, which demonstrates our full support for the government's nation-building and inclusive growth by helping the unemployed young Filipinos jumpstart their futures.

The fiscal year 2022 has been the company's 55th year of service to society, continuously embracing the changes, coupled with innovation and the desire for sustainable progress. With these and more, PMPC renews its commitment to contribute to further improving the lives of the Filipino people, with the essence of the Panasonic Group's slogan, LIVE YOUR BEST.

Panasonic

Panasonic Manufacturing
Philippines Corporation
Ortigas Avenue Extension, Taytay, Rizal

To learn more about Panasonic Products please visit:
www.panasonic.com/ph

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

2	3	0	2	2							

COMPANY NAME

PANASONIC MANUFACTURING PHILIPPINES CORPORATION AND SUBSIDIARY

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
AFS		N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
www.panasonic.com/ph	8635-2260 to 65	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
461	July 15	March 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Julieta Beltran	julieta.beltran@ph.panasonic.com	8635-2260 to 65	(+63) 917 584 4500

CONTACT PERSON's ADDRESS

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

NOTE 1 : *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.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

Panasonic

Panasonic Manufacturing Philippines Corporation
Ortigas Avenue Extension, Taytay, Rizal, 1920 Philippines

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Panasonic Manufacturing Philippines Corporation** (the "Company") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended March 31, 2023, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co, the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signed under oath by the following:

KAZUYA HIGAMI
Chairman & President

ATSUSHI KOZUMA
Vice – Chairman & Chief Finance Officer

SATOSHI KONO
Executive Director

Signed on this 20th day of June, 2023

SUBSCRIBED AND SWORN to before me this JUN 2 7 2023 affiants exhibiting to me their passport numbers as follows:

NAMES	PASSPORT NO.	DATE ISSUED	PLACE ISSUED
Kazuya Higami	TT2127269	May 20, 2022	Japan
Atsushi Kozuma	TS0579539	April 17, 2018	Japan
Satoshi Kono	TR5272182	January 04, 2016	Japan

ATTY. JOHN KENNETH T. MORENO
Notary Public
Roll No. 35640
IBP No. 257589 - 02 Jan. 2023
PTR No. 18620946 - 03 Jan. 2023
MCLE No. VII - 0011285 - 14 April 2025
Appt. No. 22-26 - 30 June 2022
Until Dec. 31, 2023
For Antipolo City, Taytay, Sainta

Doc. No. 225
Page No. 46
Book No. XIV
Series of 2023

NOTARY PUBLIC

SGV
Building a better
working world

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Philippines

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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Panasonic Manufacturing Philippines Corporation
Ortigas Avenue Extension
Barrio Mapandan, Barangay San Isidro
Taytay, Rizal

Opinion

We have audited the consolidated financial statements of Panasonic Manufacturing Philippines Corporation and its Subsidiary (the Group), which comprise the consolidated statements of financial position as at March 31, 2023 and 2022, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended March 31, 2023, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended March 31, 2023 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Provision for estimated liabilities

The Group, in the ordinary course of its business, recognizes provision for estimated liabilities related to expected warranty claims from products sold and other estimated liabilities. This matter is significant to our audit because the determination of whether the provision should be recognized and the estimation of the potential liability resulting from these assessments require significant estimate and judgment by management. The estimate of the provision for warranty claims requires an analysis of past experience on the level of repairs and returns. The inherent uncertainty over the outcome of the matters related to other estimated liabilities is brought about by the differences in the interpretation and implementation of the relevant laws and regulations.

The relevant accounting policy and discussion of significant judgments and estimates for provisions are included in Notes 2 and 3 to the consolidated financial statements. The amount of provisions recognized is disclosed in Note 11 to the consolidated financial statements.

Audit response

We reviewed the underlying data used in the estimate for warranty claims by comparing the level of repairs and returns across various product lines applied in the calculation against documents supporting the actual claims such as completed service invoices and service reports from accredited service centers. We tested the mathematical accuracy of management's calculation of warranty claims. We also involved our internal specialist in the evaluation of management's assessment on whether any provision for contingencies should be recognized for the other estimated liabilities, and the estimation of such amount. We discussed with management the status of the claims and obtained correspondences with the regulatory authorities and opinions from the external legal counsel. We evaluated the position of the Group by considering the relevant laws, rulings and jurisprudence applicable to the Group.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended March 31, 2023, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended March 31, 2023 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Bryan Chrisnel M. Baes.

SYCIP GORRES VELAYO & CO.

Bryan Chrisnel M. Baes

Bryan Chrisnel M. Baes
Partner
CPA Certificate No. 128627
Tax Identification No. 275-229-188
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 128627-SEC (Group A)
Valid to cover audit of 2022 to 2026 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-148-2022, November 7, 2022, valid until November 6, 2025
PTR No. 9369774, January 3, 2023, Makati City

June 14, 2023

PANASONIC MANUFACTURING PHILIPPINES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31	
	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱2,592,953,705**	₱3,162,894,454
Receivables (Note 5)	**1,753,338,255**	1,766,394,155
Inventories (Note 6)	**2,566,117,965**	2,479,418,529
Other current assets (Note 9)	**189,783,854**	139,774,028
Total Current Assets	**7,102,193,779**	7,548,481,166
Noncurrent Assets		
Property, plant and equipment (Note 7)	**913,799,137**	899,515,952
Deferred tax assets - net (Note 22)	**145,432,378**	132,673,106
Other noncurrent assets (Note 9)	**18,182,727**	23,167,485
Total Noncurrent Assets	**1,077,414,242**	1,055,356,543
	₱8,179,608,021	₱8,603,837,709
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 10)	**₱2,874,069,698**	₱3,292,654,836
Lease liabilities - current portion (Note 8)	**2,521,241**	4,762,604
Other current liabilities (Note 11)	**84,571,115**	84,671,156
Total Current Liabilities	**2,961,162,054**	3,382,088,596
Noncurrent Liabilities		
Retirement liability (Note 11)	**145,027,893**	143,990,807
Lease liabilities - net of current portion (Note 8)	**–**	2,521,241
Other noncurrent liabilities (Note 11)	**252,683,739**	320,355,110
Total Noncurrent Liabilities	**397,711,632**	466,867,158
	3,358,873,686	3,848,955,754
Equity		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Note 12)	**422,718,020**	422,718,020
Additional paid-in capital (Note 12)	**4,779,762**	4,779,762
Other comprehensive loss (Notes 9, 11 and 12)	**(125,795,505)**	(115,391,581)
Retained earnings (Notes 12 and 13)		
Appropriated	**3,992,400,000**	3,892,400,000
Unappropriated	**453,449,058**	476,835,568
	4,747,551,335	4,681,341,769
Non-controlling Interest	**73,183,000**	73,540,186
Total Equity	**4,820,734,335**	4,754,881,955
	₱8,179,608,021	₱8,603,837,709

See accompanying Notes to Consolidated Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended March 31		
	2023	2022	2021
NET SALES (Note 25)	**₱15,178,323,266**	₱12,590,533,901	₱10,883,095,262
COST OF GOODS SOLD (Note 14)	**(12,659,891,935)**	(10,044,815,618)	(8,316,813,759)
GROSS PROFIT	**2,518,431,331**	2,545,718,283	2,566,281,503
SELLING EXPENSES (Note 15)	**(1,263,363,466)**	(1,329,008,500)	(1,204,276,357)
GENERAL AND ADMINISTRATIVE EXPENSES (Note 16)	**(1,118,641,957)**	(1,064,675,121)	(950,374,726)
OTHER INCOME – Net (Note 19)	**104,512,479**	91,422,430	67,019,396
INCOME BEFORE INCOME TAX	**240,938,387**	243,457,092	478,649,816
PROVISION FOR INCOME TAX (Note 22)	**(58,758,718)**	(77,924,653)	(120,634,224)
NET INCOME	**182,179,669**	165,532,439	358,015,592
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may not be reclassified to profit or loss			
Remeasurement gain (loss) on the net defined benefit liability, net of tax (Note 11)	**(9,415,113)**	8,506,020	21,979,420
Unrealized gain (loss) on financial assets at fair value through other comprehensive income (Note 9)	–	289,787	73,476
Realized loss on write-off of financial assets at fair value through other comprehensive income (Note 9)	**(1,697,661)**	–	–
TOTAL COMPREHENSIVE INCOME	**₱171,066,895**	₱174,328,246	₱380,068,488
Net income attributable to:			
Equity holders of the Parent Company (Note 24)	**₱182,536,855**	₱165,526,543	₱357,239,514
Non-controlling interest	**(357,186)**	5,896	776,078
	₱182,179,669	₱165,532,439	₱358,015,592
Total comprehensive income attributable to:			
Equity holders of the Parent Company	**₱171,424,081**	₱174,322,350	₱379,292,410
Non-controlling interest	**(357,186)**	5,896	776,078
	₱171,066,895	₱174,328,246	₱380,068,488
Basic/diluted earnings per share (Note 24)	**₱0.43**	₱0.39	₱0.85

See accompanying Notes to Consolidated Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity Attributable to Equity Holders of the Parent Company								
	Capital Stock (Note 12)	Additional Paid-in Capital (Note 12)	Net Unrealized Gains on Financial Assets at FVOCI (Note 9)	Remeasurement Loss on Retirement Liability (Notes 11 and 12)	Appropriated Retained Earnings (Notes 12 and 13)	Unappropriated Retained Earnings (Notes 12 and 13)	Total	Non-controlling Interest	Total
Balances at April 1, 2022	**₱422,718,020**	**₱4,779,762**	**₱988,811**	**(₱116,380,392)**	**₱3,892,400,000**	**₱476,835,568**	**₱4,681,341,769**	**₱73,540,186**	**₱4,754,881,955**
Total comprehensive income	–	–	**(1,697,661)**	**(9,415,113)**	–	**182,536,855**	**171,424,081**	**(357,186)**	**171,066,895**
Transfer of fair value reserve of financial assets at FVOCI (Note 9)	–	–	**708,850**	–	–	**(708,850)**	–	–	–
Reversals of appropriation (Note 13)	–	–	–	–	**(1,240,759,000)**	**1,240,759,000**	–	–	–
Appropriations (Note 13)	–	–	–	–	**1,340,759,000**	**(1,340,759,000)**	–	–	–
Cash dividends (Note 13)	–	–	–	–	–	**(105,214,515)**	**(105,214,515)**	–	**(105,214,515)**
Balances at March 31, 2023	**₱422,718,020**	**₱4,779,762**	**₱–**	**(₱125,795,505)**	**₱3,992,400,000**	**₱453,449,058**	**₱4,747,551,335**	**₱73,183,000**	**₱4,820,734,335**
Balances at April 1, 2021	₱422,718,020	₱4,779,762	₱699,024	(₱124,886,412)	₱3,842,400,000	₱583,016,225	₱4,728,726,619	₱73,534,290	₱4,802,260,909
Total comprehensive income	–	–	289,787	8,506,020	–	165,526,543	174,322,350	5,896	174,328,246
Reversals of appropriation (Note 13)	–	–	–	–	(696,142,000)	696,142,000	–	–	–
Appropriations (Note 13)	–	–	–	–	746,142,000	(746,142,000)	–	–	–
Cash dividends (Note 13)	–	–	–	–	–	(221,707,200)	(221,707,200)	–	(221,707,200)
Balances at March 31, 2022	₱422,718,020	₱4,779,762	₱988,811	(₱116,380,392)	₱3,892,400,000	₱476,835,568	₱4,681,341,769	₱73,540,186	₱4,754,881,955
Balances at April 1, 2020	₱422,718,020	₱4,779,762	₱625,548	(₱146,865,832)	₱3,792,400,000	₱338,835,931	₱4,412,493,429	₱72,758,212	₱4,485,251,641
Total comprehensive income	–	–	73,476	21,979,420	–	357,239,514	379,292,410	776,078	380,068,488
Reversals of appropriation (Note 13)	–	–	–	–	(814,494,110)	814,494,110	–	–	–
Appropriations (Note 13)	–	–	–	–	864,494,110	(864,494,110)	–	–	–
Cash dividends (Note 13)	–	–	–	–	–	(63,059,220)	(63,059,220)	–	(63,059,220)
Balances at March 31, 2021	₱422,718,020	₱4,779,762	₱699,024	(₱124,886,412)	₱3,842,400,000	₱583,016,225	₱4,728,726,619	₱73,534,290	₱4,802,260,909

See accompanying Notes to Consolidated Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended March 31		
	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱240,938,387**	₱243,457,092	₱478,649,816
Adjustments for:			
Depreciation and amortization (Note 18)	**212,495,599**	221,023,171	242,680,763
Provision for inventory write-down (Note 14)	**197,810,283**	81,998,295	157,959,416
Retirement and other long-term employee benefits expense (Notes 11 and 17)	**43,218,538**	35,294,960	34,962,636
Interest income (Notes 4 and 19)	**(32,706,187)**	(31,271,616)	(32,503,149)
Provision for warranty claims and estimated liabilities (Note 11)	**28,398,360**	63,569,140	19,222,356
Provision for (net recovery of) credit and impairment losses (Notes 5, 16 and 19)	**(2,285,000)**	(6,175,383)	7,944,612
Gain on disposal/retirement of property, plant and equipment and software (Notes 7 and 19)	**(1,734,058)**	(1,932,528)	(351,723)
Unrealized foreign currency exchange (gain) loss (Notes 4, 5, 10 and 19)	**2,160,864**	(3,966,129)	(328,560)
Interest on lease liability (Notes 8 and 16)	**311,536**	565,242	282,553
Operating income before changes in working capital	**688,608,322**	602,562,244	908,518,720
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	**11,047,436**	(281,860,520)	(45,698,280)
Inventories	**(284,509,719)**	(820,245,037)	(245,077,981)
Other current assets	**(50,089,568)**	2,769,579	(50,685,621)
Increase (decrease) in:			
Accounts payable and accrued expenses	**(419,803,004)**	404,797,841	516,827,082
Other liabilities	**(95,410,678)**	(77,981,392)	(28,453,068)
Net cash generated from operations	**(150,157,211)**	(169,957,285)	1,055,430,852
Income taxes paid	**(68,662,188)**	(87,921,807)	(82,521,504)
Interest received from bank deposits (Notes 4 and 19)	**31,330,064**	31,403,809	33,669,317
Other retirement liability and long-term employee benefits paid (Note 11)	**(5,131,719)**	(3,414,920)	(5,781,869)
Contributions to the retirement fund (Note 11)	**(50,000,000)**	–	–
Net cash provided by (used in) operating activities	**(242,621,054)**	(229,890,203)	1,000,796,796
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment (Notes 7 and 27)	**(217,995,702)**	(129,746,565)	(129,284,699)
Software (Note 9)	**(2,983,365)**	(156,789)	–
Proceeds from disposal of property, plant and equipment (Note 7)	**3,415,082**	2,272,474	481,469
Decrease (increase) in other non-current assets (Note 9)	**4,972,796**	1,266,180	(2,156,760)
Net cash used in investing activities	**(212,591,189)**	(126,364,700)	(130,959,990)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash dividends paid (Notes 13 and 27)	**(105,214,515)**	(221,712,691)	(63,056,242)
Payment of principal portion of lease liability (Notes 8 and 27)	**(5,074,140)**	(4,926,358)	(7,974,503)
Net cash used in financing activities	**(110,288,655)**	(226,639,049)	(71,030,745)

(Forward)

	Years Ended March 31		
	2023	2022	2021
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (Note 4)	**(₱4,439,851)**	₱2,559,821	(₱927,269)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(569,940,749)**	(580,334,131)	797,878,792
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**3,162,894,454**	3,743,228,585	2,945,349,793
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱2,592,953,705**	₱3,162,894,454	₱3,743,228,585

See accompanying Notes to Consolidated Financial Statements.

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 Holdings Corporation (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, Rizal.

2. Summary of Significant Accounting Policies

<u>Basis of Preparation</u>
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.

<u>Statement of Compliance</u>
The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

<u>Basis of Consolidation</u>
The consolidated financial statements include the financial statements of the Parent Company and PERC, a subsidiary which it controls (see Note 3).

Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the Subsidiary and has the ability to affect those returns through its power over the Subsidiary.

The Parent Company controls an investee if, and only if the Parent Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Parent Company's voting rights and potential voting rights

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of its Subsidiary to bring the accounting policies used in line with those used of the Group.

All intragroup transactions, balances, income and expenses are eliminated in the consolidation.

Non-controlling interests are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from Parent Company shareholders' equity. The interest of non-controlling shareholders may be initially measured at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, non-controlling interests consists of the amount attributed to such interests at initial recognition and the non-controlling interest's share of changes in equity since the date of acquisition.

Changes in the Parent Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transaction. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Parent Company.

If the Parent Company loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interest;

- derecognizes the related other comprehensive income recorded in equity and recycles the same to profit or loss or retained earnings;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained; and
- Recognizes any surplus or deficit in profit or loss in the consolidated statement of comprehensive income.

The consolidated financial statements include the financial statements of the Parent Company and PERC. The summarized financial information of PERC is provided below. The information is based on amounts before intercompany eliminations.

	2023	2022
Summarized financial position information		
Total current assets	**₱45,432,883**	₱43,869,927
Total noncurrent assets	**233,177,867**	233,177,867
Total current liabilities	**2,648,904**	490,637
Total noncurrent liabilities	**153,990,175**	153,990,175
Total equity	**₱121,971,671**	₱122,566,982
Summarized comprehensive income information		
Revenues	**₱29,400,065**	₱29,017,119
Cost and expenses – net	**29,812,669**	28,783,607
Income before income tax	**(412,604)**	233,512
Provision for income tax	**182,706**	223,686
Total comprehensive income	**(₱595,310)**	₱9,826
Summarized cash flow information		
Operating activities	**(₱497,753)**	(₱471,356)
Net decrease in cash and cash equivalents	**(₱497,753)**	(₱471,356)

<u>Changes in Accounting Policies</u>
Except for these new and amended standards which were adopted as of April 1, 2022, the accounting policies adopted are consistent with those of previous financial year.

The adoption of the following amendments did not have a significant impact on the consolidated financial statements of the Group:

- Amendments to PFRS 3, Reference to the Conceptual Framework
- Amendments to PAS 16, *Property, 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 measurements*

Fair Value Measurement

For measurement and disclosure purposes, the Group determines the fair value of an asset or a liability at initial measurement date or each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfer have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash in banks and time deposits with original maturities of three months or less and are subject to an insignificant risk of change in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and time deposits as defined above.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Date of recognition
The Group recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial instruments that require delivery of assets and liabilities within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial recognition of financial instruments
Financial instruments are initially recognized at fair value of the consideration given. The initial measurement of financial instruments includes transaction costs, except for financial instruments at financial assets at fair value through profit and loss (FVTPL).

As of March 31, 2023, the Group has financial assets and financial liabilities at amortized cost. As of March 31, 2022, the Group has financial assets and financial liabilities at amortized cost and financial assets at FVOCI.

'Day 1' difference
Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the profit or loss in the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where transaction price used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the profit or loss in the consolidated statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

In 2023, 2022 and 2021, there were no 'Day 1' differences recognized in the profit or loss in the consolidated statement of comprehensive income.

a) Financial assets

Classification and measurement
Financial assets are classified at fair value at initial recognition and subsequently measured at amortized cost, FVOCI, and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are solely for principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount). In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers, if any, of the business are compensated.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

The financial assets of the Group as of March 31, 2023 consist of financial assets at amortized cost. As of March 31, 2022, the financial assets consist of financial assets at amortized cost and financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).

Financial assets at amortized cost (debt instruments)
The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include cash and cash equivalents and receivables.

Financial assets designated at FVOCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation*, and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statements of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group elected to classify irrevocably its investments in unquoted equity instruments under this category.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
The Group recognizes an allowance for ECLs for all debt instruments not held at FVTPL. ECL represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime ECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets such nontrade receivable, due from related parties and other receivables, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk (SICR) since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been an SICR since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and cash equivalents and short-term investments, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from reputable credit rating agencies to determine whether the debt instrument has SICR and to estimate ECLs.

The key inputs in the model include the Group's definition of default and historical data of three years for the origination, maturity date and default date. The Group considers trade receivables and contract assets in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Determining the stage for impairment
At each reporting date, the Group assesses whether there has been a SICR for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed SICR since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

b) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at FVTPL
Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities Designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognized in profit or loss in the consolidated statement of comprehensive income.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied.

The Group does not have financial liabilities at FVTPL as of March 31, 2023 and 2022.

Other financial liabilities
This category pertains to financial liabilities that are not held for trading or not designated as at FVTPL upon the inception of the liability. These include liabilities arising from operations and borrowings.

After initial measurement, other financial liabilities are measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the acquisition and fees or costs that are an integral part of the EIR. Gains and losses are recognized in profit or loss when other financial liabilities are derecognized, as well as through the EIR amortization process.

This category applies to the Group's accounts payable and accrued expenses (excluding statutory and taxes payables).

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

<u>Inventories</u>
Inventories are valued at the lower of cost or NRV. NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. Cost is determined primarily using the first-in, first-out method, except for spare parts and supplies, which are determined on a weighted average method. For manufactured inventories, cost includes the

applicable allocation of fixed and variable overhead costs.

Creditable Withholding Tax
This pertains to the tax withheld at source by the Group's customers and is creditable against the income tax liability of the Group.

Property, Plant and Equipment
Property, plant and equipment, except land, are carried at cost less accumulated depreciation, amortization and any impairment in value except land which is carried at cost less any impairment in value. The initial cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Significant renewals and improvements are capitalized.

Expenditures incurred after the properties have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to income in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

Depreciation and amortization is computed using the straight-line method on land improvements and buildings and improvements over their estimated useful lives and the declining balance method on other property, plant and equipment.

The estimated useful lives of property, plant and equipment are as follows:

	Years
Land improvements	10
Factory machinery, equipment and tools	2-10
Buildings and improvements	5-25
Office furniture, fixtures and equipment	2-5
Transportation equipment	3-5

The useful life and depreciation and amortization methods are reviewed at each reporting date to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

When assets are sold or retired, their cost and accumulated depreciation and amortization and any accumulated impairment losses are eliminated from the accounts and any gain or loss resulting from their disposal is included in profit or loss.

Fully depreciated property, plant and equipment are retained in the accounts until these are no longer in use.

Software
Software acquired separately is measured on initial recognition at cost. Following initial recognition, software is carried at cost less any accumulated amortization and any accumulated impairment losses.

Amortization of software is computed using the declining balance method over its estimated useful life of 2 to 5 years. The estimated useful life and amortization method for software are reviewed at least at each financial year end to ensure that the period and method of amortization are consistent with the expected pattern of economic benefits from these assets.

The amortization expense on software is recognized in profit or loss under general and administrative expenses. Software is assessed for impairment whenever there is an indication that this asset may be impaired.

Impairment of Nonfinancial Assets

At each reporting date, the Group assesses whether there is any indication that its nonfinancial assets (e.g., property, plant and equipment, investment properties, software, creditable withholding taxes and value-added tax) may be impaired.

Where there is an indication of impairment, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

A previously recognized impairment loss is reversed by a credit to current operations, unless the asset is carried at a revalued amount, in which case, the reversal of the impairment loss is credited to the revaluation increment of the same asset, to the extent that it does not restate the asset to a carrying amount in excess of what would have been determined (net of any accumulated depreciation and amortization) had no impairment loss been recognized for the asset in prior years.

Leases

The Group determines at contract inception whether a contract is, or contains, a lease by assessing whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Parent Company as a lessee

The Parent Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Parent Company recognizes right-of-use assets representing the right to use the underlying assets and lease liabilities to make lease payments.

i. *Right-of-use assets*

The Parent Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Parent Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Depreciation of right-of-use assets is presented under 'Depreciation and amortization' in 'Cost of goods sold (Note 14) and 'General and administrative expenses' (Note 16).

The Group presents the right-of use assets in 'Property, plant and equipment' and subjects it to impairment. Refer to the accounting policies in section *Impairment of non-financial assets*.

ii. *Lease liability*
At the commencement date of the lease, the Parent Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Parent Company and payments of penalties for terminating a lease, if the lease term reflects the Parent Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Parent Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. The accretion is presented as 'Interest expense' (Note 16) in the consolidated statement of comprehensive income.

iii. *Short-term leases and leases of low-value assets*
The Parent Company applies the short-term lease recognition exemption to its short-term leases of office spaces (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Subsidiary as a lessor
The Subsidiary classifies a lease as finance lease if it transfers substantially all the risks and rewards incidental to ownership of asset arising from the lease. Leases where the Subsidiary does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an income in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

Business Combinations
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are recognized in profit or loss.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. The measurement period is the period from the date of acquisition to the date the Group receives complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum period of one year.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in accordance with PFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquired are assigned to those units.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Equity
Capital stock is measured at par value for all shares issued and outstanding. When the shares are sold at premium, the difference between the proceeds and the par value is credited to 'Additional paid-in capital' account. Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to 'Additional paid-in capital' account. If additional paid-in capital is not sufficient, the excess is charged against the retained earnings.

When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Retained earnings represent accumulated earnings of the Group less any dividends declared.

Revenue Recognition
To account for the revenues arising from contracts with customers, the Group applies the following five step model:

a. Identify the contract(s) with a customer
b. Identify the performance obligations in the contract
c. Determine the transaction price
d. Allocate the transaction price to the performance obligations in the contract
e. Recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in its revenue arrangements because it controls the goods or services before transferring them to the customer.

The following specific recognition criteria must also be met before revenue and other income are recognized:

Revenue within the scope of PFRS 15:
Sale of goods and services
Revenue from sale of goods is recognized at a point in time upon transfer of control to the buyer, usually upon delivery of goods.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods and services, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer, if any.

Sale of scrap and gain (loss) on sale of property, plant and equipment
Revenue from sale of scrap is recognized upon delivery, when the control has passed to the buyer and the amount of revenue can be measured reliably.

Service income
Service income is earned from rendering services in the form of general advice and assistance fees to related parties.

Other income
Other income is recognized in the profit or loss as it accrues when there is reasonable degree of certainty as to its collectivity. It includes foreign currency exchange gain, refund for damaged goods in cargo, administration fees, insurance claims and gain on pre-termination of lease.

Revenue outside the scope of PFRS 15:
Interest income
Interest income is recognized as interest accrues, taking into account the effective yield on the assets.

Dividend income
Dividend income is recognized when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

Rental income
Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

Costs and Expenses
Costs and expenses encompass losses as well as those expenses that arise in the course of the ordinary activities of the Group. Cost and expenses are recognized as incurred. The following specific recognition criteria must be met before costs and expenses are recognized:

Cost of goods sold
Cost of goods sold includes all expenses associated with the specific sale of goods. Cost of goods sold include all materials and supplies used, direct labor, occupancy cost, depreciation of production equipment and other expenses related to production. Such costs are recognized when the related sales have been recognized.

Selling expenses
Selling expenses constitute costs which are directly related to selling, advertising and delivery of goods to customers. These include sales commissions and marketing expenses. Selling expenses are recognized when incurred.

General and administrative expenses
General and administrative expenses constitute costs of administering the business and are recognized when incurred.

Dividends on Common Shares
Dividends on common shares are recognized as a liability and deducted from equity when declared and approved by the Board of Directors (BOD) of the Parent Company. Dividends for the year that are declared and approved after the consolidated statement of financial position date, if any, are dealt with as an event after the financial reporting date and disclosed accordingly.

Earnings Per Share (EPS)
Basic EPS is computed by dividing net income for the year attributable to ordinary equity holders of the parent by the weighted average number of common shares issued and outstanding during the year, after giving retroactive adjustment to any stock dividend declared or stock split made during the year.

Diluted EPS is calculated by dividing the net income attributable to common shareholders by the weighted average number of common shares outstanding during the year adjusted for the effects of any dilutive convertible common shares.

The Group has no dilutive convertible common shares. Thus, basic and diluted EPS are the same.

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized. All other borrowing costs are recognized as expense in the year which they are incurred.

Retirement Costs
The Parent Company operates a funded noncontributory defined benefit retirement plan, which requires contributions to be made to a separate administered fund.

The cost of providing benefits under the defined benefit pension plan is determined by an independent actuary using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current period.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Retirement expenses comprise the following:

- Current service cost
- Net interest on the net defined benefit liability or asset
- Remeasurement of retirement liability

Current service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurement comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurement is not classified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Parent Company, nor can they be paid directly to the Parent Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Parent Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefit
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability and expense when they are accrued to the employees. The cost of employee entitlements to annual leave is actuarially computed using the projected unit credit method.

Income Taxes
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The rates and tax laws used to compute the amount are those that have been enacted or substantially enacted as of the reporting date.

The Company periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred tax
Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating losses carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits from excess credits and unexpired NOLCO can be utilized, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date, and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recognized.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted as of the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss in the consolidated statement of comprehensive income. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Foreign Currency-denominated Transactions and Translation
Foreign currency-denominated transactions are recorded using the exchange rate at the date of transaction. Foreign currency-denominated monetary assets and liabilities are translated using the prevailing closing exchange rate at reporting date. Exchange gains or losses from foreign currency-denominated transactions and translation are credited or charged to profit or loss.

Operating Segment
Operating segments for management reporting purposes are organized into three major segments according to the nature and user of the products. Common income and expenses are allocated among business segments based on sales or other appropriate bases. Segment assets include operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, net of allowances, provisions and depreciation and amortization. Segment liabilities include all operating liabilities and consist principally of accounts payable and accrued liabilities. Information on business segments is presented in Note 25.

Provisions
Provisions are recognized when the following conditions are present: (a) the Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense in profit or loss in the consolidated statement of comprehensive income. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is probable.

Provision for estimated liabilities
Provision for estimated liabilities consists of provision for warranty claims and other liabilities. Provision for warranty claims is recognized for expected warranty claims on products sold, based on past experience in the level of repairs and returns. Provision for other liabilities is recognized when all of the conditions mentioned above are present.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Events after the Reporting Period
Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

Standards Issued but not yet Effective
Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. The listing consists of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt these standards when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have significant impact on the consolidated financial statements.

Effective beginning on or after April 1, 2023

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

- Amendments to PAS 8, *Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

Effective beginning on or after April 1, 2024

- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*

  The amendments clarify:
  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right.
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

- Amendments to PFRS 16*, Lease Liability in a Sale and Leaseback*

  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

Effective beginning on or after April 1, 2025

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:
  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

Deferred effectivity

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

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

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

3. Significant Accounting Judgments, Assumptions and Estimates

The preparation of the consolidated financial statements in compliance with PFRSs 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.

<u>Judgments</u>
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

a. Revenue recognition on sale of goods and services
Revenue recognition under PFRS 15 involves the application of significant judgment and estimation in the: (i) identification of the performance obligations; (ii) accounting for consideration paid or payable to customer; and (iii) determination when control is transferred.

(i) *Identification of performance obligations*
The Group identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Group's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

Based on management assessment, business-to-consumer (B2C) sales have only one performance obligation, while business-to-business (B2B) sales may include one or more performance obligations depending on the satisfaction of the criteria mentioned above.

(ii) *Accounting for consideration paid or payable to customer*
The Group determines the nature of its consideration paid or payable to customer if it represents purchases by the Group of goods or services offered by the customer, or incentives given by the Group to the customer. Consideration payable to a customer includes cash amounts that the Group pays, or expects to pay, to the customer. The consideration payable to a customer is accounted for as a reduction of the transaction price unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the entity

(iii) *Determination when control is transferred*
The Group recognizes its revenue for B2C sales at a point in time, when the goods are sold and delivered and when services are already rendered. The Group may recognize revenue for B2B sales over time if the buyer simultaneously receives and consumes the benefits as the Group performs its obligation, the buyer controls the goods and services as it is created or enhanced, or if the goods and services has no alternative use to the Group and the Group has enforceable right to payment for performance completed to date.

b. *Control over PERC*
The Group considers that it controls PERC even though it owns less than majority equity interest in PERC. The Parent Company holds a 40.0% equity interest in PERC. The 58.0% of the equity shares in PERC are held by the retirement fund of the Parent Company. The Parent Company determined that it has control over PERC since it has the practical ability to direct the relevant activity of PERC and is exposed to variable returns from PERC. The sole purpose of PERC's establishment and continuing existence is to hold several parcels of land as location for the Parent Company's manufacturing facilities. Thus, the relevant activity of PERC includes the acquisition of parcels of land through funding from the Parent Company and the subsequent lease thereto. The decision to set up the structure of PERC through lease and loan agreements is devised by the Parent Company for it to have location for its facilities since it could not hold more than 40.0% ownership in private lands in the Philippines. The BOD and officers of the Parent Company are also the BOD and officers of PERC.

c. *Distinction between investment properties and owner-occupied properties*
The Group determines whether a property qualifies as an investment property. In making its judgement, the Group considers whether the property is not occupied substantially for use by, or in operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately, the property is accounted for as an investment property, only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Group considers each property separately in making its judgment.

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

a. *Provisions for estimated liabilities*

Provision for estimated liabilities pertain to provision for warranty claims from products sold and other estimated liabilities. The determination of whether the provision should be recognized and the estimation of the potential liability from these assessments requires significant estimate and judgment by management.

The estimate of the provision for warranty claims requires an analysis of past experience on the level of repairs and returns. Other provisions for estimated liabilities include provisions for legal cases and other claims. The Group makes provisions on the basis of management's and its legal counsel's opinion and assessment of the outcome of the claims arising from interpretations and applications of statutes applicable to the Group.

The amounts of provisions for estimated liabilities as of March 31, 2023 and 2022 are disclosed in Note 11.

b. *NRV of inventory*

Inventories are carried at lower of cost or NRV. NRV of inventories are assessed regularly based on the prevailing selling prices of inventories less the estimated costs necessary to sell and to complete. Any increase in NRV will increase the carrying amount of inventories but only to the extent of their original acquisition costs. The carrying value of inventories as of March 31, 2023 and 2022 are disclosed in Note 6. The amounts of provision for inventory write-down included under cost of goods sold in 2023, 2022 and 2021 are disclosed in Notes 6 and 14.

c. *Determining method to estimate variable consideration and assessing the constraint*

The Group includes some or all the amounts of variable consideration estimated but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group considers both the likelihood and magnitude of the revenue reversal in evaluating the extent of variable consideration the Group will subject to constraint. Factors such as i) highly susceptibility to factors outside the Group's influence, ii) timing of resolution of the uncertainty, and iii) having a large number and broad range of possible considerations amount are considered.

Some contracts with customers provide prompt payment, volume discount and special discounts that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The expected value method of estimation takes into account a range of possible outcomes while the most likely amount is used when the outcome is binary.

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration given the large number of customer contracts that have similar characteristics and the range of possible outcomes.

d. *Assessment for ECL on trade receivables*
The Group, applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for trade receivables. The provision matrix specifies provision rates depending on the number of days that a trade receivable is past due. The Group also uses appropriate groupings if its historical credit loss experience show significantly different loss patterns for different customer segments. The Group then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data affecting each customer segment to reflect the effects of current and forecasted economic conditions.

The Group adjusts historical default rates to forward-looking default rate by determining the closely related economic factor affecting each customer segment. The Group regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual credit loss experience.

The determination of the relationship between historical default rates and forecasted economic conditions is a significant accounting estimate. Accordingly, the provision for ECL on trade receivables is sensitive to changes in assumptions about forecasted economic conditions. The Group has assessed that the ECL on trade receivables is not material because substantial amount of receivables are normally collected within one year.

The carrying amount of trade receivables as at March 31, 2023 and 2022 are disclosed in Note 5.

e. *Present value of benefit obligation*
The determination of the obligation and cost of retirement and other employee benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, expected returns on plan assets and salary increase rates.

While the Group believes that the assumptions are reasonable and appropriate, significant differences between actual experiences and assumptions may materially affect the cost of employee benefits and related obligations.

The details of the Group's defined benefit plan as of March 31, 2023 and 2022 are disclosed in Note 11.

f. *Deferred tax assets*
The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces them to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and the level of future taxable profits together with future tax planning strategies considering expected future market or economic conditions and the expected performance of the Group. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

The amounts of recognized and unrecognized deferred tax assets as of March 31, 2023 and 2022 are disclosed in Note 22.

4. Cash and Cash Equivalents

This account consists of:

	2023	2022
Cash in banks	**₱470,513,705**	₱1,839,194,454
Cash equivalents	**2,122,440,000**	1,323,700,000
	₱2,592,953,705	₱3,162,894,454

Cash in banks earned annual interest ranging from 0.06% to 1.00% in 2023, from 0.06% to 1.00% in 2022 and from 0.13% to 0.50% in 2021.

Cash equivalents pertain to time deposits made for varying periods with maturity of up to three months depending on the immediate cash requirements of the Group. Interest on cash equivalents ranged from 2.55% to 5.80% in 2023, from 0.02% to 1.00% in 2022 and from 0.01% to 1.25% in 2021.

Interest income from cash in banks and cash equivalents amounted to ₱32.7 million, ₱31.3 million and ₱32.5 million in 2023, 2022 and 2021, respectively (see Note 19).

Foreign exchange loss resulting from translation of foreign currency-denominated cash in banks into Philippine peso amounted to ₱3.0 million, ₱6.5 million and ₱36.6 million in 2023, 2022 and 2021, respectively (see Note 19).

5. Receivables

This account consists of:

	2023	2022
Trade		
Domestic	**₱1,387,533,073**	₱1,522,163,904
Export (Note 20)	**313,294,792**	173,907,867
Non-trade		
Related parties (Note 20)	**27,322,622**	42,435,458
Employees	**6,714,556**	4,748,209
Third parties	**5,153,204**	4,330,919
Others	**17,132,008**	24,904,798
	1,757,150,255	1,772,491,155
Less allowance for credit losses	**3,812,000**	6,097,000
	₱1,753,338,255	₱1,766,394,155

Trade receivables are non-interest bearing and are generally on 30 to 60-day terms. Trade receivables classified as “domestic” are those claims against local customers. Trade receivables classified as “export” are those claims arising from export sales of air conditioner units to related parties. Others include receivable from factory support, scrap sales and container deposits.

The changes in the allowance for expected credit losses on trade receivables in 2023 and 2022 follow:

	2023	2022
Balances at beginning of year	**₱6,097,000**	₱12,272,383
Recovery of allowance for credit losses (Note 19)	**(2,285,000)**	(6,175,383)
Balances at end of year	**₱3,812,000**	₱6,097,000

Foreign exchange gain (loss) on translation of receivables amounted to (₱4.1 million), ₱3.3 million, and (₱1.8 million) in 2023, 2022 and 2021, respectively (see Note 19).

6. Inventories

This account consists of:

	2023	2022
At NRV:		
Finished goods and merchandise	**₱17,117,603**	₱–
At cost:		
Finished goods and merchandise	**1,143,473,735**	878,214,931
Raw materials	**1,343,878,114**	1,543,470,176
Supplies	**46,905,177**	41,876,769
Goods in process	**14,743,336**	15,856,653
	₱2,566,117,965	₱2,479,418,529

The amount of write-down of inventories included under cost of goods sold amounted to ₱197.8 million, ₱82.0 million and ₱158.0 million in 2023, 2022 and 2021, respectively (see Note 14). As of March 31, 2023 and 2022, the cost of finished goods and merchandise at NRV is ₱44.5 million and ₱24.1 million, respectively.

The amount of inventories recognized in cost of goods sold during the year amounted to ₱12.7 billion, ₱10.0 billion and ₱8.3 billion in 2023, 2022 and 2021, respectively (see Note 14).

7. Property, Plant and Equipment

The roll forward of this account follows:

	2023							
	Land and Land Improvements	**Factory Machinery, Equipment and Tools**	**Buildings and Improvements**	**Office Furniture, Fixtures and Equipment**	**Transportation Equipment**	**Construction in Progress**	**Right-of-Use Asset-Building** (Note 8)	**Total**
Cost								
Balances at beginning of year	**₱236,029,162**	**₱2,197,786,109**	**₱1,250,903,675**	**₱192,038,079**	**₱146,728,518**	**₱21,997,531**	**₱13,893,389**	**₱4,059,376,463**
Additions	**–**	**43,913,182**	**5,124,574**	**12,583,157**	**15,641,101**	**150,151,768**	**–**	**227,413,782**
Retirements/disposals	**–**	**(74,754,468)**	**(697,805)**	**(24,000,629)**	**(3,852,221)**	**–**	**–**	**(103,305,123)**
Reclassifications	**–**	**83,767,579**	**10,142,309**	**–**	**–**	**(93,909,888)**	**–**	**–**
Balances at end of year	**236,029,162**	**2,250,712,402**	**1,265,472,753**	**180,620,607**	**158,517,398**	**78,239,411**	**13,893,389**	**4,183,485,122**
Accumulated depreciation								
Balances at beginning of year	**2,851,295**	**1,903,009,417**	**937,291,205**	**184,588,985**	**125,944,769**	**–**	**6,174,840**	**3,159,860,511**
Depreciation (Note 18)	**–**	**136,378,477**	**47,261,616**	**9,995,126**	**13,183,224**	**–**	**4,631,130**	**211,449,573**
Retirements/disposals	**–**	**(73,076,299)**	**(697,805)**	**(23,997,774)**	**(3,852,221)**	**–**	**–**	**(101,624,099)**
Balances at end of year	**2,851,295**	**1,966,311,595**	**983,855,016**	**170,586,337**	**135,275,772**	**–**	**10,805,970**	**3,269,685,985**
Net book value	**₱233,177,867**	**₱284,400,807**	**₱281,617,737**	**₱10,034,270**	**₱23,241,626**	**₱78,239,411**	**₱3,087,419**	**₱913,799,137**

	2022							
	Land and Land Improvements	Factory Machinery, Equipment and Tools	Buildings and Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Construction in Progress	Right-of-Use Asset-Building (Note 8)	Total
Cost								
Balances at beginning of year	₱236,029,162	₱2,064,502,618	₱1,233,297,853	₱190,291,349	₱146,702,508	₱54,437,379	₱13,893,389	₱3,939,154,258
Additions	–	37,265,667	13,990,874	6,470,128	5,345,114	72,429,852	–	135,501,635
Retirements/disposals	–	(2,634,912)	(1,890,204)	(5,435,210)	(5,319,104)	–	–	(15,279,430)
Reclassifications	–	98,652,736	5,505,152	711,812	–	(104,869,700)	–	–
Balances at end of year	236,029,162	2,197,786,109	1,250,903,675	192,038,079	146,728,518	21,997,531	13,893,389	4,059,376,463
Accumulated depreciation								
Balances at beginning of year	2,851,295	1,762,022,284	887,460,543	180,578,864	120,005,793	–	1,543,710	2,954,462,489
Depreciation (Note 18)	–	143,562,587	51,720,866	9,437,151	10,985,772	–	4,631,130	220,337,506
Retirements/disposals	–	(2,575,454)	(1,890,204)	(5,427,030)	(5,046,796)	–	–	(14,939,484)
Balances at end of year	2,851,295	1,903,009,417	937,291,205	184,588,985	125,944,769	–	6,174,840	3,159,860,511
Net book value	₱233,177,867	₱294,776,692	₱313,612,470	₱7,449,094	₱20,783,749	₱21,997,531	₱7,718,549	₱899,515,952

The land owned by PERC on which the manufacturing facilities are located is leased by the Parent Company under a twenty-five year lease agreement. Upon expiration of the lease, title to the land will not be transferred to the Parent Company.

As of March 31, 2023, the construction in progress mainly pertains to the improvements of factory machinery, equipment and tools and building improvements in Panasonic Philippines (PPH) and Refrigerator Division. As of March 31, 2022, the construction in progress mainly pertains to the improvements of factory machinery, equipment and tools and building improvements in PPH, Electric Fan, Refrigerator and Aircon Division.

Additions during the year include acquisitions of property, plant and equipment on account amounting to ₱9.4 million and ₱5.8 million in 2023 and 2022, respectively, recorded under 'Non-trade payable - third parties' (see Notes 10 and 27). Gain on disposal and retirement of property, plant and equipment amounted to ₱1.7 million, ₱1.9 million and ₱0.4 million in 2023, 2022 and 2021, respectively (see Note 19). Proceeds received from the disposal and retirement of property, plant and equipment amounted to ₱3.4 million, ₱2.3 million and ₱0.5 million in 2023, 2022 and 2021, respectively.

8. Leases

Parent Company as a Lessee

The Parent Company entered into cancellable operating leases of office spaces and warehouses (presented as 'Right-of-Use Assets – Building' under 'Property, Plant and Equipment') for one (1) to three (3) years, renewable under certain terms and conditions.

Some leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

The Parent Company also has certain leases of office space with lease terms of 12 months or less and leases with low value assets. The Parent Company applies the recognition exemptions for these types of leases.

Rent expense charged against current operations amounted to ₱26.2 million, ₱11.9 million and ₱10.2 million, respectively in 2023, 2022 and 2021, respectively (see Note 16). Rent expense in 2023, 2022 and 2021 pertains to expenses from short-term leases.

The following are the amounts recognized in the consolidated statements of comprehensive income:

	2023	2022	2021
Depreciation expense of right-of-use assets (Note 7)	**₱4,631,130**	₱4,631,130	₱7,179,612
Interest expense on lease liabilities (Note 16)	**311,536**	565,242	282,553
Expenses relating to short-term leases (Note 16)	**26,235,378**	11,913,693	10,190,458
Total amount recognized in the consolidated statements of comprehensive income	**₱31,178,044**	₱17,110,065	₱17,652,623

The rollforward of lease liability follows:

	2023	2022
Balance at beginning of year	**₱7,283,845**	₱11,644,961
Accretion of interest (Note 16)	**311,536**	565,242
Payments	**(5,074,140)**	(4,926,358)
Balance at end of year	**₱2,521,241**	₱7,283,845

The following are the amounts recognized in the consolidated statements of financial position:

	2023	2022
Current lease liabilities	**₱2,521,241**	₱4,762,604
Noncurrent lease liabilities	–	2,521,241
	₱2,521,241	₱7,283,845

Shown below is the maturity analysis of the undiscounted lease payments as of March 31, 2023 and 2022:

	2023	2022
Within one (1) year	**₱2,574,558**	₱5,074,140
More than one (1) year	–	2,574,558
	₱2,574,558	₱7,648,698

9. Other Current Assets and Other Noncurrent Assets

Other current assets consist of the following:

	2023	2022
Creditable withholding taxes (CWTs)	**₱146,598,500**	₱90,592,563
Prepaid expenses	**41,106,535**	47,408,227
Advances to employees	**2,078,819**	5,273,238
	189,783,854	143,274,028
Less allowance for impairment losses	–	3,500,000
	₱189,783,854	₱139,774,028

Other noncurrent assets consist of the following:

	2023	2022
Refundable deposits	**₱15,141,992**	₱19,534,167
Software	**3,040,735**	1,103,396
Financial assets at FVOCI	**–**	1,949,301
Deferred input VAT	**–**	580,621
	₱18,182,727	₱23,167,485

CWTs
This represents taxes withheld at source by the counterparty which can be applied against future income tax liability.

Prepaid expenses
This pertains to prepayments related to insurance, association dues, rentals and municipal taxes.

Advances to employees
Advances to employees pertain to cash advances made to employees for cost and expenses to be incurred on behalf of the Group, subject to liquidation.

Software
The composition and movements of software follow:

	2023	2022
Cost		
Balances at beginning of year	**₱104,860,255**	₱110,099,686
Additions	**2,983,365**	156,789
Write-off	**(8,171,477)**	(5,396,220)
Balances at end of year	**99,672,143**	104,860,255
Accumulated amortization		
Balances at beginning of year	**103,756,859**	108,467,414
Amortization (Note 18)	**1,046,026**	685,665
Write-off	**(8,171,477)**	(5,396,220)
Balances at end of year	**96,631,408**	103,756,859
Net book value	**₱3,040,735**	₱1,103,396

Financial assets at FVOCI
Financial assets at FVOCI pertain to the Parent Company's investments in mandatory equity shares in utility companies. The changes in fair value recognized in other comprehensive income amounted to nil in 2023, ₱0.3 million gain in 2022, and ₱0.1 million loss in 2021. Fair value changes in financial assets at FVOCI are presented as components of 'Other comprehensive income' in equity.

Dividend income earned from financial assets at FVOCI amounted to nil in 2023, 2022 and 2021.

In 2023, the financial assets at FVOCI were written-off, resulting in realized loss amounting to ₱1.7 million. The balance of net unrealized loss in 'Other comprehensive income' was transferred to 'Retained earnings'.

10. Accounts Payable and Accrued Expenses

Accounts payable consist of:

	2023	2022
Trade		
Related parties (Note 20)	**₱394,501,690**	₱554,545,772
Third parties	**356,514,667**	645,059,973
Non-trade		
Related parties (Note 20)	**153,790,485**	131,764,598
Third parties (Note 7 and 27)	**9,418,080**	5,755,069
Accrued expenses		
Third parties	**1,850,611,929**	1,866,476,999
Related parties (Note 20)	**33,867,202**	26,370,613
Others		
Advances from customers	**33,119,542**	36,348,220
Output VAT – net	**42,246,103**	26,333,592
	₱2,874,069,698	₱3,292,654,836

Trade accounts payable are non-interest bearing and are generally on 30 to 60-day terms.

Accrued expenses to third parties consist of:

	2023	2022
Advertising expenses and sales promotions	**₱1,226,259,000**	₱1,153,551,000
Suppliers	**563,733,367**	655,164,961
Salaries and other employee benefits	**31,643,554**	34,505,654
Freight expenses and releasing charges	**28,976,008**	23,255,384
	₱1,850,611,929	₱1,866,476,999

Foreign exchange gain (loss) on translation of payables amounted to (₱17.7 million), (₱12.1 million) and ₱8.4 million in 2023, 2022 and 2021, respectively (see Note 19).

11. Retirement and Other Liabilities

Other liabilities account consists of:

	2023	2022
Current		
Provisions for estimated liabilities	**₱84,571,115**	₱84,671,156
Noncurrent		
Provisions for estimated liabilities	**233,669,377**	300,581,654
Other long-term employee benefits	**19,014,362**	19,773,456
	252,683,739	320,355,110
	₱337,254,854	₱405,026,266

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

	2023	2022
Current		
Warranty claims	**₱84,571,115**	₱84,671,156
Noncurrent		
Warranty claims	**8,485,885**	10,127,844
Others	**225,183,492**	290,453,810
	233,669,377	300,581,654
	₱318,240,492	₱385,252,810

The rollforward of this account follows:

	2023		
	Warranty Claims	**Others**	**Total**
Balances at beginning of year	**₱94,799,000**	**₱290,453,810**	**₱385,252,810**
Provision (reversal of provision) for warranty claims and others (Notes 15 and 16)	**43,516,686**	**(15,118,326)**	**28,398,360**
Claims/usage/reclassifications	**(45,258,686)**	**(50,151,992)**	**(95,410,678)**
Balances at end of year	**₱93,057,000**	**₱225,183,492**	**₱318,240,492**

	2022		
	Warranty Claims	Others	Total
Balances at beginning of year	₱89,679,000	₱301,435,929	₱391,114,929
Provision for warranty claims and others (Notes 15 and 16)	47,061,215	16,507,925	63,569,140
Claims/usage/reclassifications	(41,941,215)	(27,490,044)	(69,431,259)
Balances at end of year	₱94,799,000	₱290,453,810	₱385,252,810

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

Others primarily consist of provisions for legal cases and other liabilities.

The other information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it may negatively affect the operations of the Group and prejudice the outcome of the litigations and assessments.

Retirement Liability
The Group's retirement liability consists of:

	2023	2022
Retirement liability under defined benefit plan	**₱141,586,635**	₱140,314,890
Others	**3,441,258**	3,675,917
	₱145,027,893	₱143,990,807

The Parent Company has a funded, noncontributory defined benefit retirement plan covering all of its regular employees. The benefits are based on the years of service and percentage of latest monthly salaries.

Other retirement liability pertains to the Parent Company's employee benefits outside its defined benefit plan that it expects to pay to its employees upon retirement.

The principal actuarial assumptions used in determining retirement benefits for the Parent Company's retirement plan are as follows:

	2023	2022
Discount rate		
Beginning	**5.6%**	4.6%
Ending	**6.4%**	5.6%
Salary increase rate		
Beginning	**5.0%**	5.0%
Ending	**5.0%**	5.0%
Average expected future service years	**14.4**	14.2

Changes in retirement liability under defined plan in 2023 and 2022 are as follows:

	2023		
	Present value of defined benefit obligation	**Fair value of plan assets**	**Net defined benefit liability**
Balances at beginning of year	**₱551,028,651**	**(₱410,713,761)**	**₱140,314,890**
Net benefit cost in the consolidated statement of comprehensive income (Note 17)			
Current service cost	**31,398,396**	**–**	**31,398,396**
Net interest cost (income)	**30,857,604**	**(22,999,971)**	**7,857,633**
	62,256,000	**(22,999,971)**	**39,256,029**
Contribution to plan assets	**–**	**(50,000,000)**	**(50,000,000)**
Benefits paid	**(51,520,031)**	**51,520,031**	**–**
Remeasurements in other comprehensive income			
Actuarial changes arising from changes in financial assumptions	**(29,408,781)**	**–**	**(29,408,781)**
Experience adjustments	**(9,137,923)**	**–**	**(9,137,923)**
Return on plan assets	**–**	**50,562,420**	**50,562,420**
	(38,546,704)	**50,562,420**	**12,015,716**
Balances at end of year	**₱523,217,916**	**(₱381,631,281)**	**₱141,586,635**

	2022		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Balances at beginning of year	₱547,005,162	(₱439,929,701)	₱107,075,461
Net benefit cost in the consolidated statement of comprehensive income (Note 17)			
Current service cost	25,848,898	–	25,848,898
Net interest cost (income)	25,162,237	(20,236,766)	4,925,471
	51,011,135	(20,236,766)	30,774,369
Benefits paid	(59,994,831)	59,994,831	–
Remeasurements in other comprehensive income			
Actuarial changes arising from changes in financial assumptions	(39,453,309)	–	(39,453,309)
Actuarial changes arising from changes in demographic assumptions	5,134,893	–	5,134,893
Experience adjustments	47,325,601	–	47,325,601
Return on plan assets	–	(10,542,125)	(10,542,125)
	13,007,185	(10,542,125)	2,465,060
Balances at end of year	₱551,028,651	(₱410,713,761)	₱140,314,890

Changes in other retirement liability in 2023 and 2022 are as follows:

	Present value of defined benefit obligation	
	2023	2022
Balances at beginning of year	**₱3,675,917**	₱15,369,801
Net benefit cost in the consolidated statement of comprehensive income (Note 17)		
Current service cost	**470,965**	1,797,910
Net interest cost	**205,852**	707,011
	676,817	2,504,921
Benefits paid	**(1,086,933)**	(392,385)
Remeasurements in other comprehensive income		
Actuarial changes arising from changes in financial assumptions	**(215,642)**	(506,168)
Actuarial changes arising from changes in demographic assumptions	**–**	(3,338,997)
Experience adjustments	**391,099**	(9,961,255)
	175,457	(13,806,420)
Balances at end of year	**₱3,441,258**	₱3,675,917

Rollforward of remeasurement losses in 2023 and 2022 on retirement follows:

	2023	2022
Balance at the beginning of year	**(₱116,380,392)**	(₱124,886,412)
Remeasurement gain (loss) on retirement plan in OCI		
Due to change in financial assumption	**29,624,423**	39,959,477
Due to change in demographic assumption	**–**	(1,795,896)
Due to experience	**8,746,824**	(37,364,346)
Actuarial gain (loss) on plan assets	**(50,562,420)**	10,542,125
Remeasurement gain (loss) during the year	**(12,191,173)**	11,341,360
Tax effect	**2,776,060**	(2,835,340)
Remeasurement gain (loss) on retirement plan during the year, net of tax effect	**(9,415,113)**	8,506,020
Balance at the end of year	**(₱125,795,505)**	(₱116,380,392)

Movement of remeasurement gain (loss) to be recognized in OCI in 2023, 2022 and 2021 follows:

	2023	2022	2021
Actuarial gain (loss):			
Due to change in financial assumption	**₱29,624,423**	₱39,959,477	(₱12,041,847)
Due to experience	**8,746,824**	(37,364,346)	20,194,672
Due to change in demographic assumption	**–**	(1,795,896)	–
	38,371,247	799,235	8,152,825
Actuarial gain (loss) on plan assets	**(50,562,420)**	10,542,125	22,282,912
Total gain (loss) to be recognized in OCI	**(12,191,173)**	11,341,360	30,435,737
Tax effect	**2,776,060**	(2,835,340)	(8,456,317)
Total gain (loss) to be recognized in OCI, net of tax effect	**(₱9,415,113)**	₱8,506,020	₱21,979,420

Other long-term employee benefits
Other long-term employee benefits pertain to accumulated sick leave and vacation leave. Based on the Parent Company's policy, employees are entitled to accumulate 10 days of vacation leave and 45 days of sick leave credits which are convertible to cash upon retirement or resignation.

The principal actuarial assumptions used in determining other long-term employee benefits for the Parent Company are as follows:

	2023	2022
Discount rate		
Beginning	**5.6%**	4.5%
Ending	**6.4%**	5.6%
Salary increase rate		
Beginning	**5.0%**	5.0%
Ending	**5.0%**	5.0%
Average expected future service years	**14.9**	14.2
Average accumulated sick leaves	**73.2 days**	30.6 days
Average accumulated vacation leaves	**20.4 days**	7.2 days

Other long-term employee benefits incurred in 2023, 2022 and 2021 amounted to ₱3.3 million, ₱2.0 million and ₱1.3 million respectively, presented under 'Salaries, wages and employee benefits' in the consolidated statement of comprehensive income (see Note 17).

The latest actuarial valuation reports of the Parent Company are prepared by an independent actuary as of March 31, 2023.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of March 31, 2023 and 2022, assuming all other assumptions were held constant:

	Increase/ (Decrease)	**2023**	2022
Discount rates	+1.0%	**₱493,785,531**	₱516,643,659
	-1.0%	**564,215,821**	598,288,138
Future salary increases	1.0%	**564,367,648**	598,111,847
	-1.0%	**493,075,324**	516,095,892

Shown below is the maturity analysis of the undiscounted benefit payments:

	2023	2022
Less than 1 year to 5 years	**₱367,540,300**	₱354,963,475
More than 5 years to 10 years	**306,837,633**	351,546,887
More than 10 years to 15 years	**203,727,481**	200,604,096
More than 15 years	**1,499,826,244**	1,395,785,981

The average duration of the defined benefit obligation as of March 31, 2023, 2022 and 2021 is 12.4 years, 13.1 years, and 14.6 years, respectively. The Parent Company expects to contribute ₱66.4 million to the defined benefit plan in 2024.

The distribution of plan assets by each class as at the end of the reporting period of the Parent Company are as follow (see Note 20):

	2023	2022
Cash and cash equivalents	**₱94,133,895**	₱94,133,895
Loans and receivables	**58,024,058**	58,024,058
Investments	**229,625,131**	258,555,808
Accounts payable of plan assets to employee leave	**(151,803)**	–
	₱381,631,281	₱410,713,761

12. **Capital Stock**

Details of capital stock as of March 31, 2023 and 2022 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 March 31, 2023 and 2022, 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

The total number of shares registered under the SRC is 84,723,432 shares being held by 461 and 463 stockholders as of March 31, 2023 and 2022, respectively.

Capital management
The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group considers the following as its capital as of March 31, 2023 and 2022:

	2023	2022
Capital stock	**₱422,718,020**	₱422,718,020
Additional paid-in capital	**4,779,762**	4,779,762
Other comprehensive loss	**(125,795,505)**	(115,391,581)
Retained earnings (Note 13)		
Appropriated	**3,992,400,000**	3,892,400,000
Unappropriated	**453,449,058**	476,835,568
	₱4,747,551,335	₱4,681,341,769

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

The Parent Company declared cash dividends amounting to ₱105.2 million, ₱221.7 million, and ₱63.1 million in 2023, 2022 and 2021, respectively (see Note 13).

The Group and the Parent Company have no externally imposed capital requirements. There were no changes made in the objectives, policies or processes for the years ended March 31, 2023, 2022 and 2021, respectively.

13. 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, 2023 and 2022 amounted to ₱266.7 million and ₱320.8 million, respectively.

In 2023 and 2022, the consolidated retained earnings include the retained earnings of PERC amounting to ₱43.7 million and ₱43.9 million, respectively, which are not available for dividend declaration.

b. On April 18, 2023, the Parent Company's BOD authorized and directed the reversal of the appropriated retained earnings amounting to ₱1.2 billion. On the same date, the BOD authorized the appropriation of retained earnings amounting to ₱1.3 billion, having a total appropriated retained earnings amounting to ₱4.0 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 ₱383.2 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 2022 were delayed. These projects are expected to be completed by 2030.

c. On April 18, 2022, the Parent Company's BOD authorized and directed the reversal of the appropriated retained earnings amounting to ₱696.1 million. On the same date, the BOD authorized the appropriation of retained earnings amounting to ₱746.1 million, having a total appropriated retained earnings amounting to ₱3.9 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 ₱293.9 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 2022 were delayed. These projects are expected to be completed by 2030.

d. 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 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.

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

	2023	2022	2021
March 31, 2023, 24.89% cash dividends to stockholders of record as of June 4, 2022 payable on June 25, 2022 (₱0.25 per share)	**₱105,214,515**	₱–	₱–
March 31, 2022, 52.45% cash dividends to stockholders of record as of June 4, 2021 payable on June 25, 2021 (₱0.52 per share)	–	221,707,200	
March 31, 2021, 14.98% cash dividends to stockholders of record as of May 21, 2020 payable on May 29, 2020 (₱0.15 per share)	–	–	63,059,220
	₱105,214,515	₱221,707,200	₱63,059,220

14. **Cost of Goods Sold**

This account consists of:

	2023	2022	2021
Direct materials	**₱6,777,005,454**	₱4,964,010,558	₱4,274,434,406
Direct labor (Note 17)	**306,876,776**	261,514,957	252,061,884
Manufacturing overhead:			
Indirect labor (Note 17)	**216,515,546**	212,484,130	188,549,901
Depreciation and amortization (Note 18)	**180,750,232**	191,851,232	207,480,273
Electricity, gas and water	**75,701,932**	58,108,747	50,017,236
Repairs and maintenance	**53,475,262**	29,842,190	30,491,524
Provision (reversal of provision) for inventory write-down (Note 6)	**46,762,820**	(5,469,240)	39,768,022
Indirect materials	**32,638,109**	27,786,166	23,378,276
Travel	**29,019,673**	28,818,234	36,192,067
Supplies	**24,449,894**	20,224,405	18,147,063
Insurance	**14,305,159**	12,855,472	10,436,315
Research and development	**8,097,599**	95,428,523	92,845,002
Taxes and dues	**3,788,455**	4,857,552	5,211,524
Others	**43,224,381**	35,552,004	30,706,782
Total manufacturing overhead	**728,729,062**	712,339,415	733,223,985
Total manufacturing costs	**7,812,611,292**	5,937,864,930	5,259,720,275
Goods in process (Note 6):			
Beginning of year	**15,856,653**	11,664,068	14,434,667
End of year	**(14,743,336)**	(15,856,653)	(11,664,068)
Cost of goods manufactured	**7,813,724,609**	5,933,672,345	5,262,490,874
Finished goods and merchandise (Note 6):			
Beginning of year	**878,214,931**	1,055,907,812	1,002,859,251
Purchases	**4,977,496,270**	3,845,982,857	2,989,180,052
Provision for inventory write-down (Note 6)	**151,047,463**	87,467,535	118,191,394
End of year	**(1,160,591,338)**	(878,214,931)	(1,055,907,812)
	₱12,659,891,935	₱10,044,815,618	₱8,316,813,759

15. **Selling Expenses**

This account consists of:

	2023	2022	2021
Sales promotions	**₱701,076,796**	₱882,437,705	₱714,756,208
Freight and storage	**417,805,949**	297,796,230	371,053,414
Advertising and commissions	**100,964,035**	101,713,350	86,241,790
Provision for warranty claims (Note 11)	**43,516,686**	47,061,215	32,224,945
	₱1,263,363,466	₱1,329,008,500	₱1,204,276,357

16. General and Administrative Expenses

This account consists of:

	2023	2022	2021
Salaries, wages, and employee benefits (Note 17)	**₱377,361,624**	₱396,064,396	₱359,192,796
Technical assistance fees (Note 20)	**253,356,687**	196,100,321	180,653,122
Brand license fees (Note 20)	**96,193,462**	86,469,562	74,391,393
Repairs and maintenance	**70,178,380**	75,992,795	68,909,910
Taxes and dues	**68,875,083**	67,078,620	51,858,318
Outsourcing	**49,756,582**	44,641,035	46,612,439
Travel	**46,526,643**	21,538,136	14,148,487
Depreciation and amortization (Note 18)	**31,745,367**	29,171,939	35,200,490
Rent (Note 8)	**26,235,378**	11,913,693	10,190,458
Insurance	**19,832,032**	19,087,372	17,075,708
Provision for other estimated liabilities (Note 11)	**(18,286,326)**	16,507,925	–
Allocated costs	**12,659,455**	16,355,113	13,951,945
Electricity, gas and water	**7,898,960**	2,716,722	6,645,314
Supplies	**6,717,755**	9,244,574	8,622,030
Communications	**6,711,977**	8,889,031	7,443,917
Freight and storage	**3,234,738**	3,219,972	3,241,576
Provision for overhead expense (Note 11)	**3,168,000**	2,721,459	3,168,000
Conference	**4,061,674**	2,145,245	554,968
Product testing	**1,494,427**	3,015,915	1,544,206
Interest expense on lease liabilities (Note 8)	**311,536**	565,242	282,553
Provision for credit losses (Note 5)	–	–	7,944,612
Others	**50,608,523**	51,236,054	38,742,484
	₱1,118,641,957	₱1,064,675,121	₱950,374,726

Others include entertainment, amusement and recreation, research and development, credit investigation costs, hauling charges and others.

17. Salaries, Wages and Employee Benefits

This account consists of:

	2023	2022	2021
Compensation	**₱745,594,190**	₱713,139,020	₱655,497,907
Net retirement benefit expense (Note 11)	**39,932,846**	33,279,290	33,687,488
Other employee benefits	**115,226,910**	123,645,173	110,619,186
	₱900,753,946	₱870,063,483	₱799,804,581

Personnel expenses are shown in the consolidated statements of comprehensive income as follows:

	2023	2022	2021
Cost of goods sold (Note 14)	**₱523,392,322**	₱473,999,087	₱440,611,785
General and administrative expenses (Note 16)	**377,361,624**	396,064,396	359,192,796
	₱900,753,946	₱870,063,483	₱799,804,581

18. **Depreciation and Amortization**

Details of depreciation and amortization follow:

	2023	2022	2021
Property, plant and equipment (Note 7)	**₱211,449,573**	₱220,337,506	₱241,677,504
Software (Note 9)	**1,046,026**	685,665	1,003,259
	₱212,495,599	₱221,023,171	₱242,680,763
Cost of goods sold (Note 14)	**₱180,750,232**	₱191,851,232	₱207,480,273
General and administrative expenses (Note 16)	**31,745,367**	29,171,939	35,200,490
	₱212,495,599	₱221,023,171	₱242,680,763

19. **Other Income - net**

This account consists of:

	2023	2022	2021
Service income (Note 20)	**₱56,495,141**	₱49,743,294	₱41,463,421
Income from scrap sales	**32,970,358**	17,645,716	9,103,411
Interest income (Note 4)	**32,706,187**	31,271,616	32,503,149
Foreign currency exchange loss - net (Notes 4, 5 and 10)	**(24,807,078)**	(15,346,107)	(29,989,340)
Recovery of allowance for credit losses (Note 5)	**2,285,000**	6,175,383	–
Gain on disposal/retirement of property, plant and equipment and software (Note 7)	**1,734,058**	1,932,528	351,723
Reversal of other estimated liabilities (Note 11)	**–**	–	13,002,589
Miscellaneous income	**3,128,813**	–	584,443
	₱104,512,479	₱91,422,430	₱67,019,396

Unrealized foreign exchange gain (loss) amounted to (₱2.2 million), ₱4.0 million and ₱0.3 million in 2023, 2022 and 2021, respectively. Miscellaneous income includes insurance claims and rental.

20. **Related Party Transactions**

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.

The companies under common control of the Ultimate Parent Company (referred to as affiliates) that the Parent Company has transactions are as follows:

- Branch of Panasonic Appliances Vietnam Co., Ltd. In Hung Yen
- Panasonic Appliance Vietnam Co Ltd
- Panasonic Appliances India Co Ltd
- Panasonic Asia Pacific Pte Ltd
- Panasonic Commercial Equipment Systems Asia Pacific
- Panasonic Connect Asia
- Panasonic Consumer Marketing Appliance
- Panasonic Consumer Marketing Asia Pacific
- Panasonic Corporation Appliances Company Head Office
- Panasonic Corporation-Procurement Company
- Panasonic Ecology Systems (Hongkong)
- Panasonic Ecology Systems (Thailand) Co. Ltd. (Pesth)
- Panasonic Energy (Thailand) Co Ltd
- Panasonic Global Proc. Japan (Gprc)
- Panasonic Hong Kong Co., Ltd
- Panasonic Industrial Devices Automation Control Sales
- Panasonic Life Solutions (Thailand) Co Ltd
- Panasonic Life Solutions Asia Pacific
- Panasonic Life Solutions Asia Pacific (PPH Service Fee)
- Panasonic Life Solutions Sales (Thailand) Co Ltd
- Panasonic Life Solutions (Hong Kong) Co., Ltd.
- Panasonic Management (Thailand) Co., Ltd.
- Panasonic Management Malaysia Sdn.Bhd.
- Panasonic Manufacturing Ayuthayaco., Ltd.
- Panasonic Proc. Asia Pacific (PPAP)
- Panasonic Procurement (China) Co., Ltd.
- Panasonic Procurement Malaysia Sdn
- Panasonic System Solution Asia Pacific
- Panasonic Taiwan Co., Ltd.
- Panasonic Vietnam Co., Ltd.
- Panasonic Wanbao Appliances Comp. Co., Ltd.
- Panasonic Logistic Asia Pacific
- Pt.Panasonic Mfg.Indonesia (P.M.I)

As a result of the related party transactions, the Parent Company has outstanding balances with related parties as follows. Amounts due from and due to related parties are non-interest bearing and are normally settled within one year.

	2023		
	Nature, terms and conditions	**Amount/ Volume**	**Outstanding Balance**
Ultimate Parent Company			
Non-trade receivables (Note 5)	Related to promo support, 30-day term, non-interest bearing, unsecured	**₱8,662,998**	**₱4,711,958**
	Related to various reimbursements and other expenses	**366,753**	**326,320**
Non-trade payables (Note 10)	Related to brand license fees payable equivalent to 0.7% of the sales price of the products bearing the brand "KDK" and "Panasonic", non-interest bearing, payable semi-annually, unsecured	**96,193,462**	**42,109,235**
	Related to technical assistance fees payable equivalent to 3.0% of selected products, non-interest bearing, payable semi-annually, unsecured	**228,021,019**	**111,681,250**
Dividends payable	Dividends declared by the Parent Company	**84,126,853**	**–**
Accrued expenses (Note 10)	Related to compensation and welfare expenses of certain employees, payable quarterly, non-interest bearing, unsecured	**61,828,267**	**9,557,428**
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	**15,056,300**	**1,929,925**
Technical assistance fee (Note 16)	Related to technical assistance fees payable equivalent to 3.0% of selected products	**253,356,687**	**–**
Brand license fee (Note 16)	Related to brand license fees payable equivalent to 1.0% of the sales price of the products bearing the brand "KDK" and "Panasonic"	**96,193,462**	**–**
Affiliates			
Trade receivables (Note 5)	Sale of air-conditioner units' products, 30-day term, non-interest bearing, unsecured, no impairment	**2,771,757,380**	**313,294,792**
Non-trade receivables (Note 5)	Related to service income from rendering services in the form of general advice and assistance fees, 30-day term, non-interest bearing, unsecured, no impairment	**57,218,688**	**8,869,314**
	Related to promo support, 30-day term, non-interest bearing, unsecured, no impairment	**40,692,458**	**2,713,479**
	Related to certain expenses paid in behalf of affiliates, 30-day term, non-interest bearing, unsecured, no impairment	**29,888,211**	**10,574,911**
	Related to MRO system charged by the Parent Company to a lessee-affiliate, 30-day term, non-interest bearing, unsecured, no impairment	**1,552,159**	**126,640**

(Forward)

	2023		
	Nature, terms and conditions	**Amount/ Volume**	**Outstanding Balance**
Trade payable (Note 10)	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	**₱6,428,046,820**	**₱394,501,690**
Accrued expenses (Note 10)	Related to expenses payable for management fee, 30-day term, non-interest bearing, unsecured	**12,290,200**	**–**
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	**29,842,296**	**22,093,799**
	Related to allocated costs charged to the Company for certain services, 30-day term, non-interest bearing, unsecured	**3,101,336**	**182,589**
	Accrued expenses related to product development cost of Aircon	**8,026,613**	**103,461**
Service income (Note 19)	Related to service income earned from rendering services in the form of general advice and assistance fees	**56,495,941**	**–**

	2022		
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
Ultimate Parent Company			
Non-trade receivables (Note 5)	Related to compensation and welfare expenses of certain employee, 30-days term, non-interest bearing, unsecured	₱1,726,145	₱768,546
	Related to promo support, 30-day term, non-interest bearing, unsecured	3,915,044	1,253,141
Non-trade payables (Note 10)	Related to brand license fees payable equivalent to 0.7% of the sales price of the products bearing the brand “KDK” and “Panasonic”, non-interest bearing, payable semi-annually, unsecured	100,350	42,739,394
	Related to technical assistance fees payable equivalent to 3.0% of selected products, non-interest bearing, payable semi-annually, unsecured	176,490,289	89,025,204
Dividends payable (Note 10)	Dividends declared by the Parent Company	159,542,784	–
Accrued expenses (Note 10)	Related to compensation and welfare expenses of certain employees, payable quarterly, non-interest bearing, unsecured	65,078,149	11,888,826
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	12,012,979	2,298,425
	Accrued expenses related to export sales of the ACD (e.g. warranty expenses)	8,223,013	111,117
Technical assistance fee (Note 16)	Related to technical assistance fees payable equivalent to 3.0% of selected products	196,100,321	–

(Forward)

	2022		
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
Brand license fee (Note 16)	Related to brand license fees payable equivalent to 1.0% of the sales price of the products bearing the brand "KDK" and "Panasonic"	₱86,469,562	₱–
Affiliates			
Trade receivables (Note 5)	Sale of air-conditioner unit's products, 30-day term, non-interest bearing, unsecured, no impairment	1,590,145,823	173,907,867
Non-trade receivables (Note 5)	Related to service income from rendering services in the form of general advice and assistance fees, 30-day term, non-interest bearing, unsecured, no impairment	60,154,767	7,798,224
	Related to promo support, 30-day term, non-interest bearing, unsecured, no impairment	45,751,667	24,664,524
	Related to certain expenses paid in behalf of affiliates, 30-day term, non-interest bearing, unsecured, no impairment	7,451,586	7,901,423
	Related to MRO system charged by the Parent Company to a lessee-affiliate, 30-day term, non-interest bearing, unsecured, no impairment	–	49,600
Trade payable (Note 10)	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	5,285,022,119	554,545,772
Accrued expenses (Note 10)	Related to expenses payable for management fee, 30-day term, non-interest bearing, unsecured	16,354,213	3,104,400
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	8,820,536	3,495,155
	Related to allocated costs charged to the Company for certain services, 30-day term, non-interest bearing, unsecured	2,153,167	–
	Accrued expenses related to product development cost of Aircon	65,371,986	5,472,690
Service income (Note 19)	Related to service income earned from rendering services in the form of general advice and assistance fees	49,743,294	–

(Forward)

	2021		
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
Ultimate Parent Company			
Non-trade receivables (Note 5)	Related to compensation and welfare expenses of certain employee, 30-days term, non-interest bearing, unsecured	₱10,137,380	₱8,636,852
	Related to promo support, 30-day term, non-interest bearing, unsecured	38,052,828	2,760,322
Non-trade payables (Note 10)	Related to brand license fees payable equivalent to 0.7% of the sales price of the products bearing the brand “KDK” and “Panasonic”, non-interest bearing, payable semi-annually, unsecured	74,391,393	39,653,718
	Related to technical assistance fees payable equivalent to 3.0% of selected products, non-interest bearing, payable semi-annually, unsecured	162,587,810	89,618,437
Dividends payable (Note 10)	Dividends declared by the Parent Company	45,568,430	5,491
Accrued expenses (Note 10)	Related to compensation and welfare expenses of certain employees, payable quarterly, non-interest bearing, unsecured	64,703,690	16,519,094
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	9,434,539	1,460,311
	Accrued expenses related to export sales of the ACD (e.g. warranty expenses)	1,729,653	1,313,909
Technical assistance fee (Note 16)	Related to technical assistance fees payable equivalent to 3.0% of selected products	180,653,122	–
Brand license fee (Note 16)	Related to brand license fees payable equivalent to 1.0% of the sales price of the products bearing the brand “KDK” and “Panasonic”	74,391,393	–
Affiliates			
Trade receivables (Note 5)	Sale of air-conditioner units’ products, 30-day term, non-interest bearing, unsecured, no impairment	1,302,724,774	132,915,917
Non-trade receivables (Note 5)	Related to service income from rendering services in the form of general advice and assistance fees, 30-day term, non-interest bearing, unsecured, no impairment	67,295,297	7,130,386
	Related to promo support, 30-day term, non-interest bearing, unsecured, no impairment	81,480,559	43,157,799
	Related to certain expenses paid in behalf of affiliates, 30-day term, non-interest bearing, unsecured, no impairment	17,364,080	1,347,587
	Related to MRO system charged by the Parent Company to a lessee-affiliate, 30-day term, non-interest bearing, unsecured, no impairment	2,121,880	150,629

(Forward)

	2021		
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
Trade payable (Note 10)	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	₱3,766,491,574	₱443,414,414
Accrued expenses (Note 10)	Related to expenses payable for management fee, 30-day term, non-interest bearing, unsecured	13,950,745	1,327,902
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	4,581,732	–
	Related to allocated costs charged to the Company for certain services, 30-day term, non-interest bearing, unsecured	4,261,481	264,378
	Accrued expenses related to product development cost of Aircon	66,289,342	454,134
Service income (Note 19)	Related to service income earned from rendering services in the form of general advice and assistance fees	41,463,421	–

Receivable from and payable to related parties are presented under ‘Receivables’ and ‘Accounts payable and accrued expenses’, respectively.

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, 2023 and 2022 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 2023, 2022 and 2021, 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, 2023 and 2022. 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, 2023 and 2022, 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 2023, 2022 and 2021. 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:

	2023	2022	2021
Short-term employee benefits	**₱44,938,646**	₱53,361,273	₱45,968,958
Post-employment benefits	**3,318,311**	4,002,458	4,338,871
	₱48,256,957	₱57,363,731	₱50,307,829

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 Board of Trustees (BOT) of the retirement plan. The 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, 2023 and carried at fair value. The Retirement Fund recognized a remeasurement gain (loss) amounting to (₱50.6 million) and ₱10.5 million in 2023 and 2022, 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.

As of March 31, 2023 and 2022, certain loans and receivables amounting to ₱58.0 million 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 ₱60.5 million and ₱60.6 million as of March 31, 2023 and 2022. The fair value of investment in quoted equity instruments as of March 31, 2023 and 2022 amounted to ₱147.4 million and ₱179.2 million, respectively. Investments also include investment properties pertaining to a parcel of land held for capital appreciation amounting to ₱21.8 million and ₱18.8 million as of March 31, 2023 and 2022.

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, 2023 and 2022.

21. Registration with the PEZA

The Parent Company is registered with the Philippine Economic Zone Authority (PEZA) pursuant to the provision of Republic Act (RA) No. 7916 (otherwise known as the "Special Economic Development Zone Act of 1995"), for Ecozone Export Enterprise for the manufacture of air conditioners and related service parts. Under the terms and conditions of its registration, the Parent Company is subject to certain requirements primarily related to the monitoring of its registered activities.

As a PEZA registered nonpointers enterprise, the Parent Company's existing Board of Investments (BOI) operations, which were transferred to PEZA, are entitled to certain tax benefits and nontax incentives provided for the original project by the aforementioned law, which includes, among others, income tax holiday (ITH) for three years for incremental sales of air-conditioners starting April 1, 2003, 5.0% gross income taxation for air conditioners in lieu of national and local taxes, tax and duty-free importation of capital equipment and raw materials, exemption from realty taxes on machinery for four years from the date of acquisition, employment of foreign nationals and others. Any local sale of its registered products shall be subject to a separate application and prior PEZA approval.

The Parent Company's BOI registration is deemed cancelled upon approval of its PEZA registration.

The Parent Company also agrees that a first lien shall automatically be constituted upon any of its real or personal property found, existing and/or located in its registered operations to answer for any and all outstanding obligations or accounts owing, due and/or payable by the Parent Company to PEZA in the future, if any.

The revenue recognized from the sale of PEZA-registered products consists of:

	2023		
	Revenue	**VAT**	**Other taxes**
Export sales	**₱2,770,319,391**	**₱–**	**₱–**
Local sales	**1,320,445,515**	**158,453,462**	**5,861,444**
	₱4,090,764,906	**₱158,453,462**	**₱5,861,444**

	2022		
	Revenue	VAT	Other taxes
Export sales	₱1,589,151,744	₱–	₱–
Local sales	999,100,163	114,267,451	2,782,090
	₱2,588,251,907	₱114,267,451	₱2,782,090

22. Income Taxes

The provision for income tax consists of:

	2023	2022	2021
Current			
RCIT	**₱44,834,702**	₱66,768,009	₱73,887,590
Gross income tax (GIT)	**23,907,228**	19,476,467	23,469,912
Deferred	**(9,983,212)**	(8,319,823)	23,276,722
	₱58,758,718	₱77,924,653	₱120,634,224

The reconciliation of income before income tax computed at the statutory tax rate to provision for income tax as shown in the consolidated statements of comprehensive income follows:

	2023	2022	2021
Income tax at statutory income tax rate	**₱60,255,228**	₱63,308,442	₱135,591,343
Additions to (reductions in) income taxes resulting from:			
Movement in unrecognized deferred tax assets	**17,420,894**	13,745,378	6,734,988
Income from PEZA registered activities	**(12,655,691)**	3,852,743	(19,928,217)
Income subjected to final tax	**(8,041,531)**	(3,158,894)	(3,592,025)
Non-deductible expenses (non-taxable income)	**1,779,818**	6,285	1,828,135
Excess MCIT over RCIT	**–**	170,699	–
	₱58,758,718	₱77,924,653	₱120,634,224

The components of the Group's net deferred tax assets follow:

	2023	2022
Deferred tax assets:		
Provisions for estimated liabilities and other accruals	**₱55,262,753**	₱52,709,938
Retirement liability (Note 11)	**42,043,580**	44,665,484
Allowance for inventory losses	**26,750,029**	24,251,988
Unamortized past service cost	**22,511,866**	16,112,875
Allowance for credit and probable losses	**953,000**	1,524,250
Lease liability	**630,310**	1,820,961
Unrealized foreign currency exchange loss - net	**2,178,542**	–
	150,330,080	141,085,496
Deferred tax liabilities:		
Net book value of replacement and burned property, plant and equipment	**₱4,125,847**	₱5,278,363
Right-of-use asset	**771,855**	1,929,637
Unrealized foreign currency exchange gain - net	**–**	1,204,390
	4,897,702	8,412,390
	₱145,432,378	₱132,673,106

Movements in net deferred tax assets comprise of:

	2023	2022
At beginning of the year	**₱132,673,106**	₱127,188,623
Amounts credited to statements of income	**9,983,212**	8,319,823
Amount charged against statements of comprehensive income	**2,776,060**	(2,835,340)
At end of the year	**₱145,432,378**	₱132,673,106

As of March 31, 2023 and 2022, the Group did not recognize deferred tax assets amounting to ₱351.7 million and ₱352.2 million, respectively, on temporary differences related to provisions for estimated liabilities and other accruals. The Group assessed that it may not be probable that sufficient taxable income will be available in the foreseeable future against which these tax benefits can be realized.

In addition, the Group has certain activities entitled to tax benefits and nontax incentives granted by PEZA. As such, no deferred tax assets were set up on certain gross deductible temporary differences in 2023 and 2022.

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Bill
President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding Php5 million and with total assets not exceeding Php100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.
- For investments prior to effectivity of CREATE:
  - RBEs granted an ITH followed 5% GIT or are currently enjoying 5% GIT – allowed to avail of the 5% GIT for 10 years.

Effective July 1, 2020, applying the provisions of the CREATE Act, the Parent Company and Subsidiary would have been subjected to lower regular corporate income tax rate of 25% and 20%, respectively.

Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the prorated CIT rate for the year ended March 31, 2021 of the Parent Company and Subsidiary for FY2021 is 26.25% and 22.5%, respectively.

23. Contingencies

The Group is contingently liable for lawsuits and tax assessments arising from the ordinary course of business. In the opinion of management and its legal counsels, the ultimate liability for the said lawsuits and tax assessments, if any, would not be material in relation to the Group's financial position and operating results.

24. Basic/Diluted Earnings Per Share

Basic earnings per share is calculated by dividing the net income attributable to the equity holders of the Parent Company by the weighted average number of common shares outstanding during the year. Diluted earnings per share is the same as the basic earnings per share as there are no potential dilutive shares outstanding.

The following are the income and share data used in the basic/diluted earnings per share computation:

	2023	2022	2021
Net income attributable to the equity holders of the Parent Company (a)	**₱182,536,855**	₱165,526,543	₱357,239,514
Weighted average number of common shares (b) (Note 12)	**422,718,020**	422,718,020	422,718,020
Basic/diluted earnings per share (a/b)	**₱0.43**	₱0.39	₱0.85

There have been no other transactions involving common shares or potential common shares between the reporting date and the date of the completion of the consolidated financial statements.

25. Reporting Segments

For management purposes, the Group's business segments are grouped in accordance with that of Parent Company's lines of business, which are grouped on product basis as follows: 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 Nano 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 information for the fiscal years ended March 31 is as follows (in thousands):

	2023					
	Consumer	**SSG**	**LS**	**Others**	**Adjustments/ Eliminations**	**Total**
Consolidated Statement of Comprehensive Income						
Net sales (Note 25)	**₱14,755,142**	**₱142,255**	**₱65,830**	**₱215,096**	**₱–**	**₱15,178,323**
Cost of goods sold (Note 14)	**(12,304,326)**	**(104,093)**	**(61,976)**	**(189,497)**	–	**(12,659,892)**
Selling expenses (Note 15)	**(1,305,832)**	**(7,293)**	**47,176**	**2,586**	–	**(1,263,363)**
General and administrative expenses (Note 16)	**(1,020,421)**	**(28,734)**	**(46,125)**	**(23,362)**	–	**(1,118,642)**
Other income - net (Note 19)	**101,168**	**1,709**	**1,139**	**496**	–	**104,512**
Income before income tax	**₱225,731**	**₱3,844**	**₱6,044**	**₱5,319**	**₱–**	**240,938**
Provision for income tax (Note 22)						**58,759**
Net income						**₱182,179**
Consolidated Statement of Financial Position						
Segment assets	**₱3,220,977**	**₱280,179**	**₱46,025**	**₱4,486,995**	**₱145,432**[1]	**₱8,179,608**
Segment liabilities	**2,691,839**	**33,423**	**11,612**	**622,000**	–	**3,358,874**
Other Segment Information						
Capital expenditures[2] (Notes 7 and 9)	**16,222**	**713**	–	**213,462**	–	**230,397**
Depreciation and amortization[3] (Note 18)	**14,997**	**353**	**169**	**196,977**	–	**212,496**
Interest income[4] (Note 19)	**32,706**	–	–	–	–	**32,706**

1. Segment assets do not include deferred tax assets amounting to ₱145.4 million.

2. Capital expenditures include acquisition of property, plant and equipment and software costs.
3. Depreciation and amortization is divided between cost of goods sold and general and administrative expenses.
4. Interest income is included in other income.

	2022					
	Consumer	SSG	LS	Others	Adjustments/ Eliminations	Total
Consolidated Statement of Comprehensive Income						
Net sales	₱12,191,108	₱169,849	₱109,054	₱120,523	₱–	₱12,590,534
Cost of goods sold (Note 14)	(9,704,459)	(139,021)	(97,893)	(103,443)	–	(10,044,816)
Selling expenses (Note 15)	(1,364,492)	(2,397)	37,282	599	–	(1,329,008)
General and administrative expenses (Note 16)	(980,393)	(25,412)	(42,928)	(15,942)	–	(1,064,675)
Other income - net (Note 19)	90,942	7	183	290	–	91,422
Income before income tax	₱232,706	₱3,026	₱5,698	₱2,027	₱–	243,457
Provision for income tax (Note 22)						77,925
Net income						₱165,532
Consolidated Statement of Financial Position						
Segment assets	₱3,382,867	₱297,522	₱50,728	₱4,740,048	₱132,673[1]	₱8,603,838
Segment liabilities	2,833,716	52,352	18,247	944,641	–	3,848,956
Other Segment Information						
Capital expenditures[2] (Notes 7 and 9)	4,881	166	–	130,611	–	135,658
Depreciation and amortization[3] (Note 18)	11,647	649	332	208,395	–	221,023
Interest income[4] (Note 19)	31,272	–	–	–	–	31,272

1. Segment assets do not include deferred tax assets amounting to ₱132.7 million.
2. Capital expenditures include acquisition of property, plant and equipment and software costs.
3. Depreciation and amortization is divided between cost of goods sold and general and administrative expenses.
4. Interest income is included in other income.

	2021					
	Consumer	SSG	LS	Others	Adjustments/ Eliminations	Total
Consolidated Statement of Comprehensive Income						
Net sales	₱10,483,965	₱181,337	₱117,244	₱100,549	₱–	₱10,883,095
Cost of goods sold (Note 14)	(7,978,269)	(131,880)	(95,874)	(110,790)	–	(8,316,813)
Selling expenses (Note 15)	(1,216,898)	(22,418)	25,714	9,326	–	(1,204,276)
General and administrative expenses (Note 16)	(942,861)	(23,746)	(38,247)	54,479	–	(950,375)
Other income - net (Note 19)	85,251	(505)	40	(17,767)	–	67,019
Income before income tax	₱431,188	₱2,788	₱8,877	₱35,797	₱–	478,650
Provision for income tax (Note 22)						120,634
Net income						₱358,016
Consolidated Statement of Financial Position						
Segment assets	₱3,325,386	₱282,415	₱43,657	₱4,459,246	₱127,189[1]	₱8,237,893
Segment liabilities	1,512,590	7,917	4,067	1,911,059	–	3,435,633
Other Segment Information						
Capital expenditures[3] (Notes 7 and 9)	14,582	–	42	134,353	–	148,977
Depreciation and amortization[4] (Note 18)	12,915	1,050	457	228,259	–	242,681
Interest income[5] (Note 19)	32,503	–	–	–	–	32,503

1. Segment assets do not include deferred tax assets amounting to ₱127.2 million.
2. Capital expenditures include acquisition of property, plant and equipment and software costs.
3. Depreciation and amortization is divided between cost of goods sold and general and administrative expenses.
4. Interest income is included in other income.

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

	2023	2022	2021
Philippines	**₱12,408,003**	₱11,001,382	₱9,580,370
Hongkong	**2,221,031**	1,589,152	1,302,725
Taiwan	**549,289**	–	–
	₱15,178,323	₱12,590,534	₱10,883,095

The Parent Company has two customers each representing 10.0% or more of the Parent Company's total revenue amounting to ₱4.8 billion in 2023 and ₱4.2 billion in 2022.

Disaggregated revenue information
The table below shows the net sales information of the Parent Company based on the revenue streams identified (in thousands):

			2023		
	Consumer	**SSG**	**LS**	**Others**	**Total**
B2B sales	**₱586,697**	**₱142,255**	**₱65,830**	**₱215,096**	**₱1,009,878**
B2C sales	**14,168,445**	**–**	**–**	**–**	**14,168,445**
	₱14,755,142	**₱142,255**	**₱65,830**	**₱215,096**	**₱15,178,323**

			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
	₱12,191,108	₱169,849	₱109,054	₱120,523	₱12,590,534

			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
	₱10,483,965	₱181,337	₱117,244	₱100,549	₱10,883,095

26. 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 March 31, 2023 and 2022, 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, 2023 and 2022.

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, 2023, the Group had two customers that owed it for a total amount of ₱516.3 million that accounts for more than 35.7% of the total trade receivables outstanding. 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, 2023 and 2022, the Group's maximum exposure to credit risk pertaining to trade receivables follows:

	Carrying Value	**Fair Value of Credit Enhancement**	**Maximum Exposure to Credit Risk**	**Financial Effect of Credit Enhancement**
2023	**₱1,700,827,865**	**₱4,194,650,000**	**₱33,457,824**	**₱1,667,370,041**
2022	₱1,696,071,771	₱3,939,868,500	₱207,971,411	₱1,488,100,360

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, 2022 and March 31, 2023.

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

The table below shows the information about the Group's credit risk exposures on trade receivables using a provision matrix:

	2023				
	Current	**More than 30 days**	**More than 60 days**	**More than 90 days**	**Total**
Trade receivables					
Expected credit loss rate	**1.56%**	**7.27%**	**17.77%**	**21.08%**	
Total gross carrying amount	**₱1,693,434,773**	**₱1,590,991**	**₱2,856,248**	**₱2,945,853**	**₱1,700,827,865**
Expected credit losses	**2,971,031**	**78,196**	**343,016**	**419,757**	**3,812,000**

	2022				
	Current	More than 30 days	More than 60 days	More than 90 days	Total
Trade receivables					
Expected credit loss rate	1.23%	10.71%	22.97%	25.77%	
Total gross carrying amount	₱1,694,401,502	₱528,699	₱836,078	₱305,492	₱1,696,071,771
Expected credit losses	5,428,956	115,541	391,893	160,610	6,097,000

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.

The tables below summarize the maturity profile of the Group's financial assets and liabilities, based on the contractual undiscounted collections and payments:

	2023					
	On demand	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**Beyond 1 year**	**Total**
Financial Assets						
Cash in banks	**₱470,513,705**	**₱–**	**₱–**	**₱–**	**₱–**	**₱470,513,705**
Cash equivalents*	–	**1,936,036,619**	**190,002,011**	–	–	**2,126,038,630**
Receivables						
Trade						
Domestic	**1,363,808,601**	**13,360,348**	**4,026,028**	**2,526,096**	–	**1,383,721,073**
Export	–	**313,294,792**	–	–	–	**313,294,792**
Non-trade	–	**56,322,390**	–	–	–	**56,322,390**
	1,834,322,306	**2,319,014,149**	**194,028,039**	**2,526,096**	–	**4,349,890,590**
Refundable deposits	**15,141,992**	–	–	–	–	**15,141,992**
	1,849,464,298	**2,319,014,149**	**194,028,039**	**2,526,096**	–	**4,365,032,582**

(Forward)

	2023					
	On demand	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**Beyond 1 year**	**Total**
Financial Liabilities						
Lease liability*	**₱–**	**₱–**	**₱1,287,279**	**₱1,287,279**	**₱–**	**₱2,574,558**
Accounts payable and accrued expenses**	**–**	**1,547,138,364**	**8,369,384**	**1,236,570,351**	**60,554,716**	**2,852,632,815**
	–	**1,547,138,364**	**9,656,663**	**1,237,857,630**	**60,554,716**	**2,855,207,373**
	₱1,849,464,298	**₱771,875,785**	**₱184,371,376**	**(₱1,235,331,534)**	**(₱60,554,716)**	**₱1,509,825,209**

**Includes future interest*
***Excludes statutory liabilities amounting to ₱21.4 million*

	2022					
	On Demand	Up to 1 month	1 to 3 months	3 to 12 months	Beyond 1 year	Total
Financial Assets						
Cash in banks	₱1,839,194,454	₱–	₱–	₱–	₱–	₱1,839,194,454
Cash equivalents*	–	1,220,438,623	103,522,082	–	–	1,323,960,705
Receivables						
Trade						
Domestic	1,504,092,298	10,972,381	857,343	144,882	–	1,516,066,904
Export	–	173,907,867	–	–	–	173,907,867
Non-trade	–	76,419,384	–	–	–	76,419,384
	3,343,286,752	1,481,738,255	104,379,425	144,882	–	4,929,549,314
Financial assets at FVOCI	–	–	–	–	1,949,301	1,949,301
Refundable deposits	–	19,534,167	–	–	–	19,534,167
	3,343,286,752	1,501,272,422	104,379,425	144,882	1,949,301	4,951,032,782
Financial Liabilities						
Lease liability*	–	–	1,249,790	3,824,349	2,574,559	7,648,698
Accounts payable and accrued expenses**	–	2,052,919,949	9,976,078	1,162,348,488	41,972,416	3,267,216,931
	–	2,052,919,949	11,225,868	1,166,172,837	44,546,975	3,274,865,629
	₱3,343,286,752	(₱551,647,527)	₱93,153,557	(₱1,166,027,955)	(₱42,597,674)	₱1,676,167,153

**Includes future interest*
***Excludes statutory liabilities amounting to ₱21.7 million*

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 March 31, 2023 and 2022, the foreign currency-denominated financial assets and financial liabilities in original currencies and their Philippine Peso (PHP) equivalents are as follows:

	2023			
	USD	**JPY**	**SGD**	**Equivalents in PHP**
Financial assets				
Cash and cash equivalents	**6,421,000**	**1,070,000**	**–**	**349,484,367**
Receivables	**6,088,589**	**3,070,029**	**–**	**332,234,740**
	12,509,589	**4,140,029**	**–**	**681,719,107**
Financial liabilities				
Accounts payable and accrued expenses	**6,331,540**	**55,927,347**	**–**	**367,118,343**

	2022			
	USD	JPY	SGD	Equivalents in PHP
Financial assets				
Cash and cash equivalents	5,525,011	1,933,700	−	286,688,397
Receivables	4,117,793	1,246,160	−	213,585,833
	9,642,804	3,179,860	−	500,274,230
Financial liabilities				
Accounts payable and accrued expenses	16,344,221	(9,840,448)	−	841,455,033

The following tables demonstrate the sensitivity to a reasonably possible change in the US dollar (USD) and Japanese yen (JPY) currency rates, with all variables held constant, of the Group's income before tax from continuing operations (due to changes in the fair value of monetary assets and liabilities).

	Increase/ decrease in USD rate	Effect on income before tax
2023	**+8%**	**(₱19,709,674)**
	-8%	**23,137,443**
2022	+8%	₱25,683,804
	-8%	(30,150,553)

	Increase/ decrease in JPY rate	Effect on income before tax
2023	**+7%**	**₱1,851,815**
	-7%	**(2,130,583)**
2022	+7%	(₱363,121)
	-7%	417,784

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) 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, refundable deposits and other assets
Carrying amounts of cash in banks, cash equivalents, receivables, refundable deposits and other assets 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 of quoted equity securities 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.

27. Notes to Statements of Cash Flows

Cash flows from investing activities include acquisitions of property, plant and equipment on account amounting to ₱9.4 million, ₱5.8 million and ₱5.8 million in 2023, 2022 and 2021, respectively (see Notes 7 and 10).

The table below provides for the changes in liabilities from financing activities:

	March 31, 2023			
	Beginning balance	**Cash flows**	**Non-cash changes**	**Ending balance**
Lease liability (Note 8)	**₱7,283,845**	**(₱5,074,140)**	**₱311,536**	**₱2,521,241**
Total liabilities from financing activities	**₱7,283,845**	**(₱5,074,140)**	**₱311,536**	**₱2,521,241**

	March 31, 2022			
	Beginning balance	Cash flows	Non-cash changes	Ending balance
Lease liability (Note 8)	₱11,644,961	(₱4,926,358)	₱565,242	₱7,283,845
Dividends payable (Notes 10 and 13)	5,491	(221,712,691)	221,707,200	–
Total liabilities from financing activities	₱11,650,452	(₱226,639,049)	₱222,272,442	₱7,283,845

	March 31, 2021			
	Beginning balance	Cash flows	Non-cash changes	Ending balance
Lease liability (Note 8)	₱10,708,792	(₱7,974,503)	₱8,910,672	₱11,644,961
Dividends payable (Notes 10 and 13)	2,513	(63,056,242)	63,059,220	5,491
Total liabilities from financing activities	₱10,711,305	(₱71,030,7S45)	₱71,969,892	₱11,650,452

28. Approval of the Release of Consolidated Financial Statements

The accompanying consolidated financial statements were approved and authorized for issue by the Parent Company's BOD on June 14, 2023.

29. **Events after the Reporting Period**

On April 1, 2023, the Parent Company changed its accounting policy related to valuation of inventories from First In, First Out (FIFO) to Weighted Average valuation method which is inherent to provide more reliable and relevant information in a systematic way unaffected by when goods are purchased and when they are sold.

On May 30, 2023, the Parent Company's Board of Directors approved the declaration of 25.94% (₱0.2594 per share) cash dividends to stockholders of record as of June 14, 2023 amounting to ₱109.7 million payable on June 23, 2023.

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

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Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Panasonic Manufacturing Philippines Corporation
Ortigas Avenue Extension
Taytay, Rizal

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Panasonic Manufacturing Philippines Corporation and its Subsidiary (the Group) as at March 31, 2023 and 2022 and for each of the three years in the period ended March 31, 2023 and have issued our report thereon dated June 14, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Bryan Chrisnel M. Baes

Bryan Chrisnel M. Baes
Partner
CPA Certificate No. 128627
Tax Identification No. 275-229-188
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 128627-SEC (Group A)
Valid to cover audit of 2022 to 2026 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-148-2022, November 7, 2022, valid until November 6, 2025
PTR No. 9369774, January 3, 2023, Makati City

June 14, 2023

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INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
Panasonic Manufacturing Philippines Corporation
Ortigas Avenue Extension
Taytay, Rizal

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Panasonic Manufacturing Philippines Corporation and its Subsidiary (the Group) as at March 31, 2023 and 2022 and for each of the three years in the period ended March 31, 2023, and have issued our report thereon dated June 14, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at March 31, 2023 and 2022 and for each of the three years in the period ended March 31, 2023 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Bryan Chrisnel M. Baes

Bryan Chrisnel M. Baes
Partner
CPA Certificate No. 128627
Tax Identification No. 275-229-188
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 128627-SEC (Group A)
Valid to cover audit of 2022 to 2026 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-148-2022, November 7, 2022, valid until November 6, 2025
PTR No. 9369774, January 3, 2023, Makati City

June 14, 2023

PANASONIC MANUFACTURING PHILIPPINES CORPORATION
SCHEDULES REQUIRED UNDER SECURITIES REGULATION CODE RULE 68

PART 1

Annex I:	Reconciliation of Retained Earnings Available for Dividend Declaration
Annex II:	Map showing the relationships between and among the Company and its Ultimate Parent Company and Subsidiary
Annex III:	Schedule of Financial Soundness Indicators

PART 2

Schedule A:	Financial Assets
Schedule B:	Amounts Receivable from Directors, Officers, Employees and Principal Stockholders (Other than Related Parties)
Schedule C:	Amounts Receivable from Related Parties which are eliminated during the Consolidation of financial statements
Schedule D:	Long-Term Debt
Schedule E:	Indebtedness to Related Parties (Long-Term Loans from Related Companies)
Schedule F:	Guarantees of Securities of Other Issuers
Schedule G:	Capital Stock

Annex I

PANASONIC MANUFACTURING PHILIPPINES CORPORATION (PARENT COMPANY)

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION MARCH 31, 2023

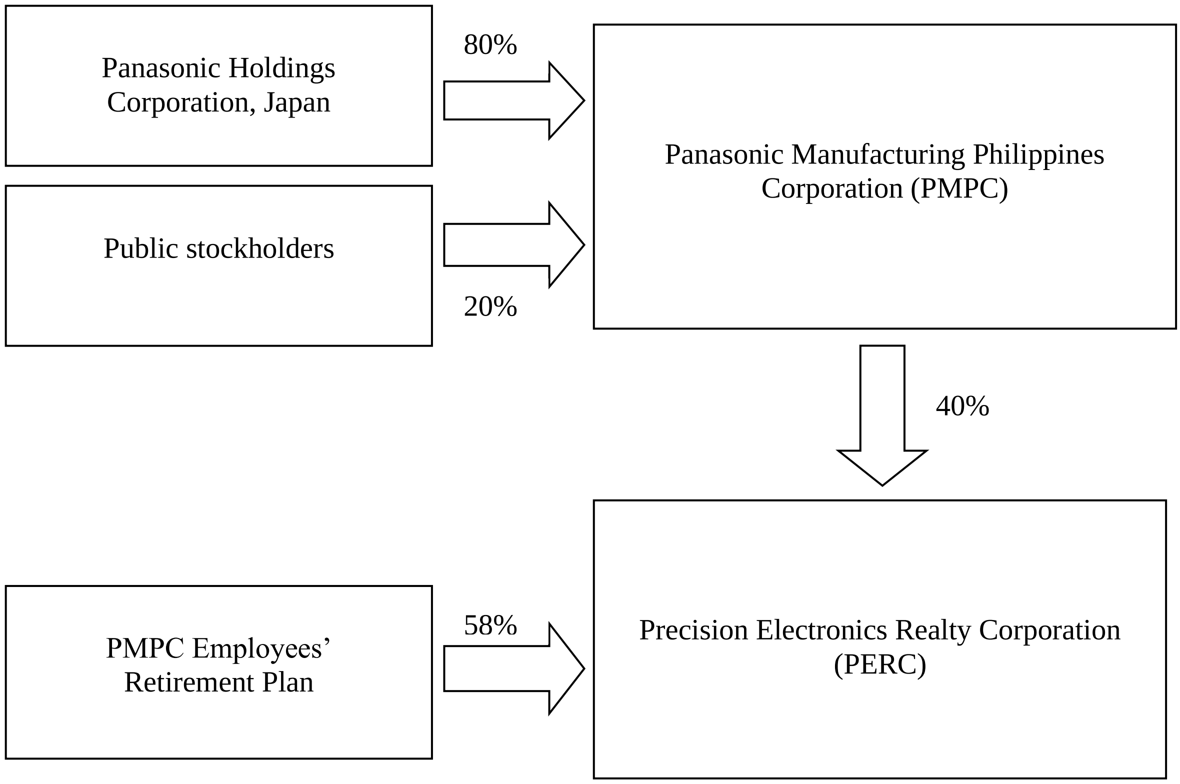
Unappropriated retained earnings, beginning		₱475,331,043
Adjustments on beginning balance:		
Less: Deferred Tax Asset, beginning	(102,565,955)	
Effect of pooling of interest with NPPI	(64,690,082)	
Unrealized foreign exchange gain - net	(1,851,583)	(169,107,620)
Unappropriated retained earnings available for dividend declaration, beginning, as adjusted		306,223,423
Add: Net income actually earned/realized during the year:		
Net income during the period closed to retained earnings	182,774,982	
Unrealized foreign exchange gain - net	(6,348,631)	
Provision for deferred tax	(9,983,212)	166,443,139
Net income actually earned/realized during the period		472,666,562
Add: Reversal of appropriation	1,240,759,000	
Less: Appropriations	(1,340,759,000)	
Dividends declarations during the period	(105,214,515)	
Less: Transfer of fair value reserves of financial assets at FVOCI	(708,850)	(205,923,365)
Unappropriated retained earnings available for dividend declaration, end		₱266,743,197

Annex II

PANASONIC MANUFACTURING PHILIPPINES CORPORATION

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANY AND ITS ULTIMATE PARENT COMPANY AND SUBSIDIARY

MARCH 31, 2023



Annex III

PANASONIC MANUFACTURING PHILIPPINES CORPORATION

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS MARCH 31, 2023

RATIO	FORMULA	March 31, 2023	March 31, 2022
Current Ratio	Current Assets / Current Liabilities	2.40	2.23
Acid Test Ratio	(Cash Equivalents + Marketable Securities + Receivable) / Current Liabilities	1.47	1.46
Solvency Ratio	Net Income / Total Liabilities	0.05	0.04
Debt to Equity Ratio	Total Liabilities / Total Equity	0.70	0.81
Debt Ratio	Total Liabilities / Total Assets	0.41	0.45
Asset to Equity Ratio	Total Assets / Total Equity	1.70	1.81
Interest Rate Coverage Ratio	EBIT / Interest Expense	774.39	431.71
Return on Assets	Net Income / Average Total Assets	0.02	0.02
Return on Equity	Net Income / Average Total Equity	0.04	0.03
Net Profit Margin	Gross Profit / Total Revenue	0.17	0.20

Schedule A

Panasonic Manufacturing Philippines Corporation
Schedule A – Financial Assets
March 31, 2023

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Valued based on market quotation at end of reporting period	Income received and accrued

Nothing to report

Panasonic Manufacturing Philippines Corporation
Schedule B – Amounts Receivable from Directors, Officers, Employees and Principal Stockholders (Other than Related Parties)
March 31, 2023

			Deductions		Ending Balance		
Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period

Nothing to report

Panasonic Manufacturing Philippines Corporation
Schedule C – Amounts Receivable from Related Parties which are eliminated during the Consolidation of financial statements
March 31, 2023

Name and Designation of debtor	Balance at beginning of period	*Addition	Deductions		Current	Not current	Balance at the end of the period
			Amounts collected	Amounts written off			
Precision Electronics Realty Corporation	₱153,990,175	₱–	₱–	₱–	₱–	₱153,990,175	₱153,990,175

**Represents accretion of day 1 difference*

Panasonic Manufacturing Philippines Corporation
Schedule D – Long-Term Debt
March 31, 2023

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of Long-term debt" in related statement of financial position	Amount shown under caption "Long-term Debt" in related statement of financial position

Nothing to report

Panasonic Manufacturing Philippines Corporation
Schedule E – Indebtedness to Related Parties (Long-Term Loans from Related Companies)
March 31, 2023

Name of related party	Balance at beginning of period	Balance at end of period

Nothing to report

Panasonic Manufacturing Philippines Corporation
Schedule F – Guarantees of Securities of Other Issuers
March 31, 2023

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by persons for which statement is filed	Nature of guarantee

Nothing to report

Panasonic Manufacturing Philippines Corporation
Schedule G – Capital Stock
March 31, 2023

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under the related statement of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Panasonic Manufacturing Philippines Corporation- Common	847,000,000	422,718,020	–	359,580,941	96,015	63,041,064

RENZ DIMACULANGAN

From: noreply-cifssost@sec.gov.ph <noreply-cifssost@sec.gov.ph>
Sent: Friday, July 14, 2023 9:18 AM
Subject: SEC eFast Initial Acceptance

Greetings!

SEC Registration No: 0000023022
Company Name: Panasonic Manufacturing Philippines Corporation
Document Code: AFS

This serves as temporary receipt of your submission.
Subject to verification of form and quality of files of the submitted report.
Another email will be sent as proof of review and acceptance.

Thank you.

REMINDER:
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Please strictly follow the instruction stated in the form.

Filings not in accordance with the prescribed template for the following reports
will be automatically reverted by the system to the filer.

1. General Information Sheet (GIS-Stock)
2. General Information Sheet (GIS-Non-stock)
3. General Information Sheet (GIS- Foreign stock & non-stock)
4. Broker Dealer Financial Statements (BDFS)
5. Financing Company Financial Statements (FCFS)
6. Investment Houses Financial Statements (IHFS)
7. Publicly – Held Company Financial Statement
8. General Form for Financial Statements
9. Financing Companies Interim Financial Statements (FCIF)
10. Lending Companies Interim Financial Statements (LCIF)

Per Section 18 of SEC Memorandum Circular No. 3 series of 2021, the reckoning date of receipt of reports is the date the report was initially submitted to the eFast, if the filed report is compliant with the existing requirements.

A report, which was reverted or rejected, is considered not filed or not received. A notification will be sent to the filer, stating the reason for the reports rejection in the remarks box.

SECURITIES AND EXCHANGE COMMISSION
SEC Headquarters, 7907 Makati Avenue,
Salcedo Village, Barangay Bel-Air, Makati City,
1209, Metro Manila, Philippines

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C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

2 3 0 2 2

C O M P A N Y   N A M E

PANASONIC MANUFACTURING PHILIPPINES CORPORATION

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
AFS		N/A

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
www.panasonic.com/ph	8635-2260 to 65	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
461	July 21	March 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Julieta Beltran	julieta.beltran@ph.panasonic.com	8635-2260 to 65	(+63) 917 584 4500

CONTACT PERSON's ADDRESS

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

NOTE 1 : *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.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

Panasonic

Panasonic Manufacturing Philippines Corporation
Ortigas Avenue Extension, Taytay, Rizal, 1920 Philippines

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Panasonic Manufacturing Philippines Corporation** (the "Company") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended March 31, 2023, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co, the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signed under oath by the following:

KAZUYA HIGAMI
Chairman & President

ATSUSHI KOZUMA
Vice – Chairman & Chief Finance Officer

SATOSHI KONO
Executive Director

Signed on this 20th day of June, 2023

SUBSCRIBED AND SWORN to before me this JUN 27 2023 affiants exhibiting to me their passport numbers as follows:

NAMES	**PASSPORT NO.**	**DATE ISSUED**	**PLACE ISSUED**
Kazuya Higami	TT2127269	May 20, 2022	Japan
Atsushi Kozuma	TS0579539	April 17, 2018	Japan
Satoshi Kono	TR5272182	January 04, 2016	Japan

ATTY. JOHN KENNETH T. MORENO
Notary Public
Roll No. 35640
IBP No. 257589 - 02 Jan. 2023
PTR No. 18620946 - 03 Jan. 2023
MCLE No. VII - 0011285 - 14 April 2025
Appt. No. 22-26 - 30 June 2022
Until Dec. 31, 2023
For Antipolo City, Taytay, Cainta

NOTARY PUBLIC

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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Panasonic Manufacturing Philippines Corporation
Ortigas Avenue Extension
Barrio Mapandan, Barangay San Isidro
Taytay, Rizal

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the financial statements of Panasonic Manufacturing Philippines Corporation (the Parent Company), which comprise the parent company statements of financial position as at March 31, 2023 and 2022, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for each of the three years in the period ended March 31, 2023, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Parent Company as at March 31, 2023 and 2022, and its financial performance and its cash flows for each of the three years in the period ended March 31, 2023 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the Parent Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company financial statements, management is responsible for assessing the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Parent Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Parent Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 31 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Panasonic Manufacturing Philippines Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Bryan Chrisnel M. Baes.

SYCIP GORRES VELAYO & CO.

Bryan Chrisnel M. Baes

Bryan Chrisnel M. Baes
Partner
CPA Certificate No. 128627
Tax Identification No. 275-229-188
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 128627-SEC (Group A)
Valid to cover audit of 2022 to 2026 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-148-2022, November 7, 2022, valid until November 6, 2025
PTR No. 9369774, January 3, 2023, Makati City

June 14, 2023

PANASONIC MANUFACTURING PHILIPPINES CORPORATION
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	March 31	
	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱2,563,534,358**	₱3,133,972,859
Receivables (Note 5)	**1,753,286,535**	1,766,394,155
Inventories (Note 6)	**2,566,117,965**	2,479,418,529
Other current assets (Note 10)	**174,012,598**	124,816,053
Total Current Assets	**7,056,951,456**	7,504,601,596
Noncurrent Assets		
Investment in a subsidiary (Notes 7 and 21)	**5,122,271**	5,122,271
Advances to a subsidiary (Note 21)	**153,990,175**	153,990,175
Property, plant, and equipment (Note 8)	**680,621,270**	666,338,085
Deferred tax assets - net (Note 23)	**145,432,378**	132,673,106
Other noncurrent assets (Note 10)	**18,182,727**	23,167,485
Total Noncurrent Assets	**1,003,348,821**	981,291,122
	₱8,060,300,277	₱8,485,892,718
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 11)	**₱2,871,611,352**	₱3,292,154,556
Lease liabilities - current portion (Note 9)	**2,521,241**	4,762,604
Other current liabilities (Note 12)	**84,571,115**	84,671,156
Total Current Liabilities	**2,958,703,708**	3,381,588,316
Noncurrent Liabilities		
Retirement liability (Note 12)	**145,027,893**	143,990,807
Lease liabilities - net of current portion (Note 9)	**–**	2,521,241
Other noncurrent liabilities (Note 12)	**252,683,739**	320,355,110
Total Noncurrent Liabilities	**397,711,632**	466,867,158
	3,356,415,340	3,848,455,474
Equity		
Capital stock (Note 13)	**422,718,020**	422,718,020
Additional paid-in capital (Note 13)	**4,779,762**	4,779,762
Other comprehensive loss (Notes 10, 12 and 13)	**(125,795,505)**	(115,391,581)
Retained earnings (Note 14)		
Appropriated	**3,950,000,000**	3,850,000,000
Unappropriated	**452,182,660**	475,331,043
Total Equity	**4,703,884,937**	4,637,437,244
	₱8,060,300,277	₱8,485,892,718

See accompanying Notes to Parent Company Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended March 31		
	2023	2022	2021
NET SALES (Note 26)	**₱15,178,323,266**	₱12,590,533,901	₱10,883,095,262
COST OF GOODS SOLD (Note 15)	**(12,688,751,929)**	(10,073,675,618)	(8,345,673,759)
GROSS PROFIT	**2,489,571,337**	2,516,858,283	2,537,421,503
SELLING EXPENSES (Note 16)	**(1,263,363,466)**	(1,329,008,500)	(1,204,276,357)
GENERAL AND ADMINISTRATIVE EXPENSES (Note 17)	**(1,107,885,411)**	(1,054,947,634)	(941,334,119)
OTHER INCOME - Net (Note 20)	**123,028,534**	110,321,431	85,172,450
INCOME BEFORE INCOME TAX	**241,350,994**	243,223,580	476,983,477
PROVISION FOR INCOME TAX (Note 23)	**(58,576,012)**	(77,700,967)	(120,261,348)
NET INCOME	**182,774,982**	165,522,613	356,722,129
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may not be reclassified to profit or loss			
Remeasurement gain (loss) on the net defined benefit liability, net of tax (Note 12)	**(9,415,113)**	8,506,020	21,979,420
Unrealized gain (loss) on financial assets at fair value through other comprehensive income (Note 10)	–	289,787	73,476
Realized loss on write-off of financial assets at fair value through other comprehensive income (Note 10)	**(1,697,661)**	–	–
TOTAL COMPREHENSIVE INCOME	**₱171,662,208**	₱174,318,420	₱378,775,025
Basic/diluted earnings per share (Note 25)	**₱0.43**	₱0.39	₱0.84

See accompanying Notes to Parent Company Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORPORATION
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 13)	Additional Paid-in Capital (Note 13)	Net Unrealized Gains on Financial Assets at FVOCI (Note 10)	Remeasurement Loss on Retirement Liability (Note 12)	Appropriated Retained Earnings (Note 14)	Unappropriated Retained Earnings (Note 14)	Total
Balances at April 1, 2022	**₱422,718,020**	**₱4,779,762**	**₱988,811**	**(₱116,380,392)**	**₱3,850,000,000**	**₱475,331,043**	**₱4,637,437,244**
Total comprehensive income	–	–	**(1,697,661)**	**(9,415,113)**	–	**182,774,982**	**171,662,208**
Transfer of fair value reserve of financial assets at FVOCI (Note 10)	–	–	**708,850**	–	–	**(708,850)**	–
Reversals of appropriation (Note 14)	–	–	–	–	**(1,240,759,000)**	**1,240,759,000**	–
Appropriations (Note 14)	–	–	–	–	**1,340,759,000**	**(1,340,759,000)**	–
Cash dividends (Note 14)	–	–	–	–	–	**(105,214,515)**	**(105,214,515)**
Balances at March 31, 2023	**₱422,718,020**	**₱4,779,762**	**₱–**	**(₱125,795,505)**	**₱3,950,000,000**	**₱452,182,660**	**₱4,703,884,937**
Balances at April 1, 2021	₱422,718,020	₱4,779,762	₱699,024	(₱124,886,412)	₱3,800,000,000	₱581,515,630	₱4,684,826,024
Total comprehensive income	–	–	289,787	8,506,020	–	165,522,613	174,318,420
Reversals of appropriation (Note 14)	–	–	–	–	(696,142,000)	696,142,000	–
Appropriations (Note 14)	–	–	–	–	746,142,000	(746,142,000)	–
Cash dividends (Note 14)	–	–	–	–	–	(221,707,200)	(221,707,200)
Balances at March 31, 2022	₱422,718,020	₱4,779,762	₱988,811	(₱116,380,392)	₱3,850,000,000	₱475,331,043	₱4,637,437,244
Balances at April 1, 2020	₱422,718,020	₱4,779,762	₱625,548	(₱146,865,832)	₱3,750,000,000	₱337,852,721	₱4,369,110,219
Total comprehensive income	–	–	73,476	21,979,420	–	356,722,129	378,775,025
Reversals of appropriation (Note 14)	–	–	–	–	(814,494,110)	814,494,110	–
Appropriations (Note 14)	–	–	–	–	864,494,110	(864,494,110)	–
Cash dividends (Note 14)	–	–	–	–	–	(63,059,220)	(63,059,220)
Balances at March 31, 2021	₱422,718,020	₱4,779,762	₱699,024	(₱124,886,412)	₱3,800,000,000	₱581,515,630	₱4,684,826,024

See accompanying Notes to Parent Company Financial Statements.

PANASONIC MANUFACTURING PHILIPPINES CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended March 31		
	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱241,350,994**	₱243,223,580	₱476,983,477
Adjustments for:			
Depreciation and amortization (Note 19)	**212,495,599**	221,023,171	242,680,763
Provision for inventory write-down (Note 15)	**197,810,283**	81,998,295	157,959,416
Retirement and other long-term employee benefits expense (Notes 12 and 18)	**43,218,538**	35,294,960	34,962,636
Interest income (Notes 4, 20 and 21)	**(50,645,042)**	(49,593,417)	(50,663,446)
Provision for warranty claims and estimated liabilities (Note 12)	**28,398,360**	63,569,140	19,222,356
Provision for (net recovery of) credit and impairment losses (Notes 5 and 20)	**(2,285,000)**	(6,175,383)	7,944,612
Loss (gain) on disposal/retirement of property, plant and equipment and software (Note 8 & 10)	**(1,734,058)**	(1,932,528)	(351,723)
Unrealized foreign currency exchange (gain) loss (Notes 4, 5 and 11)	**2,160,864**	(3,966,129)	(328,560)
Interest on lease liability (Notes 9 and 17)	**311,536**	565,242	282,553
Operating income before changes in working capital	**671,082,074**	584,006,931	888,692,084
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	**11,113,938**	(281,866,877)	(45,706,706)
Inventories	**(284,509,719)**	(820,245,037)	(245,077,981)
Other current assets	**(49,196,545)**	3,271,574	(47,601,139)
Increase (decrease) in:			
Accounts payable and accrued expenses	**(421,761,071)**	404,780,159	519,978,913
Other liabilities	**(95,410,678)**	(77,981,392)	(28,453,068)
Net cash generated from (used in) operations	**(168,682,001)**	(188,034,642)	1,041,832,103
Income taxes paid	**(68,559,224)**	(87,698,118)	(82,148,628)
Interest received (Notes 4 and 20)	**49,254,137**	49,728,835	51,841,171
Other retirement liability and long-term employee benefits paid (Note 12)	**(5,131,719)**	(3,414,920)	(5,781,869)
Contributions to the retirement fund (Note 12)	**(50,000,000)**	–	–
Net cash provided by (used in) operating activities	**(243,118,807)**	(229,418,845)	1,005,742,777
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment (Notes 8 and 28)	**(217,995,707)**	(129,746,566)	(129,284,699)
Software (Note 10)	**(11,128,947)**	(156,789)	–
Proceeds from disposal of property, plant, and equipment (Note 8)	**3,415,087**	2,272,474	481,469
Decrease (increase) in noncurrent other assets (Note 10)	**13,118,379**	1,266,179	(2,156,760)
Net cash used in investing activities	**(212,591,188)**	(126,364,702)	(130,959,990)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash dividends paid (Notes 14 and 28)	**(105,214,515)**	(221,712,691)	(63,056,242)
Payment of principal portion of lease liability (Notes 9 and 28)	**(5,074,140)**	(4,926,358)	(7,974,503)
Cash used in financing activities	**(110,288,655)**	(226,639,049)	(71,030,745)

(Forward)

	Years Ended March 31		
	2023	2022	2021
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (Note 4)	**(₱4,439,851)**	₱2,559,821	(₱927,269)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(570,438,501)**	(579,862,775)	802,824,773
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**3,133,972,859**	3,713,835,634	2,911,010,861
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱2,563,534,358**	₱3,133,972,859	₱3,713,835,634

See accompanying Notes to Parent Company 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 Holdings 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 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 (see Note 8).

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

2. Summary of Significant Accounting Policies

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

Statement of Compliance
The accompanying parent company financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies
Except for these new and amended standards which were adopted as of April 1, 2022, the accounting policies adopted are consistent with those of previous financial year.

The adoption of the following amendments did not have a significant impact on the parent company financial statements:

- Amendments to PFRS 3, Reference to the Conceptual Framework
- Amendments to PAS 16, *Property, 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 measurements*

Fair Value Measurement
For measurement and disclosure purposes, the Parent Company determines the fair value of an asset or a liability at initial measurement date or each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Parent Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Parent Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the parent company financial statements are categorized within the fair value hierarchy, described as follows, based on lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the parent company financial statements on a recurring basis, the Parent Company determines whether transfer have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Cash and Cash Equivalents
Cash and cash equivalents in the parent company statement of financial position comprise cash in banks and time deposits with original maturities of three months or less and are subject to an insignificant risk of change in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and time deposits as defined above.

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Date of recognition
The Parent Company recognizes a financial asset or a financial liability in the Parent Company statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial instruments that require delivery of assets and liabilities within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial recognition of financial instruments
Financial instruments are initially recognized at fair value of the consideration given. The initial measurement of financial instruments includes transaction costs, except for financial instruments at financial assets at fair value through profit and loss (FVTPL).

As of March 31, 2023, the Parent Company has financial assets and financial liabilities at amortized cost. As of March 31, 2022, the Parent Company has financial assets and financial liabilities at amortized cost and financial assets at FVOCI.

'Day 1' difference
Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Parent Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the profit or loss in the statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where transaction price used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the profit or loss in the statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Parent Company determines the appropriate method of recognizing the 'Day 1' difference amount.

In 2023, 2022 and 2021, there were no 'Day 1' differences recognized in the profit or loss in the statement of comprehensive income.

a) Financial assets

   Classification and measurement
   Financial assets are classified at fair value at initial recognition and subsequently measured at amortized cost, FVOCI, and FVTPL.

   The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Parent Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Parent Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Parent Company has applied the practical expedient are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are solely for principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. ‘Principal’ for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount). In making this assessment, the Parent Company determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

The Parent Company’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The Parent Company’s business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity’s key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers, if any, of the business are compensated.

The business model assessment is based on reasonably expected scenarios without taking ‘worst case’ or ‘stress case’ scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Parent Company’s original expectations, the Parent Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

The financial assets of the Parent Company as of March 31, 2023 consist of financial assets at amortized cost. As of March 31, 2022, the financial assets consist of financial assets at amortized cost and financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).

Financial assets at amortized cost (debt instruments)
The Parent Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Parent Company's financial assets at amortized cost include cash and cash equivalents and receivables.

Financial assets designated at FVOCI (equity instruments)
Upon initial recognition, the Parent Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation*, and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statements of income when the right of payment has been established, except when the Parent Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Parent Company elected to classify irrevocably its investments in unquoted equity instruments under this category.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Parent Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Parent Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Parent Company has transferred substantially all the risks and rewards of the asset, or (b) the Parent Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Parent Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Parent Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Parent Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Parent Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Parent Company could be required to repay.

Impairment of financial assets
The Parent Company recognizes an allowance for ECLs for all debt instruments not held at FVTPL. ECL represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime ECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

For trade receivables and contract assets, the Parent Company applies a simplified approach in calculating ECLs. Therefore, the Parent Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Parent Company has established a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets such nontrade receivable, due from related parties and other receivables, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk (SICR) since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been an SICR since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and cash equivalents and short-term investments, the Parent Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Parent Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk origination, the allowance will be based on the lifetime ECL. The Parent Company uses the ratings from reputable credit rating agencies to determine whether the debt instrument has SICR and to estimate ECLs.

The key inputs in the model include the Parent Company's definition of default and historical data of three years for the origination, maturity date and default date. The Parent Company considers trade receivables and contract assets in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default. However, in certain cases, the Parent Company may also consider a financial asset to be in default when internal or external information indicates that the Parent Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Parent Company.

Determining the stage for impairment
At each reporting date, the Parent Company assesses whether there has been a SICR for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Parent Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed SICR since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

b) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at FVTPL
Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognized in profit or loss in the statements of comprehensive income.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied.

The Parent Company does not have financial liabilities at FVTPL as of March 31, 2023 and 2022.

Other financial liabilities
This category pertains to financial liabilities that are not held for trading or not designated as at FVTPL upon the inception of the liability. These include liabilities arising from operations and borrowings.

After initial measurement, other financial liabilities are measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the acquisition and fees or costs that are an integral part of the EIR. Gains and losses are recognized in profit or loss when other financial liabilities are derecognized, as well as through the EIR amortization process.

This category applies to the Parent Company's accounts payable and accrued expenses (excluding statutory and taxes payables).

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Inventories
Inventories are valued at the lower of cost or NRV. NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. Cost is determined primarily using the first-in, first-out method, except for spare parts and supplies, which are determined on a weighted average method. For manufactured inventories, cost includes the applicable allocation of fixed and variable overhead costs.

Creditable Withholding Tax
This pertains to the tax withheld at source by the Parent Company's customers and is creditable against the income tax liability of the Parent Company.

Property, Plant and Equipment
Property, plant and equipment, except land, are carried at cost less accumulated depreciation, amortization and any impairment in value except land which is carried at cost less any impairment in value. The initial cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Significant renewals and improvements are capitalized.

Expenditures incurred after the properties have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to income in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

Depreciation and amortization is computed using the straight-line method on land improvements and buildings and improvements over their estimated useful lives and the declining balance method on other property, plant and equipment.

The estimated useful lives of property, plant and equipment are as follows:

	Years
Land improvements	10
Factory machinery, equipment and tools	2-10
Buildings and improvements	5-25
Office furniture, fixtures and equipment	2-5
Transportation equipment	3-5

The useful life and depreciation and amortization methods are reviewed at each reporting date to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

When assets are sold or retired, their cost and accumulated depreciation and amortization and any accumulated impairment losses are eliminated from the accounts and any gain or loss resulting from their disposal is included in profit or loss.

Fully depreciated property, plant and equipment are retained in the accounts until these are no longer in use.

Software
Software acquired separately is measured on initial recognition at cost. Following initial recognition, software is carried at cost less any accumulated amortization and any accumulated impairment losses.

Amortization of software is computed using the declining balance method over its estimated useful life of 2 to 5 years. The estimated useful life and amortization method for software are reviewed at least at each financial year end to ensure that the period and method of amortization are consistent with the expected pattern of economic benefits from these assets.

The amortization expense on software is recognized in profit or loss under general and administrative expenses. Software is assessed for impairment whenever there is an indication that this asset may be impaired.

Impairment of Nonfinancial Assets
At each reporting date, the Parent Company assesses whether there is any indication that its nonfinancial assets (e.g., property, plant and equipment, investment properties, software, creditable withholding taxes and value-added tax) may be impaired.

Where there is an indication of impairment, the Parent Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

A previously recognized impairment loss is reversed by a credit to current operations, unless the asset is carried at a revalued amount, in which case, the reversal of the impairment loss is credited to the revaluation increment of the same asset, to the extent that it does not restate the asset to a carrying amount in excess of what would have been determined (net of any accumulated depreciation and amortization) had no impairment loss been recognized for the asset in prior years.

Leases
The Parent Company determines at contract inception whether a contract is, or contains, a lease by assessing whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Parent Company as a lessee
The Parent Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Parent Company recognizes right-of-use assets representing the right to use the underlying assets and lease liabilities to make lease payments.

i. *Right-of-use assets*
The Parent Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Parent Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Depreciation of right-of-use assets is presented under 'Depreciation and amortization' in Cost of goods sold (Note 15) and 'General and administrative expenses' (Note 17).

The Parent Company presents the right-of use assets in 'Property, plant and equipment' and subjects it to impairment. Refer to the accounting policies in section *Impairment of non-financial assets*.

ii. *Lease liability*
At the commencement date of the lease, the Parent Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Parent Company and payments of penalties for terminating a lease, if the lease term reflects the Parent Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Parent Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. The accretion is presented as 'Interest expense' (Note 17) in the parent company statements of comprehensive income.

iii. *Short-term leases and leases of low-value assets*
The Parent Company applies the short-term lease recognition exemption to its short-term leases of office spaces (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are recognized in profit or loss.

When the Parent Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. The measurement period is the period from the date of acquisition to the date the Parent Company receives complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum period of one year.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in accordance with PFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Parent Company's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquired are assigned to those units.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Equity
Capital stock is measured at par value for all shares issued and outstanding. When the shares are sold at premium, the difference between the proceeds and the par value is credited to 'Additional paid-in capital' account. Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to 'Additional paid-in capital' account. If additional paid-in capital is not sufficient, the excess is charged against the retained earnings.

When the Parent Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Retained earnings represent accumulated earnings of the Parent Company less any dividends declared.

Revenue Recognition
To account for the revenues arising from contracts with customers, the Parent Company applies the following five step model:

a. Identify the contract(s) with a customer
b. Identify the performance obligations in the contract
c. Determine the transaction price
d. Allocate the transaction price to the performance obligations in the contract
e. Recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Parent Company expects to be entitled in exchange for those goods or services. The Parent Company has concluded that it is the principal in its revenue arrangements because it controls the goods or services before transferring them to the customer. The following specific recognition criteria must also be met before revenue and other income are recognized:

Revenue within the scope of PFRS 15:
Sale of goods and services
Revenue from sale of goods is recognized at a point in time upon transfer of control to the buyer, usually upon delivery of goods.

The Parent Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods and services, the Parent Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer, if any.

Sale of scrap and gain (loss) on sale of property, plant and equipment
Revenue from sale of scrap is recognized upon delivery, when the control has passed to the buyer and the amount of revenue can be measured reliably.

Service income
Service income is earned from rendering services in the form of general advice and assistance fees to related parties.

Other income
Other income is recognized in the profit or loss as it accrues when there is reasonable degree of certainty as to its collectivity. It includes foreign currency exchange gain, refund for damaged goods in cargo, administration fees, insurance claims and gain on pre-termination of lease.

Revenue outside the scope of PFRS 15:
Interest income
Interest income is recognized as interest accrues, taking into account the effective yield on the assets.

Dividend income
Dividend income is recognized when the Parent Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

Rental income
Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

Costs and Expenses
Costs and expenses encompass losses as well as those expenses that arise in the course of the ordinary activities of the Parent Company. Cost and expenses are recognized as incurred. The following specific recognition criteria must be met before costs and expenses are recognized:

Cost of goods sold
Cost of goods sold includes all expenses associated with the specific sale of goods. Cost of goods sold include all materials and supplies used, direct labor, occupancy cost, depreciation of production equipment and other expenses related to production. Such costs are recognized when the related sales have been recognized.

Selling expenses
Selling expenses constitute costs which are directly related to selling, advertising and delivery of goods to customers. These include sales commissions and marketing expenses. Selling expenses are recognized when incurred.

General and administrative expenses
General and administrative expenses constitute costs of administering the business and are recognized when incurred.

Dividends on Common Shares
Dividends on common shares are recognized as a liability and deducted from equity when declared and approved by the Board of Directors (BOD) of the Parent Company. Dividends for the year that are declared and approved after the statement of financial position date, if any, are dealt with as an event after the financial reporting date and disclosed accordingly.

Earnings Per Share (EPS)
Basic EPS is computed by dividing net income for the year attributable to ordinary equity holders of the parent by the weighted average number of common shares issued and outstanding during the year, after giving retroactive adjustment to any stock dividend declared or stock split made during the year.

Diluted EPS is calculated by dividing the net income attributable to common shareholders by the weighted average number of common shares outstanding during the year adjusted for the effects of any dilutive convertible common shares.

The Parent Company has no dilutive convertible common shares. Thus, basic and diluted EPS are the same.

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized. All other borrowing costs are recognized as expense in the year which they are incurred.

Retirement Costs
The Parent Company operates a funded noncontributory defined benefit retirement plan, which requires contributions to be made to a separate administered fund.

The cost of providing benefits under the defined benefit pension plan is determined by an independent actuary using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current period.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Retirement expenses comprise the following:
- Current service cost
- Net interest on the net defined benefit liability or asset
- Remeasurement of retirement liability

Current service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurement comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurement is not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Parent Company, nor can they be paid directly to the Parent Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Parent Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefit
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability and expense when they are accrued to the employees. The cost of employee entitlements to annual leave is actuarially computed using the projected unit credit method.

<u>Income Taxes</u>
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The rates and tax laws used to compute the amount are those that have been enacted or substantially enacted as of the reporting date.

The Parent Company periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred tax
Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating losses carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits from excess credits and unexpired NOLCO can be utilized, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date, and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recognized.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted as of the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss in the statement of comprehensive income. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

The Parent Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

<u>Foreign Currency-denominated Transactions and Translation</u>
Foreign currency-denominated transactions are recorded using the exchange rate at the date of transaction. Foreign currency-denominated monetary assets and liabilities are translated using the prevailing closing exchange rate at reporting date. Exchange gains or losses from foreign currency-denominated transactions and translation are credited or charged to profit or loss.

<u>Operating Segment</u>
Operating segments for management reporting purposes are organized into three major segments according to the nature and user of the products. Common income and expenses are allocated among business segments based on sales or other appropriate bases. Segment assets include operating assets used by a segment and consist principally of operating cash, receivables, inventories and property,

plant and equipment, net of allowances, provisions and depreciation and amortization. Segment liabilities include all operating liabilities and consist principally of accounts payable and accrued liabilities. Information on business segments is presented in Note 26.

Provisions

Provisions are recognized when the following conditions are present: (a) the Parent Company has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense in profit or loss in the statement of comprehensive income. Where the Parent Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is probable.

Provision for estimated liabilities

Provision for estimated liabilities consists of provision for warranty claims and other liabilities. Provision for warranty claims is recognized for expected warranty claims on products sold, based on past experience in the level of repairs and returns. Provision for other liabilities is recognized when all of the conditions mentioned above are present.

Contingencies

Contingent liabilities are not recognized in the parent company financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the parent company financial statements but are disclosed when an inflow of economic benefits is probable.

Events after the Reporting Period

Post year-end events that provide additional information about the Parent Company's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the parent company financial statements when material.

Standards Issued but not yet Effective

Standards issued but not yet effective up to the date of issuance of the parent company financial statements are listed below. The listing consists of standards and interpretations issued, which the Parent Company reasonably expects to be applicable at a future date. The Parent Company intends to adopt these standards when they become effective. Except as otherwise indicated, the Parent Company does not expect the adoption of these new and amended standards and interpretations to have significant impact on the parent company financial statements.

Effective beginning on or after April 1, 2023

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

- Amendments to PAS 8, *Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

Effective beginning on or after April 1, 2024
- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*

  The amendments clarify:
  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right.
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

- Amendments to PFRS 16*, Lease Liability in a Sale and Leaseback*

  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

Effective beginning on or after April 1, 2025
- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

Deferred effectivity

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

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

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

3. Significant Accounting Judgments, Assumptions and Estimates

The preparation of the parent company financial statements in compliance with PFRSs requires the Parent Company 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 parent company 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.

Judgments
In the process of applying the Parent Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the parent company financial statements:

a. Revenue recognition on sale of goods and services
Revenue recognition under PFRS 15 involves the application of significant judgment and estimation in the: (i) identification of the performance obligations; (ii) accounting for consideration paid or payable to customer; and (iii) determination when control is transferred.

(i) *Identification of performance obligations*
The Parent Company identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Parent Company's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

Based on management assessment, business-to-consumer (B2C) sales have only one performance obligation, while business-to-business (B2B) sales may include one or more performance obligations depending on the satisfaction of the criteria mentioned above.

(ii) *Accounting for consideration paid or payable to customer*
The Parent Company determines the nature of its consideration paid or payable to customer if it represents purchases by the Parent Company of goods or services offered by the customer, or incentives given by the Parent Company to the customer. Consideration payable to a customer includes cash amounts that the Parent Company pays, or expects to pay, to the customer. The consideration payable to a customer is accounted for as a reduction of the transaction price unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the entity

(iii) *Determination when control is transferred*
The Parent Company recognizes its revenue for B2C sales at a point in time, when the goods are sold and delivered and when services are already rendered. The Parent Company may recognize revenue for B2B sales over time if the buyer simultaneously receives and consumes the benefits as the Parent Company performs its obligation, the buyer controls the goods and services as it is created or enhanced, or if the goods and services has no alternative use to the Parent Company and the Parent Company has enforceable right to payment for performance completed to date.

b. *Control over PERC*
The Parent Company considers that it controls PERC even though it owns less than majority equity interest in PERC. The Parent Company holds a 40.0% equity interest in PERC. The remaining 60.0% of the equity shares in PERC are held by the retirement fund of the Parent Company. The Parent Company determined that it has control over PERC since it has the practical ability to direct the relevant activity of PERC and is exposed to variable returns from PERC. The sole purpose of PERC's establishment and continuing existence is to hold several parcels of land as location for the Parent Company's manufacturing facilities. Thus, the relevant activity of PERC includes the acquisition of parcels of land through funding from the Parent Company and the subsequent lease thereto. The decision to set up the structure of PERC through lease and loan agreements is devised by the Parent Company for it to have location for its facilities since it could not hold more than 40.0% ownership in private lands in the Philippines.

The BOD and officers of the Parent Company are also the BOD and officers of PERC.

c. *Distinction between investment properties and owner-occupied properties*
The Parent Company determines whether a property qualifies as an investment property. In making its judgement, the Parent Company considers whether the property is not occupied substantially for use by, or in operations of the Parent Company, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately, the property is accounted for as an investment property, only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Parent Company considers each property separately in making its judgment.

Estimates
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

a. *Provisions for estimated liabilities*
Provision for estimated liabilities pertain to provision for warranty claims from products sold and other estimated liabilities. The determination of whether the provision should be recognized and the estimation of the potential liability from these assessments requires significant estimate and judgment by management.

The estimate of the provision for warranty claims requires an analysis of past experience on the level of repairs and returns. Other provisions for estimated liabilities include provisions for legal cases and other claims. The Parent Company makes provisions on the basis of management's and its legal counsel's opinion and assessment of the outcome of the claims arising from interpretations and applications of statutes applicable to the Parent Company.

The amounts of provisions for estimated liabilities as of March 31, 2023 and 2022 are disclosed in Note 12.

b. *NRV of inventory*
Inventories are carried at lower of cost or NRV. NRV of inventories are assessed regularly based on the prevailing selling prices of inventories less the estimated costs necessary to sell and to complete. Any increase in NRV will increase the carrying amount of inventories but only to the extent of their original acquisition costs. The carrying value of inventories as of March 31, 2023 and 2022 are disclosed in Note 6. The amounts of provision for inventory write-down included under cost of goods sold in 2023, 2022 and 2021 are disclosed in Notes 6 and 15.

c. *Determining method to estimate variable consideration and assessing the constraint*
The Parent Company includes some or all the amounts of variable consideration estimated but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Parent Company considers both the likelihood and magnitude of the revenue reversal in evaluating the extent of variable consideration the Parent Company will

subject to constraint. Factors such as i) highly susceptibility to factors outside the Parent Company's influence, ii) timing of resolution of the uncertainty, and iii) having a large number and broad range of possible considerations amount are considered.

Some contracts with customers provide prompt payment, volume discount and special discounts that give rise to variable consideration. In estimating the variable consideration, the Parent Company is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The expected value method of estimation takes into account a range of possible outcomes while the most likely amount is used when the outcome is binary.

The Parent Company determined that the expected value method is the appropriate method to use in estimating the variable consideration given the large number of customer contracts that have similar characteristics and the range of possible outcomes.

d. *Assessment for ECL on trade receivables*

The Parent Company, applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for trade receivables. The provision matrix specifies provision rates depending on the number of days that a trade receivable is past due. The Parent Company also uses appropriate groupings if its historical credit loss experience show significantly different loss patterns for different customer segments. The Parent Company then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data affecting each customer segment to reflect the effects of current and forecasted economic conditions.

The Parent Company adjusts historical default rates to forward-looking default rate by determining the closely related economic factor affecting each customer segment. The Parent Company regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual credit loss experience.

The determination of the relationship between historical default rates and forecasted economic conditions is a significant accounting estimate. Accordingly, the provision for ECL on trade receivables is sensitive to changes in assumptions about forecasted economic conditions. The Parent Company has assessed that the ECL on trade receivables is not material because substantial amount of receivables are normally collected within one year.

The carrying amount of trade receivables as at March 31, 2023 and 2022 are disclosed in Note 5.

e. *Present value of benefit obligation*

The determination of the obligation and cost of retirement and other employee benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, expected returns on plan assets and salary increase rates.

While the Parent Company believes that the assumptions are reasonable and appropriate, significant differences between actual experiences and assumptions may materially affect the cost of employee benefits and related obligations.

The details of the Parent Company's defined benefit plan as of March 31, 2023 and 2022 are disclosed in Note 12.

f. Deferred tax assets

The Parent Company reviews the carrying amounts of deferred tax assets at each reporting date and reduces them to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and the level of future taxable profits together with future tax planning strategies considering expected future market or economic conditions and the expected performance of the Parent Company. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

The amounts of recognized and unrecognized deferred tax assets as of March 31, 2023 and 2022 are disclosed in Note 23.

4. Cash and Cash Equivalents

This account consists of:

	2023	2022
Cash in banks	**₱466,094,358**	₱1,835,272,859
Cash equivalents	**2,097,440,000**	1,298,700,000
	₱2,563,534,358	₱3,133,972,859

Cash in banks earned annual interest ranging from 0.06% to 1.00% in 2023, from 0.06% to 1.00% in 2022 and from 0.13% to 0.50% in 2021.

Cash equivalents pertain to time deposits made for varying periods with maturity of up to three months depending on the immediate cash requirements of the Parent Company. Interest on cash equivalents ranged from 2.55% to 5.80% in 2023, from 0.02% to 1.00% in 2022 and from 0.01% to 1.25% in 2021.

Interest income from cash in banks and cash equivalents amounted to ₱32.1 million, ₱31.1 million and ₱32.2 million in 2023, 2022 and 2021, respectively (see Note 20).

Foreign exchange loss resulting from translation of foreign currency-denominated cash in banks into Philippine peso amounted to ₱3.0 million, ₱6.5 million and ₱36.6 million in 2023, 2022 and 2021, respectively (see Note 20).

5. **Receivables**

This account consists of:

	2023	2022
Trade		
Domestic	**₱1,387,533,073**	₱1,522,163,904
Export (Note 21)	**313,294,793**	173,907,867
Non-trade		
Related parties (Note 21)	**₱27,322,622**	₱42,435,458
Third parties	**6,714,556**	4,748,209
Employees	**5,153,204**	4,330,919
Others	**17,080,287**	24,904,798
	1,757,098,535	1,772,491,155
Less allowance for credit losses	**3,812,000**	6,097,000
	₱1,753,286,535	₱1,766,394,155

Trade receivables are non-interest bearing and are generally on 30 to 60-day terms. Trade receivables classified as “domestic” are those claims against local customers. Trade receivables classified as “export” are those claims arising from export sales of air conditioner units to related parties.

Others include receivable from factory support, scrap sales and container deposits.

The changes in the allowance for expected credit losses on trade receivables in 2023 and 2022 follow:

	2023	2022
Balances at beginning of year	**₱6,097,000**	₱12,272,383
Recovery of allowance for credit losses (Notes 17 and 20)	**(2,285,000)**	(6,175,383)
Balances at end of year	**₱3,812,000**	₱6,097,000

Foreign exchange gain (loss) on translation of receivables amounted to (₱4.1 million), ₱3.3 million, and (₱1.8 million) in 2023, 2022 and 2021, respectively (see Note 20).

6. **Inventories**

This account consists of:

	2023	2022
At NRV:		
Finished goods and merchandise	**₱17,117,603**	₱–
At cost:		
Finished goods and merchandise	**1,143,473,735**	878,214,931
Raw materials	**1,343,878,114**	1,543,470,176
Supplies	**46,905,177**	41,876,769
Goods in process	**14,743,336**	15,856,653
	₱2,566,117,965	₱2,479,418,529

The amount of write-down of inventories included under cost of goods sold amounted to ₱197.8 million, ₱82.0 million and ₱158.0 million in 2023, 2022 and 2021, respectively (see Note 15). As of March 31, 2023 and 2022, the cost of finished goods and merchandise at NRV is ₱44.5 million and ₱24.1 million, respectively.

The amount of inventories recognized in cost of goods sold during the year amounted to ₱12.7 billion, ₱10.0 billion and ₱8.3 billion in 2023, 2022 and 2021, respectively (see Note 15).

7. Investment in a Subsidiary

This account represents the Parent Company's investments in PERC amounting to ₱5.1 million as of March 31, 2023 and 2022.

PERC was incorporated in the Philippines on April 18, 1984. The Subsidiary is in the business of realty brokerage and leases out the land in which the manufacturing facilities of the Parent Company are located.

The summarized financial information of PERC is provided below.

	2023	2022
Summarized financial position information		
Total current assets	**₱45,432,883**	₱43,869,927
Total noncurrent assets	**233,177,867**	233,177,867
Total current liabilities	**2,648,904**	490,637
Total noncurrent liabilities	**153,990,175**	153,990,175
Total equity	**₱121,971,671**	₱122,566,982
Summarized comprehensive income information		
Revenues	**₱29,400,065**	₱29,017,119
Cost and expenses - net	**29,812,669**	28,783,607
Income (loss) before income tax	**(412,604)**	233,512
Provision for income tax	**182,706**	223,686
Total comprehensive income (loss)	**(₱595,310)**	₱9,826
Summarized cash flow information		
Operating activities	**₱497,753**	(₱471,356)
Net increase (decrease) in cash and cash equivalents	**₱497,753**	(₱471,356)

8. Property, Plant and Equipment

The rollforward of this account follows:

	2023						
	Factory Machinery, Equipment and Tools	**Buildings and Improvements**	**Office Furniture, Fixtures and Equipment**	**Transportation Equipment**	**Construction in Progress**	**Right-of-Use Asset-Building** (Note 9)	**Total**
Cost							
Balances at beginning of year	**₱2,197,786,109**	**₱1,250,903,675**	**₱192,038,079**	**₱146,728,518**	**₱21,997,531**	**₱13,893,389**	**₱3,823,347,301**
Additions (Note 28)	**43,913,182**	**5,124,574**	**12,583,157**	**15,641,101**	**150,151,768**	**–**	**227,413,782**
Retirements/disposals	**(74,754,468)**	**(697,805)**	**(24,000,629)**	**(3,852,221)**	**–**	**–**	**(103,305,123)**

(Forward)

	2023						
	Factory Machinery, Equipment and Tools	**Buildings and Improvements**	**Office Furniture, Fixtures and Equipment**	**Transportation Equipment**	**Construction in Progress**	**Right-of-Use Asset-Building** (Note 9)	**Total**
Reclassifications	**₱83,767,579**	**₱10,142,309**	**₱–**	**₱–**	**(₱93,909,888)**	**₱–**	**₱–**
Balances at end of year	**2,250,712,402**	**1,265,472,753**	**180,620,607**	**158,517,398**	**78,239,411**	**13,893,389**	**3,947,455,960**
Accumulated depreciation							
Balances at beginning of year	**1,903,009,417**	**937,291,205**	**184,588,985**	**125,944,769**	**–**	**6,174,840**	**3,157,009,216**
Depreciation (Note 19)	**136,378,477**	**47,261,616**	**9,995,126**	**13,183,224**	**–**	**4,631,130**	**211,449,573**
Retirements/disposals	**(73,076,299)**	**(697,805)**	**(23,997,774)**	**(3,852,221)**	**–**	**–**	**(101,624,099)**
Balances at end of year	**1,966,311,595**	**983,855,016**	**170,586,337**	**135,275,772**	**–**	**10,805,970**	**3,266,834,690**
Net book value	**₱284,400,807**	**₱281,617,737**	**₱10,034,270**	**₱23,241,626**	**₱78,239,411**	**₱3,087,419**	**₱680,621,270**

	2022						
	Factory Machinery, Equipment and Tools	Buildings and Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Construction in Progress	Right-of-Use Asset-Building (Note 9)	Total
Cost							
Balances at beginning of year	₱2,064,502,618	₱1,233,297,853	₱190,291,349	₱146,702,508	₱54,437,379	₱13,893,389	₱3,703,125,096
Additions (Note 28)	37,265,667	13,990,874	6,470,128	5,345,114	72,429,852	–	135,501,635
Retirements/disposals	(2,634,912)	(1,890,204)	(5,435,210)	(5,319,104)	–	–	(15,279,430)
Reclassifications	98,652,736	5,505,152	711,812	–	(104,869,700)	–	–
Balances at end of year	2,197,786,109	1,250,903,675	192,038,079	146,728,518	21,997,531	13,893,389	3,823,347,301
Accumulated depreciation							
Balances at beginning of year	1,762,022,284	887,460,543	180,578,864	120,005,793	–	1,543,710	2,951,611,194
Depreciation (Note 19)	143,562,587	51,720,866	9,437,151	10,985,772	–	4,631,130	220,337,506
Retirements/disposals	(2,575,454)	(1,890,204)	(5,427,030)	(5,046,796)	–	–	(14,939,484)
Balances at end of year	1,903,009,417	937,291,205	184,588,985	125,944,769	–	6,174,840	3,157,009,216
Net book value	₱294,776,692	₱313,612,470	₱7,449,094	₱20,783,749	₱21,997,531	₱7,718,549	₱666,338,085

As of March 31, 2023, the construction in progress mainly pertains to the improvements of factory machinery, equipment and tools and building improvements in Panasonic Philippines (PPH), Electric Fan, Refrigerator and Aircon Division. As of March 31, 2022, the construction in progress mainly pertains to the improvements of factory machinery, equipment and tools in Refrigerator Division and Aircon Division.

Additions during the year include acquisitions of property, plant and equipment on account amounted to ₱9.4 million and ₱5.8 million in 2023 and 2022, respectively, recorded under ‘Non-trade payable – Third Parties’ (see Note 11). Gain on disposal and retirement of property, plant and equipment amounted to ₱1.7 million, ₱1.9 million and ₱0.4 million in 2023, 2022 and 2021, respectively (see Note 20). Proceeds received from the disposal and retirement of property, plant and equipment amounted to ₱3.4 million, ₱2.3 million and ₱0.5 million in 2023, 2022 and 2021, respectively.

9. Leases

Parent Company as a Lessee

The Parent Company entered into cancellable operating leases of office spaces and warehouses (presented as ‘Right-of-Use Assets - Building under ‘Property, Plant and Equipment) for one (1) to three (3) years, renewable under certain terms and conditions.

Some leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

The Parent Company also has certain leases of office space with remaining lease terms of 12 months or less and leases with low value assets. The Parent Company applies the recognition exemptions for these types of leases.

Rent expense charged against current operations amounted to ₱26.2 million, ₱11.9 million and ₱10.2 million in 2023, 2022 and 2021, respectively (see Note 17). Rent expense in 2023, 2022 and 2021 pertains to expenses from short-term leases.

The following are the amounts recognized in profit or loss in the parent company statements of comprehensive income:

	2023	2022	2021
Depreciation expense of right-of-use assets (Note 8)	**₱4,631,130**	₱4,631,130	₱7,179,612
Interest expense on lease liabilities (Note 17)	**311,536**	565,242	282,553
Expenses relating to short-term leases (Note 17)	**26,235,378**	11,913,693	10,190,458
Total amount recognized in statement of comprehensive income	**₱31,178,044**	₱17,110,065	₱17,652,623

The rollforward of lease liability follows:

	2023	2022
Balance at beginning of year	**₱7,283,845**	₱11,644,961
Accretion of interest (Note 17)	**311,536**	565,242
Payments	**(5,074,140)**	(4,926,358)
Balance at end of year	**₱2,521,241**	₱7,283,845

The following are the amounts recognized in the parent company statement of financial position:

	2023	2022
Current lease liabilities	**₱2,521,241**	₱4,762,604
Noncurrent lease liabilities	–	2,521,241
	₱2,521,241	₱7,283,845

Shown below is the maturity analysis of the undiscounted lease payments as of March 31, 2023 and 2022:

	2023	2022
Within one (1) year	**₱2,574,558**	₱5,074,140
More than one (1) year	–	2,574,558
	₱2,574,558	₱7,648,698

10. Other Current Assets and Other Noncurrent Assets

Other current assets consist of the following:

	2023	2022
Creditable withholding taxes (CWTs)	**₱138,857,630**	₱84,111,989
Prepaid expenses	**33,076,149**	38,930,826
Advances to employees	**2,078,819**	5,273,238
	174,012,598	128,316,053
Less allowance for impairment losses	–	3,500,000
	₱174,012,598	₱124,816,053

Other noncurrent assets consist of the following:

	2023	2022
Refundable deposits	**₱15,141,992**	₱19,534,167
Software	**3,040,735**	1,103,396
Financial assets at FVOCI	**–**	1,949,301
Deferred input VAT	**–**	580,621
	₱18,182,727	₱23,167,485

CWTs
This represents taxes withheld at source by the counterparty which can be applied against future income tax liability.

Prepaid expenses
Prepaid expenses include prepayments of insurance, repairs and maintenance, supplies and advertising expenses.

Advances to employees
Advances to employees pertain to cash advances made to employees for cost and expenses to be incurred on behalf of the Parent Company, subject to liquidation.

Software
The composition and movements of software follow:

	2023	2022
Cost		
Balances at beginning of year	**₱104,860,255**	₱110,099,686
Additions	**2,983,365**	156,789
Write-off	**(8,171,477)**	(5,396,220)
Balances at end of year	**99,672,143**	104,860,255
Accumulated amortization		
Balances at beginning of year	**103,756,859**	108,467,414
Amortization (Note 19)	**1,046,026**	685,665
Write-off	**(8,171,477)**	(5,396,220)
Balances at end of year	**96,631,408**	103,756,859
Net book value	**₱3,040,735**	₱1,103,396

Financial assets at FVOCI
Financial assets at FVOCI pertain to the Parent Company's investments in mandatory equity shares in utility companies. The Parent Company does not intend to dispose these assets as it will continue to avail of the services of the said utility companies. The changes in fair value recognized in other comprehensive income amounted to nil in 2023, ₱0.3 million gain in 2022, and ₱0.1 million loss in 2021. Fair value changes in financial assets at FVOCI are presented as components of 'Other comprehensive income' in equity.

Dividend income earned from financial assets at FVOCI amounted to nil in 2023, 2022 and 2021.

In 2023, the financial assets at FVOCI were written-off, resulting in realized loss amounting to ₱1.7 million. The balance of net unrealized loss in 'Other comprehensive income' was transferred to 'Retained earnings'.

11. Accounts Payable and Accrued Expenses

Accounts payable consist of:

	2023	2022
Trade		
Third parties	**₱356,514,667**	₱645,059,973
Related parties (Note 21)	**394,501,690**	554,545,772
Non-trade		
Related parties (Note 21)	**153,790,485**	131,764,598
Third parties (Note 8)	**9,418,080**	5,755,069
Accrued expenses		
Third parties	**1,848,728,028**	1,866,305,040
Related parties (Note 21)	**33,867,202**	26,370,613
Others		
Advances from customers	**32,643,136**	36,110,019
Output VAT	**42,148,064**	26,243,472
	₱2,871,611,352	₱3,292,154,556

Trade accounts payable are non-interest bearing and are generally on 30 to 60-day terms.

Accrued expenses to third parties consist of:

	2023	2022
Advertising expenses and sales promotions	**₱1,226,259,000**	₱1,153,551,000
Suppliers	**561,849,466**	654,993,002
Salaries and other employee benefits	**31,643,554**	34,505,654
Freight expenses and releasing charges	**28,976,008**	23,255,384
	₱1,848,728,028	₱1,866,305,040

Foreign exchange gain (loss) on translation of payables amounted to (₱17.7 million), (₱12.1 million) and ₱8.4 million in 2023, 2022 and 2021, respectively (see Note 20).

12. Retirement and Other Liabilities

Other liabilities account consists of:

	2023	2022
Current		
Provisions for estimated liabilities	**₱84,571,115**	₱84,671,156
Noncurrent		
Provisions for estimated liabilities	**233,669,377**	300,581,654
Other long-term employee benefits	**19,014,362**	19,773,456
	252,683,739	320,355,110
	₱337,254,854	₱405,026,266

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

	2023	2022
Current		
Warranty claims	**₱84,571,115**	₱84,671,156
Noncurrent		
Warranty claims	**8,485,885**	10,127,844
Others	**225,183,492**	290,453,810
	233,669,377	300,581,654
	₱318,240,492	₱385,252,810

The rollforward of this account follows:

	2023		
	Warranty Claims	**Others**	**Total**
Balances at beginning of year	**₱94,799,000**	**₱290,453,810**	**₱385,252,810**
Provision (reversal of provision) for warranty claims and others (Notes 16 and 17)	**43,516,686**	**(15,118,326)**	**28,398,360**
Claims/usage/reclassifications	**(45,258,686)**	**(50,151,992)**	**(95,410,678)**
Balances at end of year	**₱93,057,000**	**₱225,183,492**	**₱318,240,492**

	2022		
	Warranty Claims	Others	Total
Balances at beginning of year	₱89,679,000	₱301,435,929	₱391,114,929
Provisions for warranty claims and others (Notes 16 and 17)	47,061,215	16,507,925	63,569,140
Claims/usage/reclassifications	(41,941,215)	(27,490,044)	(69,431,259)
Balances at end of year	₱94,799,000	₱290,453,810	₱385,252,810

Provision for warranty claims is recognized for expected warranty claims on products sold, based on past experience in the level of repairs and returns.

Others primarily consist of provisions for legal cases and other liabilities.

The other information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it may negatively affect the operations of the Parent Company and prejudice the outcome of the litigations and assessments.

Retirement Liability
The Parent Company's retirement liability consists of:

	2023	2022
Retirement liability under defined benefit plan	**₱141,586,635**	₱140,314,890
Others	**3,441,258**	3,675,917
	₱145,027,893	₱143,990,807

The Parent Company has a funded, noncontributory defined benefit retirement plan covering all of its regular employees. The benefits are based on the years of service and percentage of latest monthly salaries.

Other retirement liability pertains to the Parent Company's employee benefits outside its defined benefit plan that it expects to pay to its employees upon retirement.

The principal actuarial assumptions used in determining retirement benefits for the Parent Company's retirement plan are as follows:

	2023	2022
Discount rate		
Beginning	**5.6%**	4.6%
Ending	**6.4%**	5.6%
Salary increase rate		
Beginning	**5.0%**	5.0%
Ending	**5.0%**	5.0%
Average expected future service years	**14.4**	14.2

Changes in retirement liability under defined plan in 2023 and 2022 are as follows:

	2023		
	Present value of defined benefit obligation	**Fair value of plan assets**	**Net defined benefit liability**
Balances at beginning of year	**₱551,028,651**	**(₱410,713,761)**	**₱140,314,890**
Net benefit cost in the consolidated statement of comprehensive income (Note 17)			
Current service cost	**31,398,396**	**–**	**31,398,396**
Net interest cost (income)	**30,857,604**	**(22,999,971)**	**7,857,633**
	62,256,000	**(22,999,971)**	**39,256,029**
Contribution to plan assets	**–**	**(50,000,000)**	**(50,000,000)**
Benefits paid	**(51,520,031)**	**51,520,031**	**–**
Remeasurements in other comprehensive income			
Actuarial changes arising from changes in financial assumptions	**(29,408,781)**	**–**	**(29,408,781)**
Experience adjustments	**(9,137,923)**	**–**	**(9,137,923)**
Return on plan assets	**–**	**50,562,420**	**50,562,420**
	(38,546,704)	**50,562,420**	**12,015,716**
Balances at end of year	**₱523,217,916**	**(₱381,631,281)**	**₱141,586,635**

	2022		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Balances at beginning of year	₱547,005,162	(₱439,929,701)	₱107,075,461
Net benefit cost in the consolidated statement of comprehensive income (Note 17)			
Current service cost	25,848,898	–	25,848,898
Net interest cost (income)	25,162,237	(20,236,766)	4,925,471
	51,011,135	(20,236,766)	30,774,369
Benefits paid	(59,994,831)	59,994,831	–
Remeasurements in other comprehensive income			
Actuarial changes arising from changes in financial assumptions	(39,453,309)	–	(39,453,309)

(Forward)

	2022		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Actuarial changes arising from changes in demographic assumptions	₱5,134,893	₱–	₱5,134,893
Experience adjustments	47,325,601	–	47,325,601
Return on plan assets	–	(10,542,125)	(10,542,125)
	13,007,185	(10,542,125)	2,465,060
Balances at end of year	₱551,028,651	(₱410,713,761)	₱140,314,890

Changes in other retirement liability in 2023 and 2022 are as follows:

	Present value of defined benefit obligation	
	2023	2022
Balances at beginning of year	**₱3,675,917**	₱15,369,801
Net benefit cost in the parent company statement of comprehensive income (Note 18)		
Current service cost	**470,965**	1,797,910
Net interest cost	**205,852**	707,011
	676,817	2,504,921
Benefits paid	**(1,086,933)**	(392,385)
Remeasurements in other comprehensive income		
Actuarial changes arising from changes in financial assumptions	**(215,642)**	(506,168)
Actuarial changes arising from changes in demographic assumptions	**–**	(3,338,997)
Experience adjustments	**391,099**	(9,961,255)
	175,457	(13,806,420)
Balances at end of year	**₱3,441,258**	₱3,675,917

Rollforward of remeasurement losses in 2023 and 2022 on retirement follows:

	2023	2022
Balance at the beginning of year	**(₱116,380,392)**	(₱124,886,412)
Remeasurement gain (loss) on retirement plan in OCI		
Due to change in financial assumption	**29,624,423**	39,959,477
Due to change in demographic assumption	–	(1,795,896)
Due to experience	**₱8,746,824**	(₱37,364,346)
Actuarial gain (loss) on plan assets	**(50,562,420)**	10,542,125
Remeasurement gain (loss) during the year	**(12,191,173)**	11,341,360
Tax effect	**2,776,060**	(2,835,340)
Remeasurement gain (loss) on retirement plan during the year, net of tax effect	**(9,415,113)**	8,506,020
Balance at the end of year	**(₱125,795,505)**	(₱116,380,392)

Movement of remeasurement gain (loss) to be recognized in OCI in 2023 and 2022 follows:

	2023	2022	2021
Actuarial gain (loss):			
Due to change in financial assumption	**₱29,624,423**	₱39,959,477	(₱12,041,847)
Due to experience	**8,746,824**	(37,364,346)	20,194,672
Due to change in demographic assumption	–	(1,795,896)	–
	38,371,247	799,235	8,152,825
Actuarial gain (loss) on plan assets	**(50,562,420)**	10,542,125	22,282,912
Total gain (loss) to be recognized in OCI	**(12,191,173)**	11,341,360	30,435,737
Tax effect	**2,776,060**	(2,835,340)	(8,456,317)
Total gain (loss) to be recognized in OCI, net of tax effect	**(₱9,415,113)**	₱8,506,020	₱21,979,420

Other long-term employee benefits
Other long-term employee benefits pertain to accumulated sick leave and vacation leave. Based on the Parent Company's policy, employees are entitled to accumulate 10 days of vacation leave and 45 days of sick leave credits which are convertible to cash upon retirement or resignation.

The principal actuarial assumptions used in determining other long-term employee benefits for the Parent Company are as follows:

	2023	2022
Discount rate		
Beginning	**5.6%**	4.5%
Ending	**6.4%**	5.6%
Salary increase rate		
Beginning	**5.0%**	5.0%
Ending	**5.0%**	5.0%
Average expected future service years	**14.9**	14.2
Average accumulated sick leaves	**73.2 days**	30.6 days
Average accumulated vacation leaves	**20.4 days**	7.2 days

Other long-term employee benefits incurred in 2023, 2022 and 2021 amounted to ₱3.3 million, ₱2.0 million and ₱1.3 million, respectively, presented under 'Salaries, wages and employee benefits' in the consolidated statement of comprehensive income (see Note 18).

The latest actuarial valuation reports of the Parent Company are prepared by an independent actuary as of March 31, 2023.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of March 31, 2023 and 2022, assuming all other assumptions were held constant:

	Increase/ (Decrease)	**2023**	2022
Discount rates	+1.0%	**₱493,785,531**	₱516,643,659
	-1.0%	**564,215,821**	598,288,138
Future salary increases	1.0%	**564,367,648**	598,111,847
	-1.0%	**493,075,324**	516,095,892

Shown below is the maturity analysis of the undiscounted benefit payments:

	2023	2022
Less than 1 year to 5 years	**₱367,540,300**	₱354,963,475
More than 5 years to 10 years	**306,837,633**	351,546,887
More than 10 years to 15 years	**203,727,481**	200,604,096
More than 15 years	**1,499,826,244**	1,395,785,981

The average duration of the defined benefit obligation as of March 31, 2023, 2022 and 2021 is 12.4 years, 13.1 years, and 14.6 years, respectively. The Parent Company expects to contribute ₱66.4 million to the defined benefit plan in 2024.

The distribution of plan assets by each class as at the end of the reporting period of the Parent Company are as follow (see Note 21):

	2023	2022
Cash and cash equivalents	**₱94,133,895**	₱94,133,895
Loans and receivables	**58,024,058**	58,024,058
Investments	**229,625,131**	258,555,808
Accounts payable of plan assets to employee leave	**(151,803)**	–
	₱381,631,281	₱410,713,761

13. **Capital Stock**

Details of capital stock as of March 31, 2023 and 2022 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 March 31, 2023 and 2022, all Class B shares are issued to foreign nationals only. The Parent Company'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

The total number of shares registered under the SRC is 84,723,432 shares being held by 461 and 463 stockholders as of March 31, 2023 and 2022.

Capital management
The primary objective of the Parent Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Parent Company considers the following as its capital as of March 31, 2023 and 2022:

	2023	2022
Capital stock	**₱422,718,020**	₱422,718,020
Additional paid-in capital	**4,779,762**	4,779,762
Other comprehensive loss	**(125,795,505)**	(115,391,581)
Retained earnings (Note 14)		
Appropriated	**3,950,000,000**	3,850,000,000
Unappropriated	**452,182,660**	475,331,043
	₱4,703,884,937	₱4,637,437,244

The Parent Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company may adjust the dividend payment to shareholders or issue new shares.

The Parent Company declared cash dividends amounting to ₱105.2 million, ₱221.7 million, and ₱63.1 million in 2023, 2022 and 2021, respectively (see Note 14).

The Parent Company have no externally imposed capital requirements. There were no changes made in the objectives, policies or processes for the years ended March 31, 2023, 2022 and 2021, respectively.

14. Retained Earnings

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

The retained earnings inherited from NPPI before the effectivity of the merger amounting to ₱64.7 million are included in the 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, 2023 and 2022 amounted to ₱266.7 million and ₱320.8 million.

b. On April 18, 2023, the Parent Company's BOD authorized and directed the reversal of the appropriated retained earnings amounting to ₱1.2 billion. On the same date, the BOD authorized the appropriation of retained earnings amounting to ₱1.3 billion, having a total appropriated retained earnings amounting to ₱4.0 billion of which, ₱3.6 billion, represents the reinstatement of the previous appropriations for in-plant production of plastic and metal parts, the Parent Company's change of IT System and other future projects of the Parent Company, while the additional ₱383.2 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 2023 were delayed. These projects are expected to be completed by 2030.

c. On April 18, 2022, the Parent Company's BOD authorized and directed the reversal of the appropriated retained earnings amounting to ₱696.1 million. On the same date, the BOD authorized the appropriation of retained earnings amounting to ₱746.1 million, having a total appropriated retained earnings amounting to ₱3.9 billion of which, ₱3.6 billion, represents the reinstatement of the previous appropriations for in-plant production of plastic and metal parts, the Parent Company's change of IT System and other future projects of the Parent Company, while the additional ₱293.9 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 2022 were delayed. These projects are expected to be completed by 2030.

d. 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 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 Parent Company'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.

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

	2023	2022	2021
March 31, 2023, 24.89% cash dividends to stockholders of record as of June 4, 2022 payable on June 25, 2022 (₱0.25 per share)	**₱105,214,515**	₱–	₱–
March 31, 2022, 52.45% cash dividends to stockholders of record as of June 4, 2021 payable on June 25, 2021 (₱0.52 per share)	–	221,707,200	
March 31, 2021, 14.98% cash dividends to stockholders of record as of May 21, 2020 payable on May 29, 2020 (₱0.15 per share)	–	–	63,059,220
	₱105,214,515	₱221,707,200	₱63,059,220

15. **Cost of Goods Sold**

This account consists of:

	2023	2022	2021
Direct materials	**₱6,777,005,454**	₱4,964,010,558	₱4,274,434,406
Direct labor (Note 18)	**306,876,776**	261,514,957	252,061,884
Manufacturing overhead:			
Indirect labor (Note 18)	**216,515,546**	212,484,130	188,549,901
Depreciation and amortization (Note 19)	**180,750,232**	191,851,232	207,480,273
Electricity, gas and water	**75,701,932**	58,108,747	50,017,236
Repairs and maintenance	**53,475,262**	29,842,190	30,491,524
Provision for (reversal of) inventory write-down (Note 6)	**46,762,820**	(5,469,240)	39,768,022
Indirect materials	**32,638,109**	27,786,166	23,378,276
Travel	**29,019,673**	28,818,234	36,192,067
Supplies	**24,449,894**	20,224,405	18,147,063
Insurance	**14,305,159**	12,855,472	10,436,315
Research and development	**8,097,599**	95,428,523	92,845,002
Taxes and dues	**3,788,455**	4,857,552	5,211,524
Others	**72,084,375**	64,412,004	59,566,782
Total manufacturing overhead	**757,589,056**	741,199,415	762,083,985
Total manufacturing costs	**7,841,471,286**	5,966,724,930	5,288,580,275
Goods in process (Note 6):			
Beginning of year	**15,856,653**	11,664,068	14,434,667
End of year	**(14,743,336)**	(15,856,653)	(11,664,068)
Cost of goods manufactured	**7,842,584,603**	5,962,532,345	5,291,350,874
Finished goods and merchandise (Note 6):			
Beginning of year	**878,214,931**	1,055,907,812	1,002,859,251
Purchases	**4,977,496,270**	3,845,982,857	2,989,180,052
Provision for inventory write-down (Note 6)	**151,047,463**	87,467,535	118,191,394
End of year	**(1,160,591,338)**	(878,214,931)	(1,055,907,812)
	₱12,688,751,929	₱10,073,675,618	₱8,345,673,759

16. **Selling Expenses**

This account consists of:

	2023	2022	2021
Sales promotions	**₱701,076,796**	₱882,437,705	₱714,756,208
Freight and storage	**417,805,949**	297,796,230	371,053,414
Advertising and commissions	**100,964,035**	101,713,350	86,241,790
Provision for warranty claims (Note 12)	**43,516,686**	47,061,215	32,224,945
	₱1,263,363,466	₱1,329,008,500	₱1,204,276,357

17. General and Administrative Expenses

This account consists of:

	2023	2022	2021
Salaries, wages, and employee benefits (Note 18)	**₱377,361,624**	₱396,064,396	₱359,192,796
Technical assistance fees (Note 21)	**253,356,687**	196,100,321	180,653,122
Brand license fees (Note 21)	**96,193,462**	86,469,562	74,391,393
Repairs and maintenance	**70,178,380**	75,992,795	68,909,910
Taxes and dues	**58,285,676**	57,444,355	43,585,576
Outsourcing	**49,756,582**	44,641,035	46,612,439
Travel	**46,526,643**	21,538,136	14,148,487
Depreciation and amortization (Note 19)	**31,745,367**	29,171,939	35,200,490
Rent (Note 9)	**26,235,378**	11,913,693	10,190,458
Insurance	**19,832,032**	19,087,372	17,075,708
Provision for other estimated liabilities (Note 11)	**(18,286,326)**	16,507,925	–
Allocated costs	**12,659,455**	16,355,113	13,951,945
Electricity, gas and water	**7,898,960**	2,716,722	6,645,314
Supplies	**6,717,755**	9,244,574	8,622,030
Communications	**6,711,977**	8,889,031	7,443,917
Conference	**4,061,674**	2,145,245	554,968
Freight and storage	**3,234,738**	3,219,972	3,241,576
Provision for overhead expense (Note 11)	**3,168,000**	2,721,459	3,168,000
Product testing	**1,494,427**	3,015,915	1,544,206
Interest expense on lease liabilities (Note 9)	**311,536**	565,242	282,553
Provision for credit losses (Note 5)	**–**	–	7,944,612
Others	**50,441,384**	51,142,832	37,974,619
	₱1,107,885,411	₱1,054,947,634	₱941,334,119

Others include entertainment, amusement and recreation, research and development, credit investigation costs, hauling charges and others.

18. Salaries, Wages and Employee Benefits

This account consists of:

	2023	2022	2021
Compensation	**₱745,594,190**	₱713,139,020	₱655,497,907
Net retirement benefit expense (Note 12)	**39,932,846**	33,279,290	33,687,488
Other employee benefits	**115,226,910**	123,645,173	110,619,186
	₱900,753,946	₱870,063,483	₱799,804,581

Personnel expenses are shown in the parent company statements of comprehensive income as follows:

	2023	2022	2021
Cost of goods sold (Note 15)	**₱523,392,322**	₱473,999,087	₱440,611,785
General and administrative expenses (Note 17)	**377,361,624**	396,064,396	359,192,796
	₱900,753,946	₱870,063,483	₱799,804,581

19. Depreciation and Amortization

Details of depreciation and amortization follow:

	2023	2022	2021
Property, plant and equipment (Note 8)	**₱221,449,573**	₱220,337,506	₱241,677,504
Software (Note 10)	**1,046,026**	685,665	1,003,259
	₱212,495,599	₱221,023,171	₱242,680,763

	2023	2022	2021
Cost of goods sold (Note 15)	**₱180,750,232**	₱191,851,232	₱207,480,273
General and administrative expenses (Note 17)	**31,745,367**	29,171,939	35,200,490
	₱212,495,599	₱221,023,171	₱242,680,763

20. Other Income - net

This account consists of:

	2023	2022	2021
Service income (Note 21)	**₱56,495,141**	₱49,743,294	₱41,463,421
Interest income (Notes 4 and 21)	**50,645,042**	49,593,417	50,663,446
Income from scrap sales	**32,970,358**	17,645,716	9,103,411
Foreign currency exchange loss - net (Notes 4, 5 and 11)	**(₱24,807,078)**	(₱15,346,107)	(₱29,989,340)
Reversal of other estimated liabilities (Note 12)	**–**	–	13,002,589
Recovery of allowance for credit and impairment losses (Note 5)	**2,285,000**	6,175,383	–
Gain on disposal/retirement of property, plant and equipment and software (Note 8)	**1,734,058**	1,932,528	351,723
Miscellaneous income	**3,706,013**	577,200	577,200
	₱123,028,534	₱110,321,431	₱85,172,450

Unrealized foreign exchange gain (loss) amounted to (₱2.2 million), ₱4.0 million and ₱0.3 million in 2023, 2022 and 2021, respectively. Miscellaneous income includes insurance claims and rental.

21. **Related Party Transactions**

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.

The companies under common control of the Ultimate Parent Company (referred to as affiliates) that the Parent Company has transactions are as follows:

- Branch of Panasonic Appliances Vietnam Co., Ltd. In Hung Yen
- Panasonic Appliance Vietnam Co Ltd
- Panasonic Appliances India Co Ltd
- Panasonic Asia Pacific Pte Ltd
- Panasonic Commercial Equipment Systems Asia Pacific
- Panasonic Connect Asia
- Panasonic Consumer Marketing Appliance
- Panasonic Consumer Marketing Asia Pacific
- Panasonic Corporation Appliances Company Head Office
- Panasonic Corporation-Procurement Company
- Panasonic Ecology Systems (Hongkong)
- Panasonic Ecology Systems (Thailand) Co. Ltd. (Pesth)
- Panasonic Energy (Thailand) Co Ltd
- Panasonic Global Proc. Japan (Gprc)
- Panasonic Hong Kong Co., Ltd
- Panasonic Industrial Devices Automation Control Sales
- Panasonic Life Solutions (Thailand) Co Ltd
- Panasonic Life Solutions Asia Pacific
- Panasonic Life Solutions Asia Pacific (PPH Service Fee)
- Panasonic Life Solutions Sales (Thailand) Co Ltd
- Panasonic Life Solutions (Hong Kong) Co., Ltd.
- Panasonic Management (Thailand) Co., Ltd.
- Panasonic Management Malaysia Sdn.Bhd.
- Panasonic Manufacturing Ayuthayaco., Ltd.
- Panasonic Proc. Asia Pacific (PPAP)
- Panasonic Procurement (China) Co., Ltd.
- Panasonic Procurement Malaysia Sdn
- Panasonic System Solution Asia Pacific
- Panasonic Taiwan Co., Ltd.
- Panasonic Vietnam Co., Ltd.
- Panasonic Wanbao Appliances Comp. Co., Ltd.
- Panasonic Logistic Asia Pacific
- Pt.Panasonic Mfg.Indonesia (P.M.I)

As a result of the related party transactions, the Parent Company has outstanding balances with related parties as follows. Amounts due from and due to related parties are non-interest bearing and are normally settled within one year.

	2023		
	Nature, terms and conditions	**Amount/ Volume**	**Outstanding Balance**
Ultimate Parent Company			
Non-trade receivables (Note 5)	Related to promo support, 30-day term, non-interest bearing, unsecured	**₱8,662,998**	**₱4,711,958**
	Related to various reimbursements and other expenses	**366,753**	**326,320**
Non-trade payables (Note 10)	Related to brand license fees payable equivalent to 0.7% of the sales price of the products bearing the brand "KDK" and "Panasonic", non-interest bearing, payable semi-annually, unsecured	**96,193,462**	**42,109,235**
	Related to technical assistance fees payable equivalent to 3.0% of selected products, non-interest bearing, payable semi-annually, unsecured	**228,021,019**	**111,681,250**
Dividends payable	Dividends declared by the Parent Company	**84,126,853**	–
Accrued expenses (Note 10)	Related to compensation and welfare expenses of certain employees, payable quarterly, non-interest bearing, unsecured	**61,828,267**	**9,557,428**
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	**15,056,300**	**1,929,925**
Technical assistance fee (Note 16)	Related to technical assistance fees payable equivalent to 3.0% of selected products	**253,356,687**	–
Brand license fee (Note 16)	Related to brand license fees payable equivalent to 1.0% of the sales price of the products bearing the brand "KDK" and "Panasonic"	**96,193,462**	–
Affiliates			
Trade receivables (Note 5)	Sale of airconditioner units products, 30-day term, non-interest bearing, unsecured, no impairment	**2,771,757,380**	**313,294,792**
Non-trade receivables (Note 5)	Related to service income from rendering services in the form of general advice and assistance fees, 30-day term, non-interest bearing, unsecured, no impairment	**57,218,688**	**8,869,314**
	Related to promo support, 30-day term, non-interest bearing, unsecured, no impairment	**40,692,458**	**2,713,479**
	Related to certain expenses paid in behalf of affiliates, 30-day term, non-interest bearing, unsecured, no impairment	**29,888,211**	**10,574,911**
	Related to MRO system charged by the Parent Company to a lessee-affiliate, 30-day term, non-interest bearing, unsecured, no impairment	**1,552,159**	**126,640**

(Forward)

	2023		
	Nature, terms and conditions	**Amount/ Volume**	**Outstanding Balance**
Trade payable (Note 10)	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	**₱6,428,046,820**	**₱394,501,690**
Accrued expenses (Note 10)	Related to expenses payable for management fee, 30-day term, non-interest bearing, unsecured	**12,290,200**	**–**
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	**29,842,296**	**22,093,799**
	Related to allocated costs charged to the Company for certain services, 30-day term, non-interest bearing, unsecured	**3,101,336**	**182,589**
	Accrued expenses related to product development cost of Aircon	**8,026,613**	**103,461**
Service income (Note 19)	Related to service income earned from rendering services in the form of general advice and assistance fees	**56,495,141**	**–**

	2022		
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
Ultimate Parent Company			
Non-trade receivables (Note 5)	Related to compensation and welfare expenses of certain employee, 30-days term, non-interest bearing, unsecured	₱1,726,145	₱768,546
	Related to promo support, 30-day term, non-interest bearing, unsecured	3,915,044	1,253,141
Non-trade payables (Note 10)	Related to brand license fees payable equivalent to 0.7% of the sales price of the products bearing the brand “KDK” and “Panasonic”, non-interest bearing, payable semi-annually, unsecured	100,350	42,739,394
	Related to technical assistance fees payable equivalent to 3.0% of selected products, non-interest bearing, payable semi-annually, unsecured	176,490,289	89,025,204
Dividends payable (Note 10)	Dividends declared by the Parent Company	159,542,784	–
Accrued expenses (Note 10)	Related to compensation and welfare expenses of certain employees, payable quarterly, non-interest bearing, unsecured	65,078,149	11,888,826
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	12,012,979	2,298,425
	Accrued expenses related to export sales of the ACD (e.g. warranty expenses)	8,223,013	111,117
Technical assistance fee (Note 16)	Related to technical assistance fees payable equivalent to 3.0% of selected products	196,100,321	–

(Forward)

	2022		
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
Brand license fee (Note 16)	Related to brand license fees payable equivalent to 1.0% of the sales price of the products bearing the brand "KDK" and "Panasonic"	₱86,469,562	₱–
Affiliates			
Trade receivables (Note 5)	Sale of airconditioner units products, 30-day term, non-interest bearing, unsecured, no impairment	1,590,145,823	173,907,867
Non-trade receivables (Note 5)	Related to service income from rendering services in the form of general advice and assistance fees, 30-day term, non-interest bearing, unsecured, no impairment	60,154,767	7,798,224
	Related to promo support, 30-day term, non-interest bearing, unsecured, no impairment	45,751,667	24,664,524
	Related to certain expenses paid in behalf of affiliates, 30-day term, non-interest bearing, unsecured, no impairment	7,451,586	7,901,423
	Related to MRO system charged by the Parent Company to a lessee-affiliate, 30-day term, non-interest bearing, unsecured, no impairment	–	49,600
Trade payable (Note 10)	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	5,285,022,119	554,545,772
Accrued expenses (Note 10)	Related to expenses payable for management fee, 30-day term, non-interest bearing, unsecured	16,354,213	3,104,400
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	8,820,536	3,495,155
	Related to allocated costs charged to the Company for certain services, 30-day term, non-interest bearing, unsecured	2,153,167	–
	Accrued expenses related to product development cost of Aircon	65,371,986	5,472,690
Service income (Note 19)	Related to service income earned from rendering services in the form of general advice and assistance fees	49,743,294	–

	2021		
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
Ultimate Parent Company			
Non-trade receivables (Note 5)	Related to compensation and welfare expenses of certain employee, 30-days term, non-interest bearing, unsecured	₱10,137,380	₱8,636,852
	Related to promo support, 30-day term, non-interest bearing, unsecured	38,052,828	2,760,322

(Forward)

	2021		
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
Non-trade payables (Note 10)	Related to brand license fees payable equivalent to 0.7% of the sales price of the products bearing the brand "KDK" and "Panasonic", non-interest bearing, payable semi-annually, unsecured	₱74,391,393	₱39,653,718
	Related to technical assistance fees payable equivalent to 3.0% of selected products, non-interest bearing, payable semi-annually, unsecured	162,587,810	89,618,437
Dividends payable (Note 10)	Dividends declared by the Parent Company	45,568,430	5,491
Accrued expenses (Note 10)	Related to compensation and welfare expenses of certain employees, payable quarterly, non-interest bearing, unsecured	64,703,690	16,519,094
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	9,434,539	1,460,311
	Accrued expenses related to export sales of the ACD (e.g. warranty expenses)	1,729,653	1,313,909
Technical assistance fee (Note 16)	Related to technical assistance fees payable equivalent to 3.0% of selected products	180,653,122	–
Brand license fee (Note 16)	Related to brand license fees payable equivalent to 1.0% of the sales price of the products bearing the brand "KDK" and "Panasonic"	74,391,393	–
Affiliates			
Trade receivables (Note 5)	Sale of airconditioner units products, 30-day term, non-interest bearing, unsecured, no impairment	1,302,724,774	132,915,917
Non-trade receivables (Note 5)	Related to service income from rendering services in the form of general advice and assistance fees, 30-day term, non-interest bearing, unsecured, no impairment	67,295,297	7,130,386
	Related to promo support, 30-day term, non-interest bearing, unsecured, no impairment	81,480,559	43,157,799
	Related to certain expenses paid in behalf of affiliates, 30-day term, non-interest bearing, unsecured, no impairment	17,364,080	1,347,587
	Related to MRO system charged by the Parent Company to a lessee-affiliate, 30-day term, non-interest bearing, unsecured, no impairment	2,121,880	150,629
Trade payable (Note 10)	Purchase of raw materials, merchandise and other spare parts, 30-day term, non-interest bearing, unsecured	3,766,491,574	443,414,414
Accrued expenses (Note 10)	Related to expenses payable for management fee, 30-day term, non-interest bearing, unsecured	13,950,745	1,327,902

(Forward)

	2021		
	Nature, terms and conditions	Amount/ Volume	Outstanding Balance
	Related to communication expenses incurred, 30-day term, non-interest bearing, unsecured	₱4,581,732	₱–
	Related to allocated costs charged to the Company for certain services, 30-day term, non-interest bearing, unsecured	4,261,481	264,378
	Accrued expenses related to product development cost of Aircon	66,289,342	454,134
Service income (Note 19)	Related to service income earned from rendering services in the form of general advice and assistance fees	41,463,421	–

Receivable from and payable to related parties are presented under ‘Receivables’ and ‘Accounts payable and accrued expenses’, respectively.

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, 2023 and 2022 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 2023, 2022 and 2021, the Parent Company 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, 2023 and 2022. 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.

Key Management Personnel
The Parent Company’s key management personnel include the president and directors. The compensation of key management personnel consists of:

	2023	2022	2021
Short-term employee benefits	**₱44,938,646**	₱53,361,273	₱45,968,958
Post-employment benefits	**3,318,311**	4,002,458	4,338,871
	₱48,256,957	₱57,363,731	₱50,307,829

There are no agreements between the Parent Company 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 Board of Trustees of the retirement plan. 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, 2023 and carried at fair value. The Retirement Fund recognized a remeasurement gain (loss) amounting to (₱50.6 million) and ₱10.5 million in 2023 and 2022, respectively.

The value of the net plan assets of the fund by each classes as at the end of the reporting period are presented in Note 12.

As of March 31, 2023 and 2022, certain loans and receivables amounting to ₱58.0 million 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 ₱60.5 million and ₱60.6 million as of March 31, 2023 and 2022. The fair value of investment in quoted equity instruments as of March 31, 2023 and 2022 amounted to ₱147.4 million and ₱179.2 million, respectively. Investments also include investment properties pertaining to a parcel of land held for capital appreciation amounting to ₱21.8 million and ₱18.8 million as of March 31, 2023 and 2022.

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, 2023 and 2022.

22. Registration with the PEZA

The Parent Company is registered with the Philippine Economic Zone Authority (PEZA) pursuant to the provision of Republic Act (RA) No. 7916 (otherwise known as the "Special Economic Development Zone Act of 1995"), for Ecozone Export Enterprise for the manufacture of air conditioners and related service parts. Under the terms and conditions of its registration, the Parent Company is subject to certain requirements primarily related to the monitoring of its registered activities.

As a PEZA registered nonpioneer enterprise, the Parent Company's existing Board of Investments (BOI) operations, which were transferred to PEZA, are entitled to certain tax benefits and nontax incentives provided for the original project by the aforementioned law, which includes, among others, income tax holiday (ITH) for three years for incremental sales of air-conditioners starting April 1, 2003, 5.0% gross income taxation for air conditioners in lieu of national and local taxes, tax and duty-free importation of capital equipment and raw materials, exemption from realty taxes on machinery for four years from the date of acquisition, employment of foreign nationals and others. Any local sale of its registered products shall be subject to a separate application and prior PEZA approval.

The Parent Company's BOI registration is deemed cancelled upon approval of its PEZA registration.

The Parent Company also agrees that a first lien shall automatically be constituted upon any of its real or personal property found, existing and/or located in its registered operations to answer for any and all outstanding obligations or accounts owing, due and/or payable by the Parent Company to PEZA in the future, if any.

The revenue recognized from the sale of PEZA-registered products consists of:

	2023		
	Revenue	**VAT**	**Other taxes**
Export sales	**₱2,770,319,391**	**₱–**	**₱–**
Local sales	**1,320,445,515**	**158,453,462**	**5,861,444**
	₱4,090,764,906	**₱158,453,462**	**₱5,861,444**

	2022		
	Revenue	VAT	Other taxes
Export sales	₱1,589,151,744	₱–	₱–
Local sales	999,100,163	114,267,451	2,782,090
	₱2,588,251,907	₱114,267,451	₱2,782,090

23. **Income Taxes**

The provision for income tax consists of:

	2023	2022	2021
Current			
RCIT	**₱44,651,996**	₱66,544,323	₱73,514,714
Gross income tax (GIT)	**23,907,228**	19,476,467	23,469,912
Deferred	**(9,983,212)**	(8,319,823)	23,276,722
	₱58,576,012	₱77,700,967	₱120,261,348

The reconciliation of income before income tax computed at the statutory tax rate to provision for income tax as shown in the parent company statements of comprehensive income follows:

	2023	2022	2021
Income tax at statutory income tax rate	**₱60,337,749**	₱63,261,740	₱135,216,417
Additions to (reductions in) income taxes resulting from:			
Movement in unrecognized deferred tax assets	**17,155,667**	13,745,377	6,734,988
Income from PEZA registered activities	**(12,655,691)**	3,852,744	(19,928,217)
Income subjected to final tax	**(8,041,531)**	(3,158,894)	(3,597,940)
Non-deductible expenses (non-taxable income)	**1,779,818**	–	1,836,100
	₱58,576,012	₱77,700,967	₱120,261,348

The components of the Parent Company's net deferred tax assets follow:

	2023	2022
Deferred tax assets:		
Provisions for estimated liabilities and other accruals	**₱55,262,753**	₱52,709,938
Retirement liability (Note 11)	**42,043,580**	44,665,484
Allowance for inventory losses	**26,750,029**	24,251,988

(Forward)

	2023	2022
Unamortized past service cost	**₱22,511,866**	₱16,112,875
Allowance for credit and probable losses	**953,000**	1,524,250
Lease liability	**630,310**	1,820,961
Unrealized foreign currency exchange loss - net	**2,178,542**	–
	150,330,080	141,085,496
Deferred tax liabilities:		
Net book value of replacement and burned property, plant and equipment	**4,125,847**	5,278,363
Right-of-use asset	**771,855**	1,929,637
Unrealized foreign currency exchange gain - net	**–**	1,204,390
	4,897,702	8,412,390
	₱145,432,378	₱132,673,106

Movements in net deferred tax assets comprise of:

	2023	2022
At beginning of the year	**₱132,673,106**	₱127,188,623
Amounts credited to statements of income	**9,983,212**	8,319,823
Amount charged against statements of comprehensive income	**2,776,060**	(2,835,340)
At end of the year	**₱145,432,378**	₱132,673,106

As of March 31, 2023 and 2022, the Parent Company did not recognize deferred tax assets amounting to ₱351.7 million and ₱352.2 million, respectively, on temporary differences related to provisions for estimated liabilities and other accruals. The Parent Company assessed that it may not be probable that sufficient taxable income will be available in the foreseeable future against which these tax benefits can be realized.

In addition, the Parent Company has certain activities entitled to tax benefits and nontax incentives granted by PEZA. As such, no deferred tax assets were set up on certain gross deductible temporary differences in 2023 and 2022.

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Bill
President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding Php5 million and with total assets not exceeding Php100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.
- For investments prior to effectivity of CREATE:

- RBEs granted an ITH followed 5% GIT or are currently enjoying 5% GIT – allowed to avail of the 5% GIT for 10 years.

Effective July 1, 2020, applying the provisions of the CREATE Act, the Parent Company would have been subjected to lower regular corporate income tax rate of 25%.

Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the prorated CIT rate for the year ended March 31, 2021 of the Parent Company is 26.25%.

24. Contingencies

The Parent Company is contingently liable for lawsuits and tax assessments arising from the ordinary course of business. In the opinion of management and its legal counsels, the ultimate liability for the said lawsuits and tax assessments, if any, would not be material in relation to the Parent Company's financial position and operating results.

25. Basic/Diluted Earnings Per Share

Basic earnings per share is calculated by dividing the net income attributable to the equity holders of the Parent Company by the weighted average number of common shares outstanding during the year. Diluted earnings per share is the same as the basic earnings per share as there are no potential dilutive shares outstanding.

The following are the income and share data used in the basic/diluted earnings per share computation:

	2023	2022	2021
Net income attributable to the equity holders of the Parent Company (a)	**₱182,774,982**	₱165,522,613	₱356,722,129
Weighted average number of common shares (b) (Note 13)	**422,718,020**	422,718,020	422,718,020
Basic/diluted earnings per share (a/b)	**₱0.43**	₱0.39	₱0.84

There have been no other transactions involving common shares or potential common shares between the reporting date and the date of the completion of the parent company financial statements.

26. Reporting Segments

For management purposes, the Parent Company'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 parent company financial statements. However, current and deferred taxes are managed on a group basis and are not allocated to operating segments.

The Parent Company's segment information for the fiscal years ended March 31 is as follows (in thousands):

	2023					
	Consumer	**SSG**	**LS**	**Others**	**Adjustments/ Eliminations**	**Total**
Statement of Comprehensive Income						
Net sales	**₱14,755,142**	**₱142,255**	**₱65,830**	**₱215,096**	**₱–**	**₱15,178,323**
Cost of goods sold (Note 15)	**(12,333,186)**	**(104,093)**	**(61,976)**	**(189,497)**	**–**	**(12,688,752)**
Selling expenses (Note 16)	**(1,305,832)**	**(7,293)**	**47,176**	**2,585**	**–**	**(1,263,364)**
General and administrative expenses (Note 16)	**(1,009,664)**	**(28,734)**	**(46,125)**	**(23,362)**	**–**	**(1,107,885)**
Other income - net (Note 19)	**119,684**	**1,709**	**1,139**	**497**	**–**	**123,029**
Income before income tax	**₱226,144**	**₱3,844**	**₱6,044**	**₱5,319**	**₱–**	**₱241,351**
Provision for income tax (Note 22)						**58,576**
Net income						**₱182,775**
Consolidated Statement of Financial Position						
Segment assets	**₱3,101,669**	**₱280,179**	**₱46,025**	**₱4,486,995**	**₱145,432[1]**	**₱8,060,300**
Segment liabilities	**2,689,380**	**33,423**	**11,612**	**622,000**	**–**	**3,356,415**
Other Segment Information						
Capital expenditures[2] (Notes 7 and 9)	**16,222**	**713**	–	**213,462**	**–**	**230,397**
Depreciation and amortization[3] (Note 19)	**14,997**	**353**	**169**	**196,977**	**–**	**212,496**
Interest income[4] (Note 20)	**50,645**	**–**	**–**	**–**	**–**	**50,645**

1. *Segment assets do not include deferred tax assets amounting to ₱145.4 million.*
2. *Capital expenditures include acquisition of property, plant and equipment and software costs.*
3. *Depreciation and amortization is divided between cost of goods sold and general and administrative expenses.*
4. *Interest income is included in other income.*

	2022					
	Consumer	SSG	LS	Others	Adjustments/ Eliminations	Total
Statement of Comprehensive Income						
Net sales	₱12,191,108	₱169,849	₱109,054	₱120,523	₱–	₱12,590,534
Cost of goods sold (Note 15)	(9,733,319)	(139,021)	(97,893)	(103,442)	–	(10,073,675)
Selling expenses (Note 16)	(1,364,492)	(2,397)	37,282	599	–	(1,329,008)
General and administrative expenses (Note 17)	(970,666)	(25,412)	(42,928)	(15,942)	–	(1,054,948)
Other income - net (Note 20)	109,841	7	183	290	–	110,321
Income before income tax	₱232,472	₱3,026	₱5,698	₱2,028	₱–	243,224
Provision for income tax (Note 23)						77,701
Net income						₱165,523
Statement of Financial Position						
Segment assets	₱3,382,867	₱297,522	₱50,728	₱4,622,103	₱132,673[1]	₱8,485,893
Segment liabilities	2,833,715	52,352	18,247	944,141	–	3,848,455
Other Segment Information						
Capital expenditures[2] (Notes 8 and 10)	4,881	166	–	130,611	–	135,658
Depreciation and amortization[3] (Note 19)	11,647	649	332	208,395	–	221,023
Interest income[4] (Note 20)	49,593	–	–	–	–	49,593

1. Segment assets do not include deferred tax assets amounting to ₱132.7 million.
2. Capital expenditures include acquisition of property, plant and equipment and software costs.
3. Depreciation and amortization is divided between cost of goods sold and general and administrative expenses.
4. Interest income is included in other income.

	2021					
	Consumer	SSG	LS	Others	Adjustments/ Eliminations	Total
Statement of Comprehensive Income						
Net sales	₱10,483,965	₱181,337	₱117,244	₱100,549	₱–	₱10,883,095
Cost of goods sold (Note 15)	(8,007,129)	(131,880)	(95,874)	(110,791)	–	(8,345,674)
Selling expenses (Note 16)	(1,216,898)	(22,418)	25,714	9,326	–	(1,204,276)
General and administrative expenses (Note 17)	(934,405)	(23,746)	(38,247)	55,064	–	(941,334)
Other income - net (Note 20)	103,989	(505)	40	(18,352)	–	85,172
Income before income tax	₱429,522	₱2,788	₱8,877	₱35,796	₱–	476,983
Provision for income tax (Note 23)						120,261
Net income						₱356,722
Statement of Financial Position						
Segment assets	₱3,325,386	₱282,415	₱43,657	₱4,341,329	₱127,189[1]	₱8,119,976
Segment liabilities	1,512,590	7,917	4,067	1,910,576	–	3,435,150
Other Segment Information						
Capital expenditures[3] (Notes 8 and 10)	14,582	–	42	134,353	–	148,977
Depreciation and amortization[4] (Note 19)	12,915	1,050	457	228,259	–	242,681
Interest income[5] (Note 20)	50,663	–	–	–	–	50,663

1. Segment assets do not include deferred tax assets amounting to ₱127.2 million.
2. Capital expenditures include acquisition of property, plant and equipment and software costs.
3. Depreciation and amortization is divided between cost of goods sold and general and administrative expenses.
4. Interest income is included in other income.

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

	2023	2022	2021
Philippines	**₱12,408,003**	₱11,000,388	₱9,580,370
Hongkong	**2,221,031**	1,590,146	1,302,725
Africa	**549,289**	–	–
	₱15,178,323	₱12,590,534	₱10,883,095

The Parent Company has two customers each representing 10.0% or more of the Parent Company's total revenue amounting to ₱4.8 billion in 2023 and ₱4.2 billion in 2022.

Disaggregated revenue information
The table below shows the net sales information of the Parent Company based on the revenue streams identified (in thousands):

	2023				
	Consumer	**SSG**	**LS**	**Others**	**Total**
B2B sales	**₱586,697**	**₱142,255**	**₱65,830**	**215,096**	**₱1,009,878**
B2C sales	**14,168,445**	**–**	**–**	**–**	**14,168,445**
	₱14,755,142	**₱142,255**	**₱65,830**	**₱215,096**	**₱15,178,323**

	2022				
	Consumer		Consumer		Consumer
B2B sales	₱343,367	₱169,849	₱109,054	₱120,523	₱742,793
B2C sales	11,847,741	–	–	–	11,847,741
	₱12,191,108	₱169,849	₱109,054	₱120,523	₱12,590,534

	2021				
	Consumer		Consumer		Consumer
B2B sales	₱306,710	₱181,337	₱117,244	₱100,549	₱705,840
B2C sales	10,177,255	–	–	–	10,177,255
	₱10,483,965	₱181,337	₱117,244	₱100,549	₱10,883,095

27. Financial Risk Management Objectives and Policies

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

The Parent Company 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 Parent Company's principal financial instruments consist of cash and cash equivalents, receivables and financial assets at FVOCI. The main purpose of these financial instruments is to raise finances for the Parent Company's operations. The Parent Company 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 Parent Company's financial instruments are credit risk, liquidity risk and market risk. The Parent Company 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 Parent Company, which comprise of cash and cash equivalents, receivables, financial assets at FVOCI and other assets, the Parent Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of the instrument.

The Parent Company manages credit risk by assessing the creditworthiness of its counterparties. The Parent Company trades only with recognized, creditworthy third parties. It is the Parent Company'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, 2023 and 2022, the Parent Company 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 Parent Company acquired credit insurance for its domestic trade receivables, which covers both fully secured and partially secured receivables. Other than for domestic trade receivables, the Parent's maximum exposure to credit risk is equivalent to the carrying value of the Parent's financial assets as of March 31, 2023 and 2022.

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 Parent Company'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 Parent Company's financial strength and undermine public confidence.

As of March 31, 2023, the Parent Company had two customers that owed it for a total amount of ₱516.3 million that accounts for more than 35.7% of the total trade receivables outstanding. As of March 31, 2022, the Parent Company 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, 2023 and 2022, the Parent Company's maximum exposure to credit risk pertaining to trade receivables follows:

	Carrying Value	Fair Value of Credit Enhancement	Maximum Exposure to Credit Risk	Financial Effect of Credit Enhancement
2023	**₱1,700,827,865**	**₱4,194,650,000**	**₱33,457,824**	**₱1,667,370,041**
2022	₱1,696,071,771	₱3,939,868,500	₱207,971,411	₱1,488,100,360

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, 2022 and March 31, 2023.

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

The table below shows the information about the Parent Company's credit risk exposures on trade receivables using a provision matrix:

	2023				
	Current	**More than 30 days**	**More than 60 days**	**More than 90 days**	**Total**
Trade receivables					
Expected credit loss rate	**1.56%**	**7.27%**	**17.77%**	**21.08%**	
Total gross carrying amount	**₱1,693,434,774**	**₱1,590,991**	**₱2,856,248**	**₱2,945,853**	**₱1,700,827,866**
Expected credit losses	**2,971,031**	**78,196**	**343,016**	**419,757**	**3,812,000**

	2022				
	Current	More than 30 days	More than 60 days	More than 90 days	Total
Trade receivables					
Expected credit loss rate	1.23%	10.71%	22.97%	25.77%	
Total gross carrying amount	₱1,694,401,502	₱528,699	₱836,078	₱305,492	₱1,696,071,771
Expected credit losses	5,428,956	115,541	391,893	160,610	6,097,000

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 Parent Company'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 Parent Company'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 Parent Company to ensure availability of funds needed to meet working capital requirements.

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

The tables below summarize the maturity profile of the Parent Company's financial assets and liabilities, based on the contractual undiscounted collections and payments:

	2023					
	On Demand	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**Beyond 1 year**	**Total**
Financial Assets						
Cash in banks	**₱466,094,358**	**₱–**	**₱–**	**₱–**	**₱–**	**₱466,094,358**
Cash equivalents*	–	**1,911,036,619**	**189,859,354**	–	–	**2,100,895,973**
Receivables						
Trade						
Domestic	**1,363,808,601**	**13,360,348**	**4,026,028**	**2,526,096**	–	**1,383,721,073**
Export	–	**313,294,793**	–	–	–	**313,294,793**
Non-trade	–	**56,270,669**	–	–	–	**56,270,669**
	1,829,902,959	**2,293,962,429**	**193,885,382**	**2,526,096**	–	**4,320,276,866**
Financial assets at FVOCI	–	–	–	–	–	–
Advances to a subsidiary	–	**1,539,902**	**3,079,804**	**13,859,116**	**190,947,817**	**209,426,639**
Deposits paid	**7,352,194**	**2,516,798**	**1,486,000**	**3,787,000**	–	**15,141,992**
	1,837,255,153	**2,298,019,129**	**198,451,186**	**20,172,212**	**190,947,817**	**4,544,845,497**
Financial Liabilities						
Lease Liability*	–	–	**1,287,279**	**1,287,279**	–	**2,574,558**
Accounts payable and accrued expenses**	–	**1,501,175,280**	**12,234,603**	**1,234,061,811**	**60,554,716**	**2,808,026,410**
	–	**1,501,175,280**	**13,521,882**	**1,235,349,090**	**60,554,716**	**2,810,600,968**
	₱1,837,255,153	**₱796,843,849**	**₱184,929,304**	**(₱1,215,176,878)**	**₱130,393,101**	**₱1,734,244,529**

**Includes future interest*
***Excludes statutory liabilities amounting to ₱63.6 million*

	2022					
	On Demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
Financial Assets						
Cash in banks	₱1,835,272,859	₱–	₱–	₱–	₱–	₱1,835,272,859
Cash equivalents*	–	1,195,416,072	103,522,082	–	–	1,298,938,154
Receivables						
Trade						
Domestic	1,504,092,298	10,972,381	857,343	144,882	–	1,516,066,904
Export	–	173,907,867	–	–	–	173,907,867
Non-trade	–	76,419,384	–	–	–	76,419,384
	3,339,365,157	1,456,715,704	104,379,425	144,882	–	4,900,605,168
Financial assets at FVOCI	–	–	–	–	1,949,301	1,949,301
Advances to a subsidiary	–	1,539,902	3,079,804	13,859,116	209,426,638	227,905,460
Deposits paid	9,267,805	3,581,362	1,666,000	5,019,000		19,534,167
	3,348,632,962	1,461,836,968	109,125,229	19,022,998	211,375,939	5,149,994,096
Financial Liabilities						
Lease Liability*	–	–	1,249,790	3,824,349	2,574,559	7,648,698
Accounts payable and accrued expenses**	–	2,026,414,398	9,737,876	1,162,348,489	41,972,416	3,240,473,179
	–	2,026,414,398	10,987,666	1,166,172,838	44,546,975	3,248,121,877
	₱3,348,632,962	(₱564,577,430)	₱98,137,563	(₱1,147,149,840)	₱166,828,964	₱1,901,872,219

**Includes future interest*
***Excludes statutory liabilities amounting to ₱51.7 million*

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 Parent Company 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 Parent Company. The Parent Company ensures that the financial assets denominated in foreign currencies are sufficient to cover the financial liabilities denominated in foreign currencies.

As of March 31, 2023 and 2022, the foreign currency-denominated financial assets and financial liabilities in original currencies and their Philippine Peso (PHP) equivalents are as follows:

	2023		
	USD	**JPY**	**Equivalents in PHP**
Financial assets			
Cash and cash equivalents	**6,421,000**	**1,070,000**	**349,484,367**
Receivables	**6,088,589**	**3,070,029**	**332,234,740**
	12,509,589	**4,140,029**	**681,719,107**
Financial liabilities			
Accounts payable and accrued expenses	**6,331,540**	**55,927,347**	**367,118,343**

	2022		
	USD	JPY	Equivalents in PHP
Financial assets			
Cash and cash equivalents	5,525,011	1,933,700	286,688,397
Receivables	4,117,793	1,246,160	213,585,833
	9,642,804	3,179,860	500,274,230
Financial liabilities			
Accounts payable and accrued expenses	16,344,221	9,840,448	841,455,033

The following tables demonstrate the sensitivity to a reasonably possible change in the US dollar (USD) and Japanese yen (JPY) currency rates, with all variables held constant, of the Parent Company’s income before tax from continuing operations (due to changes in the fair value of monetary assets and liabilities).

	Increase/ decrease in USD rate	**Effect on income before tax**
2023	**+8%**	**(₱19,709,674)**
	-8%	**23,137,443**
2022	+8%	₱25,683,804
	-8%	(30,150,553)

	Increase/ decrease in JPY rate	Effect on income before tax
2023	**+7%**	**₱1,851,815**
	-7%	**(2,130,583)**
2022	+7%	₱363,121
	-7%	(417,784)

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 Parent Company’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 Parent Company's equity other than those already affecting profit or loss.

Equity Price Risk
The Parent Company's exposure to equity price pertains to its investments in quoted shares of the Parent Company which are classified as FVOCI in the 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) due to a reasonably possible change in equity indices is not material to the financial position of the Parent Company.

Fair Value Measurement
The methods used by the Parent Company in estimating the fair value of its assets and liabilities follow:

Cash and cash equivalents, receivables, refundable deposits and other assets
Carrying amounts of cash in banks, cash equivalents, receivables, refundable deposits and other assets 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.

Advances to a subsidiary
Advances to a subsidiary with carrying value of ₱154.0 million has fair value of ₱149.9 million and ₱154.6 million as of March 31, 2023 and 2022, respectively. The fair values are included in Level 3 hierarchy, estimated using the discounted cash flow methodology using the current incremental lending rates for similar loans with maturities consistent with those remaining for the financial asset being valued, if any.

Financial assets at FVOCI
Fair values of quoted equity securities 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.

28. Notes to Statements of Cash Flows

Cash flows from investing activities include acquisitions of property, plant and equipment on account amounting to ₱9.4 million, ₱5.8 million and ₱5.8 million in 2023, 2022 and 2021, respectively (see Notes 8 and 11).

The table below provides for the changes in liabilities from financing activities:

	March 31, 2023			
	Beginning balance	**Cash flows**	**Non-cash changes**	**Ending balance**
Lease liability (Note 9)	**₱7,283,845**	**(₱5,074,140)**	**₱311,536**	**₱2,521,241**
Total liabilities from financing activities	**₱7,283,845**	**(₱5,074,140)**	**₱311,536**	**₱2,521,241**

	March 31, 2022			
	Beginning balance	Cash flows	Non-cash changes	Ending balance
Lease liability (Note 9)	₱11,644,961	(₱4,926,358)	₱565,242	₱7,283,845
Dividends payable (Notes 11 and 14)	5,491	(221,712,691)	221,707,200	–
Total liabilities from financing activities	₱11,650,452	(₱226,639,049)	₱222,272,442	₱7,283,845

	March 31, 2021			
	Beginning balance	Cash flows	Non-cash changes	Ending balance
Lease liability (Note 9)	₱10,708,792	(₱7,974,503)	₱8,910,672	₱11,644,961
Dividends payable (Notes 11 and 14)	2,513	(63,056,242)	63,059,220	5,491
Total liabilities from financing activities	₱10,711,305	(₱71,030,745)	₱71,969,892	₱11,650,452

29. Approval of the Release of Parent Company Financial Statements

The accompanying parent company financial statements were approved and authorized for issue by the Parent Company's BOD on June 14, 2023.

30. Events after Reporting Period

On April 1, 2023, the Parent Company changed its accounting policy related to valuation of inventories from First In, First Out (FIFO) to Weighted Average valuation method which is inherent to provide more reliable and relevant information in a systematic way unaffected by when goods are purchased and when they are sold.

On May 30, 2023, the Parent Company's Board of Directors approved the declaration of 25.94% (₱0.2594 per share) cash dividends to stockholders of record as of June 14, 2023 amounting to ₱109.7 million payable on June 23, 2023.

31. Supplementary Tax Information Required Under Revenue Regulations 15-2010

In compliance with BIR Regulations 15-2010, the following is the information in taxes and licenses fee paid and accrued in 2022.

<u>Value Added Tax (VAT)</u>
The Company is VAT registered company with VAT output tax declaration of ₱1,667,636,730 in 2022 based on the amount reflected in Net Sales account of ₱13,896,972,751.

The company has zero-rated sales amounting to ₱2,780,191,655 for 2022 pursuant to the provisions of National Internal Revenue Code (NIRC) Section 106.

Zero rated sales of goods and services consists of export sales and those rendered to entities whose exemptions are provided under special laws or international agreements to which the Philippines is signatory.

The Company's sale of goods and services declared in vat return includes sales of scrap.

Input VAT

The amount of VAT input taxes claimed are break down as follows:

Balance at April 1, 2022	₱155,810,382
Current year's domestic payments for:	
Goods for manufacture or further processing	1,115,268,876
Services lodged under other accounts	307,852,857
Goods other than for resale or manufacture	12,115,461
Capital goods not subject to amortization	5,877,088
Claims for tax credit/ refund and other adjustments	(1,488,175,035)
Balance at March 31, 2023	₱108,749,629

Output VAT

The amount of VAT output taxes claimed are break down as follows:

	Net Sales/Receipt	Output VAT
Sales of goods/services:		
Taxable	₱13,896,972,767	₱1,667,636,732
Zero rated	2,780,191,655	–
	₱16,677,164,422	₱1,667,636,732

Other Taxes and Licenses

Other taxes and licenses for 2023 included in general and administrative expenses and cost of goods sold are as follows:

Local taxes:	
Municipal taxes	₱47,051,901
Real property taxes	1,895,089
Association dues	2,253,330
Car registration fees	188,312
Community tax certificate	32,880
Others	682,062
	52,103,574
National taxes:	
Fringe benefit taxes	9,863,664
PEZA permit and processing fee	33,625
SEC filing fee	71,268
Annual registration fee	2,000
	9,970,557
	₱62,074,131

Withholding Taxes

	Remittances	Balances
Tax on compensation and benefits	88,713,601	7,238,873
Expanded withholding taxes	79,116,684	6,528,657
Final withholding taxes	43,979,000	3,185,939
	₱211,809,285	₱16,953,469

Tax Audit and Investigation
On October 6, 2022, the Parent Company received a Preliminary Assessment Notice (PAN) from the BIR for its assessment on income tax, value added tax, withholding tax on compensation, expanded withholding tax, documentary stamp tax and compromise penalty for the taxable year 2018 in the total amount of ₱9,901,731. On October 7, 2022, the Company has settled the said assessment.

As of March 31, 2023, the Company has no tax assessments, which are either pending decision by the court or are being contested, the outcome of which is not presently determinable.

Taxable year 2019 is currently under investigation by the BIR. No Preliminary Assessment Notice (PAN) or Final Assessment Notice (FAN) has been issued by the BIR as of reporting date.

RENZ DIMACULANGAN

From: eafs@bir.gov.ph <eafs@bir.gov.ph>
Sent: Friday, July 14, 2023 7:36 AM
To: FRANCISCO TOLENTINO <francisco.tolentino@ph.panasonic.com>
Cc: FRANCISCO TOLENTINO <francisco.tolentino@ph.panasonic.com>
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Transaction Code: **AFS-0-YTR4RQP0BJLE9H8JMYNZZ4MV0PV4M4TN3**
Submission Date/Time: **Jul 14, 2023 07:36 AM**
Company TIN: **000-099-692**

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RENZ DIMACULANGAN

Subject: FW: SEC eFast Initial Acceptance

From: noreply-cifssost@sec.gov.ph <noreply-cifssost@sec.gov.ph>
Sent: Friday, July 14, 2023 9:06 AM
Subject: SEC eFast Initial Acceptance

Greetings!

SEC Registration No: 0000023022
Company Name: Panasonic Manufacturing Philippines Corporation
Document Code: AFS

This serves as temporary receipt of your submission.
Subject to verification of form and quality of files of the submitted report.
Another email will be sent as proof of review and acceptance.

Thank you.

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TO ALL FILERS OF REPORTS IN THE e-FAST

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Filings not in accordance with the prescribed template for the following reports
will be automatically reverted by the system to the filer.

1. General Information Sheet (GIS-Stock)
2. General Information Sheet (GIS-Non-stock)
3. General Information Sheet (GIS- Foreign stock & non-stock)
4. Broker Dealer Financial Statements (BDFS)
5. Financing Company Financial Statements (FCFS)
6. Investment Houses Financial Statements (IHFS)
7. Publicly – Held Company Financial Statement
8. General Form for Financial Statements
9. Financing Companies Interim Financial Statements (FCIF)
10. Lending Companies Interim Financial Statements (LCIF)

Per Section 18 of SEC Memorandum Circular No. 3 series of 2021, the reckoning date of receipt of reports is the date the report was initially submitted to the eFast, if the filed report is compliant with the existing requirements.

A report, which was reverted or rejected, is considered not filed or not received. A notification will be sent to the filer, stating the reason for the reports rejection in the remarks box.

SECURITIES AND EXCHANGE COMMISSION
SEC Headquarters, 7907 Makati Avenue,

Salcedo Village, Barangay Bel-Air, Makati City,
1209, Metro Manila, Philippines

REPORT OF THE AUDIT COMMITTEE TO THE BOARD OF DIRECTORS
Panasonic Manufacturing Philippines Corporation
For the Fiscal Year Ended March 31, 2023

The role and responsibilities of the Audit Committee are defined in the Board-approved Audit Committee charter. In accordance with this charter, the Committee assist the Board of Directors in fulfilling its oversight responsibilities to the shareholders with respect to:

- System of Internal Controls, risk management and governance process of the Company,
- Integrity of the Company's financial statement and financial reporting process
- Performance of the internal audit function and external auditor
- Compliance with the Company's policies, applicable laws, rules, and regulatory requirements

The Audit Committee is composed of three (3) directors, two of whom are independent directors, all with necessary background, knowledge, skills, and experience to carry out its functions. The Chairman of the Committee is an Independent Director. It held 4 regular meetings in fiscal year 2022. The highlights of the Committee's activities were as follows:

1. **Financial Statements:**

a) Reviewed and discussed with Management and the external auditor, Sycip, Gorres, Velayo & Co. (SGV), a member of Ernst & Young, the audited consolidated financial statement of the Panasonic Manufacturing Philippines Corporation (PMPC) and the related disclosure for the fiscal year ended March 31, 2023, including the assessment of the internal controls relevant to the financial reporting process. The review was performed in the following context:
   - that Management is responsible for the preparation and fair presentation of the financial statement in accordance with the prescribed financial reporting framework and,
   - that SGV has audited the financial statements in accordance with the Philippine Standards on Auditing and is responsible for expressing an opinion on the fairness of the presentation.

   After obtaining assurance on the external auditor's independent and thorough review of the financial statements, the Committee endorse the audited financial statements for approval by the Board and for inclusion in the fiscal year 2022 Annual Report to the Stockholders.

b) Discussed with Management and the internal auditors, the quarterly unaudited consolidated financial reports of PMPC Group including the results of operations and endorsed the financial statements to the Board of Directors for approval.

2. **External Audit:**

a) Reviewed the audit plan and the scope of work of the external auditors, ensuring that areas of focus were appropriately covered and there were no significant gaps in the scope between external and internal audits to ensure effective use of resources. The Committee also ensured the rotation every five (5) years of the lead audit partner having primary responsibility for the audit of the Company. In consultation with Management, the Committee approved the term of engagement and audit fees of the external auditor. There was also no non-audit work performed by the external auditor for PMPC and its subsidiary.

b) Assessed the overall performance and effectiveness of the external auditors of their independence, competence and execution of the audit plan. SGV had reaffirmed its independence from PMPC and its subsidiary and that they are in compliance with the relevant ethical and professional standards. The Committee, thereafter, recommended for consideration and endorsement of the Board of Directors to the stockholders, the re-engagement of SGV & Co., for PMPC and its subsidiary for fiscal year 2022.

The Audit Committee also held an annual review session with the external auditor to discuss any matters of concern on internal controls relating to its financial reporting and attestation process. Special meeting was also held to discuss new accounting standards that would have significant impact to the Company.

3. **Internal Audit**

a) Reviewed and approved the annual work plan of internal audit including its charter, risk assessment model and audit planning framework. The Committee also ensures that internal audit function is independent, has adequate competent resources, and has appropriate authority to be able to effectively discharge its duties.

b) Reviewed and discussed the reports from internal audit and other management assurance units, ensuring that Management is taking the appropriate corrective actions in a timely manner and all identified risks are reviewed in accordance with the Risk Management Committee. The Committee also discussed Management updates on the Company's strategic plans/initiatives to enhance processes particularly on information technology, cyber security, data privacy, and other regulatory and operational risks. The Audit Committee also held periodic private session and meeting with Internal Audit to discuss any significant control and risks issues.

c) Reviewed minutes of the meetings of different Committees of PMPC and subsidiary, to ensure that identified control weaknesses, operational risks and compliance issues are monitored and acted upon.

d) Evaluated the performance of the Internal Audit Head. The internal audit also conducted quality self-assessment review to determine whether its activities are in accordance with Internal Standards for the Professional Practice of Internal Auditing and Code of Ethics.

4. **Regulatory Compliance:**

   a) Reviewed the effectiveness of the system for monitoring compliance with laws and regulations through the regular reports from the compliance officer on the results of their compliance review, updates on the outstanding regulatory issues and management actions to address the issues.
   b) Discussed the result of the post-implementation reviews of related party transactions (RPTs), ensuring that any significant issues had been appropriately addressed.

In compliance with the SEC requirement and PMPC's Corporate Governance Manual, the Audit Committee:

- The Committee also received updates on new relevant laws, accounting standards, tax rules, and other regulatory requirements.
- Reviewed annually the Audit Committee Charter to ensure that it is updated and aligned with the recent guidelines and other relevant regulations.
- Performed an annual self-assessment and reviewed its performance as against the charter. The result of the self-assessment was validated by the Compliance officer and discussed in the Corporate Governance Committee. The process confirmed a satisfactory performance of the Audit Committee.

Based on the results of the assurance activities performed by the PMPC's Internal Audit and external auditors unqualified opinion on the financial statements, the Committee assessed that the Company's systems of internal control, risk management, and governance processes is adequate and generally effective. This overall assessments states, among others, that the audit scope and coverage are sufficient, comprehensive, and risk based, that Management is aware of the responsibility for internal control, and that there is no interference with the accomplishment of audit activities and reporting of issues and other relevant information to Management, Audit Committee and the Board of Directors.

MARLON MOLANO
Chairman – Audit Committee

ATSUSHI KOZUMA
Member

ELIZABETH GILDORE
Member

Panasonic Manufacturing Philippines Corporation

SUSTAINABILITY REPORT

Contextual Information

Company Details	
Name of Organization	**PANASONIC MANUFACTURING PHILIPPINES CORPORATION**
Location of Headquarters	Ortigas Extension Avenue, Taytay, Rizal, Philippines
Location of Operations	Taytay, Rizal and Sta Rosa, Laguna
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	Consolidated Report
Business Model, including Primary Activities, Brands, Products, and Services	Appliance Manufacturing
Reporting Period	Fiscal Year 2023
Highest Ranking Person responsible for this report	Chief Executive Officer (CEO)

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.[1]
During the process of identifying and prioritizing the material sustainability topics, the following factors were taken into account: • Economic, environmental, and/or social impacts identified through sound investigation with respective department responsible for each relevant topic • The interests and expectations of relevant stakeholders, such as employees, customers, and shareholders. • Broader economic, social, and/or environmental interests and topics raised by stakeholders such as suppliers, local communities, vulnerable groups, and civil society. Special attention has been given to United Nations Sustainable Development Goals (SDG) . • Main topics and future challenges for the appliance manufacturing industry sectors, are identified directly by peers and industry organizations. • Local laws and regulations, international agreements, or voluntary agreements of strategic significance to Panasonic and its stakeholders. • The organization’s values, policies, strategies, operational management systems, goals, and targets.

[1] See *GRI 102-46* (2016) for more guidance.

• Negative consequences to the organization which are related to its impacts on the economy, the environment, and/or society such as risks to PMPC's business model or reputation • We have also incorporated the Board of Directors' suggestions on stepping up reporting on Health & Safety (related to pandemic situation), Privacy and Climate/Environment in our Sustainability Report.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	*15,178,323,266*	*PhP*
Direct economic value distributed:		
a. Operating costs	*12,8777,779,946*	*PhP*
b. Employee wages and benefits	*900,753,946*	*PhP*
c. Payments to suppliers, other operating costs	*1,263,363,466*	*Php*
d. Dividends given to stockholders and interest payments to loan providers	*109,653,054*	*PhP*
e. Taxes given to government	*342,442,640*	*PhP*
f. Investments to community (e.g. donations, CSR)	*2,021,826*	*PhP*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Impact: Economic *Boundary: Primary Business* *Involvement: Direct Economic Value Generated and Distributed*	*Customers, investors, suppliers, government, NGOs, local communities*	*Panasonic creates robust revenue streams to ensure our consistent economic contribution to society.* *1. We have been continuously investing to enhance our manufacturing capacity and capability, shifting to inverter window air conditioners, no-frost inverter refrigerators, fully automatic washing machines, and DC inverter electric fans for value added products.* *2. We strive to secure profit to return a dividend and reinvest in competitive products.* *3. Our profitability target is driven by reducing our cost, increasing sales turnover, increasing productivity and efficiency.* *4. Our financial policy also includes a strong financial position and*

		stable revenues in the event of political and economic uncertainties, market competition, and pressure from regulatory bodies. 5. *To ensure a constant revenue stream for economic sustainability, the company's Direct Economic Value Generated is the result of setting an effective revenue target for profitable growth resulting from the following key and related factors:* *a) Determined growth rate to set our effective revenue target* *b) Established marketing intelligence to monitor competition, market and opportunities* *c) Strategically defined our key market segments and the corresponding foundational profit target for each segment to establish our sales pipeline* *d) Determine the right amount and type of investment required to reach the effective revenue targets and finally,* *e) Commitment to realize the revenue target set* 6. *Furthermore, we continuously innovate new ideas that enhance the lifestyle of our customers and reduce our environmental impact. Research must be carried on and innovation programs developed.* 7. *Appropriated retained earnings is invested in new equipment and facilities to sustain our target growth and launching of new products for the market. As a result, our company produced various world class quality Eco-products and efficient Eco-factories to support environmental sustainability and consistent source of revenue stream for economic sustainability.*

		8. *Our organization also established management systems to protect the source of revenue stream some of which are risk management, business continuity management, information security, corporate compliance program, among others.* *When we operate according to these principles, we provide economic contribution to all stakeholders and to the society as a whole.*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
• *Operational Risks (Pandemic)* • *Economic Risk (Recession)* • *Competitive Risks* • *Trade Promotion Risk* • *Seasonal Risks*	*Customers, investors, suppliers, government, NGOs, local communities*	• *Operation risk is inevitable part of business operation. To mitigate its impact, the following are carried out:* 1. *Adopted Business Continuity Management or Plan in situation like pandemic.* 2. *Tapped the services of an Insurance Company to cover and compensate for probable operational loss.* 3. *Maintained the company's core critical operation during the pandemic so as not to disrupt the supply chain and flow of products in the market.* 4. *E-commerce is also utilized to provide additional sales channels.* • *During economic recession brought about by pandemic situation, we only produce and sell what market demands to maximize and efficiently use our resources and reduce loss from product becoming obsolete. Trade terms relaxed and promo increased to stimulate demand from the market.* • *The market where our business operate is highly competitive. Thus, we only produce products that are both competitive, cost efficient, and eco-friendly to*

		differentiate it from the rest of competitors while taking into consideration our target market. • *The ever-increasing demand for trade promotion incentive of distributors have put pressure on the company's cash collection and thus the revenue stream. We only provide trade promo incentive unless this would translate to additional sales volume and promotion of Panasonic brand name.* • *Several of the company's products are subject to the impact of seasonal sales. Thus, we ensure that our products are strategically available to our business partners during seasonal peak demand, priced competitively and maximize sales to the fullest extent to compensate during lean months.* • *We provide various trade promotion, discounts and customer easy payment terms during lean months to stimulate demand.*
What are the Opportunity/ies identified?	**Which stakeholders are affected?**	**Management Approach**
• *B2B Dealer's Production, Sales & Inventory (PSI)* • *Operational Resiliency* • *E-commerce/ Online Selling* • *Revenue Augmentation thru Social Media Advertisement*	*Customers, investors, suppliers, government, NGOs, local communities*	• *The company utilizes Dealer's PSI as an online tool to forecast sales demand with dealers in response to the new normal brought about by the Pandemic uncertainty. The PSI commitment of dealers once obtained would ensure the consistent flow of revenue stream.* • *The pandemic situation has forced the company to use various tools, methods and management means to adopt to the situation and thus improving its operational resiliency.* • *The quarantine imposed strictly by the local government units paved the way to new sales channel which is Online Selling. The*

		company and along with its business partners shall correspondingly adopt to this new form of sales channel to serve its customers. • *Recently, the social media such as Facebook has become a powerful medium to various form of communication due to its popularity and versatility. The company shall utilize the Social Media as a tool to advertise, promote, and sell its various products.*

Climate-related risks and opportunities[2]

Governance	
Disclose the organization's governance around climate-related risks and opportunities	
a) Describe the board's oversight of climate-related risks and opportunities	*Our system to promote Panasonic Environmental Sustainability Management is headed by Board of Directors. The Board is ultimately responsible for the company's strategic direction. It ensures that Environmental, Economic, and Social impact considerations are holistically integrated in the company's strategy. In doing so, it sets the tone at the top for a strong sustainability culture in the company. At the Board level, the governance of sustainability can be structured along several lines, including:* • *Oversight by the Board* • *Oversight by a Board Risk Committee (BRC) or other Risk Committees* • *Oversight by a specialist Sustainability Committee*
b) Describe management's role in assessing and managing climate-related risks and opportunities	*The management's role in assessing and managing climate-related risks and opportunities are the following:* *1. Ensure that the Environmental policy and objectives are established and compatible with the strategic direction of the company* *2. Ensure that approved Manuals and Procedures related to Climate change issues are disseminated to all personnel for them to abide* *3. Ensure that resources needed for the implementation of Environmental activities are available.* *4. Communicate the importance of effective Environmental management and conform to the requirements of the ISO*

[2] Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to nonfinancial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners. [16] For this disclosure, impact refers to the impact of climate-related issues on the company.

	14001 standards thru the Environmental Mgt. officer responsible for implementing internal audits, management reviews and awareness seminars. 5. *Direct and support members in contributing to the effectiveness of the Environmental Management System.* 6. *Promote the continual improvement thru the implementation of Green Impact Program geared towards Zero CO2 emission by FY2025.* 7. *Other relevant management roles to demonstrate support to Environmental Management Program.*
Strategy	
Disclose the actual and potential impacts[16] of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	
a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term	***Climate related risks include:*** 1. *Changes in local and international policies and regulation* 2. *Technology risks due to the development and use of emerging technologies such as renewable energy, battery storage, energy efficiency, and carbon capture and storage will affect the competitiveness of PMPC.* 3. *Market risks as market could be affected by climate change risks.* 4. *Reputation risks which could change a customer's or community's perceptions of an organization's contribution from the transition to a lower carbon economy.* 5. *Physical risks which refer to natural disasters that may affect the organization "PMPC". Ex: Flood, Hurricane, Earthquake etc.* *To be able to control and prevent these risks PMPC had identified short, medium and long term opportunities, such as :* 1. *Energy efficient production by PMPC factories* 2. *Production of Energy efficient products and services* 3. *Energy source opportunities, for PMPC such as the installation of Solar Cells at area offices (Dau, Cebu and Davao)* 4. *Taking advantage of marketing opportunities and* 5. *Procurement of Renewable Energy* 6. *Resilience of PMPC to climate change*
b.) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.	***Transition Risks Impact*** ***A. Policy and Legal*** 1. *Increased operating costs due to increased Greenhouse gas emissions* 2. *Write-offs, asset impairment, and early retirement of existing assets due to policy changes* 3. *Increased cost and reduced demand for products and services resulting from fines and judgement*

	B. Technology Risks Impact *1. Write-offs, asset impairment, and early retirement of existing assets due to technology risks* *2. R&D expenditures in new and alternative technologies* *3. Capital investments in technology development* *4. Costs to adopt/deploy new practices and processes* ***C. Market Risks Impact*** *1. Reduced demand for goods and services due to shift in consumer preferences.* *2. Increased production cost due to increased input prices. (Energy, water) and output requirements (waste treatment)* *3. Abrupt and unexpected shifts in energy costs.* *4. Change in revenue mix and sources, resulting in decreased revenues.* *5. Re-pricing of assets (Fossil fuel reserves, land valuations, securities valuations)* ***D. Reputation Risks Impact*** *1. Reduced revenue from decreased demand for goods and services* *2. Reduced revenue from decreased production capacity. (e.g. delayed planning approvals, supply chain interruptions)* *3. Reduced revenue from negative impacts on workforce management and reduced revenue from decreased production capacity. (e.g. transport difficulties, supply chain interruptions)* *4. Reduced revenue and higher costs from negative impacts on workforce (e.g. health, safety absenteeism)* *5. Write-offs and early retirement of existing assets (e.g. damage to property and assets in high risk locations)* *6. Increased operating costs* *7. Increased capital costs* *8. Reduced revenues from lower sales/output* *9. Increased insurance premiums and potential for reduced availability of insurance on assets in high risk locations.* *10. Planning (e.g. employee attraction and retention)* *11. Reduction in capital availability* ***E. Physical Risks (Acute and Chronic) Impact*** *Climate related opportunities impacts* *1. Reduced operating costs* *2. Increased production capacity, resulting in increased revenues* *3. Increased value of fixed assets (e.g. highly rated energy efficient buildings)* *4. Benefits to workforce management and planning (Improved health and safety, employee satisfaction) resulting to lower costs* *5. Reduced operational costs* *6. Reduced exposure to future fossil fuel price increases* *7. Reduced exposure to GHS emissions and therefore less sensitivity to changes in cost of carbon* *8. Returns on investment in low-emission technology* *9. Increased capital availability*

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10. *Reputational benefits resulting in increased demand for goods and services*
11. *Increased revenue through demand for lower emissions products and services*
12. *Increased revenue through new solutions to adaptation needs*
13. *Better competitive position to reflect shifting consumer preferences, resulting in increased revenues*
14. *Increased revenues through access to new and emerging markets (e.g. partnership development banks, online platforms)*
15. *Increased diversification of financial assets*
16. *Increased market valuation through resilience planning*
17. *Increased reliability of supply chain and ability to operate under various conditions*
18. *Increased revenue through new products and services related to ensuring resiliency*

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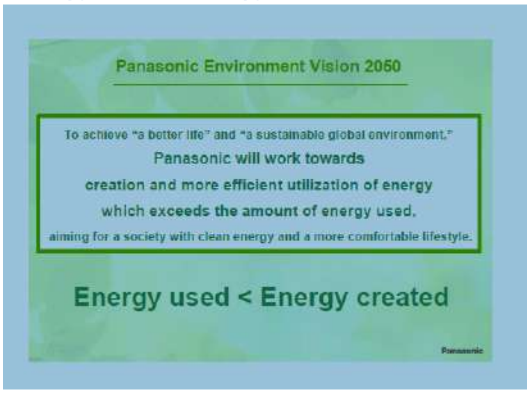
<td>c.) Describe the resilience of the organization’s strategy, taking into consideration different climate related scenarios including a 2°C or lower scenario</td>
<td>

PMPC adheres to the strategy of global Panasonic, taking into consideration climate-related scenarios until the year 2050.

Panasonic’s Environment Vision 2050
To achieve “a better life and a “sustainable global environment”

Panasonic will work towards creation and more efficient utilization of energy which exceeds the amount of energy used, aiming for a society with clean energy and a more comfortable lifestyle.

Energy used < Energy created



With this strategy PMPC can minimize the impacts of Carbon dioxide emissions which contributes to climate change.

PMPC’s resilience strategy is thru:
Participation in renewable energy programs and adoption of energy efficiency measures.
Resource substitutes and diversifications.

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<tr><th colspan="2">Risk Management</th></tr>
<tr><td colspan="2">Disclose how the organization identifies, assesses, and manages climate-related risks</td></tr>
<tr><td>a) Describe the organization’s processes for identifying and assessing climate-related risks</td><td>The organization identifies its climate-related risk thru its Environmental Management System (EMS) (ISO 14001), employing the use of the PDCA (Plan Do Check Act) cycle. Thru its Environmental Aspects and Impacts Registration, significant impacts were identified and assessed, leading to the identification of environmental risks and opportunities.

The following are the significant impacts that PMPC manages and controls :
1. Use of Energy
2. Use of water
3. Waste generation
4. Water Discharges
5. Chemical Consumption

Thru this EMS, PMPC identifies its Environmental Risks and Opportunities, further assessing its impacts and manages its risks thru the promotion of its Energy Conservation programs and other Environmental targets.
B-4. RISKS AND OPPORTUNITIES
ENVIRONMENT
<table>
<tr><th>Risks</th><th>Opportunities</th></tr>
<tr><td>Use of Electricity</td><td>Energy Efficiency / Renewable Energy</td></tr>
<tr><td>Waste Generation</td><td>Reprocess, Re-use as a Raw Material.</td></tr>
<tr><td>Use of Water and Discharge</td><td>Water Recycle / Reuse, Zero Discharge</td></tr>
<tr><td>Chemical Consumption</td><td>Use of Low Hazard Chemicals.</td></tr>
<tr><td>Community Environmental Complaints</td><td>Stakeholder Communication thru Eco Learning, Tree Planting and other Environmental CSR Activities.</td></tr>
<tr><td>Violation to Government Agencies</td><td>Compliance Assessments of Stakeholders (Government and Business Partners).</td></tr>
</table>
</td></tr>
<tr><td>b) Describe the organization’s processes for managing climate-related risks</td><td>The organization identifies its climate related risk thru its Environmental Management System (EMS) (ISO 14001), employing the use of the PDCA (Plan Do Check Act) cycle. Thru its Environmental Aspects and Impacts Registration, significant impacts were identified and assessed. Thru this assessment PMPC also identifies Environmental risks and opportunities.

The following are the significant impacts that PMPC manages and controls:
1. The use of Energy
2. The use of water
3. Waste generation
4. Water Discharges</td></tr>
</table>

5. *And Chemical Consumption*

Thru this EMS, PMPC identifies its Environmental Risks and Opportunities, further assessing its impacts and manages its risks thru the promotion of its Energy Conservation programs and other Environmental targets.

B-4. RISKS AND OPPORTUNITIES

ENVIRONMENT

Risks	Opportunities
Use of Electricity	Energy Efficiency / Renewable Energy
Waste Generation	Reprocess, Re-use as a Raw Material.
Use of Water and Discharge	Water Recycle / Reuse, Zero Discharge
Chemical Consumption	Use of Low Hazard Chemicals.
Community Environmental Complaints	Stakeholder Communication thru Eco Learning, Tree Planting and other Environmental CSR Activities.
Violation to Government Agencies	Compliance Assessments of Stakeholders (Government and Business Partners).

c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.

The organization identifies its climate related risk thru its Environmental Management System (EMS) (ISO 14001), employing the use of the PDCA (Plan Do Check Act) cycle. Thru its Environmental Aspects and Impacts Registration, significant impacts were identified and assessed. Thru this assessment PMPC also identifies Environmental risks and opportunities.

The following are the significant impacts that PMPC manages and controls :

1. *The use of Energy*
2. *The use of water*
3. *Waste generation*
4. *Water Discharges*
5. *And Chemical Consumption*

Thru this EMS, PMPC identifies its Environmental Risks and Opportunities, further assessing its impacts and manages its risks thru the promotion of its Energy Conservation programs and other Environmental targets.

B-4. RISKS AND OPPORTUNITIES

ENVIRONMENT

Risks	Opportunities
Use of Electricity	Energy Efficiency / Renewable Energy
Waste Generation	Reprocess, Re-use as a Raw Material.
Use of Water and Discharge	Water Recycle / Reuse, Zero Discharge
Chemical Consumption	Use of Low Hazard Chemicals.
Community Environmental Complaints	Stakeholder Communication thru Eco Learning, Tree Planting and other Environmental CSR Activities.
Violation to Government Agencies	Compliance Assessments of Stakeholders (Government and Business Partners).

	Thru PMPC's ISO 14001 Environmental Management System and Environmental Policy PMPC had identified in each processes its significant environmental impact thru its Environmental Aspect and Impact assessment. Integrated to each process and day to day operation, each employee of PMPC is provided with awareness to perform his/her task with a mindset for environmental conservation and pollution prevention taking in consideration the 5 significant environmental impacts of PMPC. *1. The use of Energy* *2. The use of water* *3. Waste generation* *4. Water Discharges* *5. And Chemical Consumption*
Metrics and Targets	
Disclose the metrics and targets used to assess and manage relevant climate related risks and opportunities where such information is material.	
a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	*The metrics and targets used to assess and manage relevant climate related risks and opportunities. Is thru its yearly approved Environmental Management Action plan which includes Energy Reduction and Conservation as one of the categories and Key performance indices of PMPC in line with its Green Impact, towards its Environment Vision 2050.*
b) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	*The specific climate change target of PMPC is on the reduction of energy thru efficient use of energy resources in terms of the following:* *1. 3% Reduction of Energy kWh against FY 2021 by FY 2024* *2. 3% Reduction of Waste generation against FY 2021 by FY 2024* *3. 3% Reduction on (HEI) Human Environment Impact on Chemical Substances against FY 2021 by FY 2024* *4. 3% Reduction of Water Consumption against FY 2021 by FY 2024*

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	*2,067,031,308*	*Php*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Where: Primary Business Operation, Supplier's Business *Impact: Economic, Environmental, Social* *Involvement: Purchases of Raw Materials from suppliers*	*Shareholder, Supplier, Customer*	*Panasonic objective is to continuously exist as company in the Philippines to help uplift people's lives by creating job opportunities to the community.* *As contribution to society, PMPC is developing local processing suppliers. All plastic injection, metal stamping, packaging and other processed parts are being manufactured locally. In 2020, PMPC transferred Refrigerator Printed Circuit Board (PCB) assembly to local company. And PCB assemblies for Air-Conditioner just started operation of local EMS company this April 2023. We are also planning to do the same with Processed Tubes for Air-Conditioner in the future.* *PMPC treats our suppliers as business partners with "Co-existence and Co-prosperity" dealings. PMPC develops supplier's capability level through Quality, Cost, Delivery and Service (QCDS) method. There is yearly grading methods to understand suppliers' level and points for improvement.* *Likewise, PMPC implements suppliers' payment terms of 30 days to support financial obligations.*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
• *Higher Material cost.* • *Lack of raw materials such as Copper, Steel, Resin, Aluminum, for Manufacturing purposes* • *Disruption of Supply Chain*	*Shareholder, Customer, Supplier*	• *Panasonic group of companies have a system in place that centralizes global prices of all raw materials to manage and ensure lower costs by volume purchase.* • *Hedging of some raw materials to manage lower purchasing price*

		• *Continuously seek possible local suppliers of copper, steel, resin, and aluminum* • *Seek multiple sourcing of raw materials to address the risk of supply chain disruption.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Developing multiple source of raw material suppliers	*Shareholder, Supplier, Customer*	*PMPC is promoting multiple sourcing to purchase at a lower price and for Business Continuity Plan (BCP) consideration.*

Anti-corruption

Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anticorruption policies and procedures have been communicated to	*100*	*%*
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	*100*	*%*
Percentage of directors and management that have received anti-corruption training	*100*	*%*
Percentage of employees that have received anti-corruption training	*394 (27)*	*No. of emp.(%)*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Where does it occur: *Primary Business Operation, government office, supplier's business* *Impact: Economic, Social*	*Employees, suppliers, shareholders, government official*	*The management has clearly communicated to all employees thru training and issuance of memorandum and posters that corrupting by offering of bribe to government officials or receiving bribes from suppliers are strictly prohibited. Also, strong accounting control is in place, hence no company fund is released without valid supporting documents and justifications.*

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
The risk comes in if there is collusion of any of our employee with our existing supplier. Even though all the safety nets are in place, if an employee decides to commit illegal act to the detriment of the company.	*Employee, Supplier, Shareholders*	*All contracts with service providers/contractors and suppliers have Anti-Bribery provision which reminds that their dealings with government officials and suppliers should always be above board and they should not engage in any illegal activity while working on behalf of the company.* *Moreover, the company has existing policies on Fraud Statement, Code of Conduct, Code of Ethics and Whistle Blowing as a source of anti-corruption guidelines. In addition, employees and suppliers were also asked to sign Clean Business Dealing Agreement (CBDA) which clearly states the need to uphold business ethics and avoid any illegal transaction that would give them undue benefit while employed or while doing business with the company.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Trainings on anti-corruption activities, constant reminders from the management thru issuance of memorandum of the evil effects of corruption in the conduct of our business, and the imposition of sanction, may prevent the commission of the offense.	*Employees, Shareholders*	*A strong management approach will likely deter the commission of corruption by any other means. Moreover, there is a policy on Job Rotation where employees are transferred to other departments after they have stayed in the assigned job for several years to avoid close association with contractors/suppliers.*

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	*None*	
Number of incidents in which employees were dismissed or disciplined for corruption	*None*	
Number of incidents when contracts with business partners were terminated due to incidents of corruption	*None*	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Where: Primary Business *Impact: Economic, Social*	*Employee, Shareholders*	*The management has clearly communicated to all employees thru training and issuance of memorandum and posters that corrupting by offering bribe to government officials or receiving bribes from suppliers are strictly prohibited. Also, strong accounting control is in place, hence no company funds is released without valid supporting documents and justifications.* *The non-incidence of corruption in the workplace can be attributed to the fear that the company will not tolerate the commission of the same and the corresponding sanction will be meted out including termination for employment plus possible criminal/civil action as the case maybe.*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Contracting of Brokerage activities with Service Provider	*Service Provider*	*All contracts with service providers/contractors and suppliers have Anti-Bribery clause which reminds that their dealings with government officials should always be above board and should not engage in any illegal activity while working on behalf of the company.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
If an employee is found to have been engaged in corrupt activity, he will be terminated from employment. Moreover, if a supplier has corrupted an employee while doing business with the company, the contract with such supplier will be severed and thereafter, the	*Shareholders, employee*	*The management will not tolerate any wrongdoing in the conduct of its daily business. As such, it will apply existing policy and applicable laws should there be instances where these rules are violated.*

company will be blacklisted and can no longer do business with the company.		

ENVIRONMENT

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	*4,225,986*	*kWh*
Energy consumption (gasoline)	*32.27*	*kl*
Energy consumption (LPG)	*123,066*	*kg*
Energy consumption (diesel)	*77.73*	*kl*
Energy consumption (electricity)	*4,933,915*	*kWh*

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	*Increased by 18.84 compared to last year (Last year: 13.43)*	*kl*
Energy reduction (LPG)	*Decrease consumption due to Aircon process change from hot process to cold process. 25,156*	*kg*
Energy reduction (diesel)	*Increased by 44.7 compared to last year (Last year: 33.03)*	*kl*
Energy reduction (electricity)	*Due to Sta. Rosa Plant procure renewable energy from supplier which is the CITICORE 3,394,374*	*kWh*
Energy reduction (gasoline)		*GJ*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
PMPC Business division Manufacturing of Home Appliances (Refrigerators, Air conditioners, Washing Machine, Electric Fan)	*Customers, Employees, Community, Suppliers*	*Towards a better life and a sustainable global environment compatibility. In order to realize the Panasonic Environment Vision 2050 which aims to make societies where residents use clean energy and live a more comfortable lifestyle, we are striving to make the amount of the energy created exceed that of the*

		energy used. In terms of energy relevant to our products and services. 1. *Reduce energy consumption of our products* a. *Inverter Window Air Conditioners* b. *Inverter Refrigerators* c. *Energy Efficient Washing Machines* d. *Energy Efficient Electric Fans and inverter electric fan* 2. *Reduce energy consumption in our manufacturing and services* a. *Increase productivity to maximize usage of generated power* b. *Reduce machine-time usage through strategic production planning and process integration* c. *Reduction of Energy consumption by using LED lights instead of Fluorescent Lights* d. *Solar Powered Energy at PPH Dau, Cebu and Davao Offices* e. *Procurement of renewable energy at PMPC Sta. Rosa Plant* f. *Replacement of Projectors to LED TV for presentation during meeting*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Increase in energy / power consumption, water consumption, and waste generation due to increase in manufacturing production quantity	*Customers, Employees, Community, Suppliers*	*To ensure steady progress in reducing the amount of energy used in factories, it is important to identify and visualize the trend of the energy consumption of each facility in the factory and the effects of the measures for specific reduction. Activities to promote reduction of amount of energy used are being proactively continued in each factory. To increase the amount of renewable energy use, Panasonic is actively promoting its adoption suited to the features of the region such as energy from photovoltaic cells (Solar cells). Adoption of Renewables in FY 2019 included solar photovoltaic systems in PMPC Dau, Cebu and Davao. Procurement of renewable energy at*

		PMPC Sta. Rosa took effect 2021 and plan for PMPC Taytay is 2023.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Come up with Energy and Water Conservation activities within PMPC. And activities to reduce, reuse recycle wastes generated by PMPC	*Customers, Employees, Community, Suppliers*	*Activities to promote reduction of the amount of energy used are being proactively continued in each factory. In order to increase the amount of renewable energy use, Panasonic is actively promoting the adoption of the usage of renewable energy suited to the features of the region such as energy from photovoltaic cells (Solar cells). Adoption of Renewables in FY 2019 includes adoption of solar photovoltaic systems in PMPC Dau, Cebu and Davao, procurement of renewable energy at PMPC Sta. Rosa Plant and ongoing negotiation to procure renewable energy for PMPC Taytay target year by 2023.* *Reduce Energy Consumption in our Manufacturing and Services.* *a. Increase productivity to maximize usage of generated power* *b. Reduce machine-time usage through strategic production planning and process integration* *c. Reduction of energy consumption by using LED lights instead of Fluorescent Lights* *d. Photovoltaic System Adoption <Solar Powered> Energy at PPH Dau, Cebu and Davao Offices* *e. Replacement of projectors to LED TV for presentation during meeting*

Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	*N/A – PMPC uses Manila Water and Laguna Water as service providers for water supply.*	*Cubic meters*
Water consumption	*Consumption increases due to production increase* *73,335*	*Cubic meters*

Water recycled and reused	*24*	*Cubic meters*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Water Consumption on ACBD Painting Line *CBD will use water to paint and treat the metal cabinets used as housing for a Window type Air conditioner.*	*Customers, Employees, Community, Suppliers*	*PMPC is continuously working to conserve water resources both on its products and production activities, to fulfill its social responsibility and to reduce risks in the management. Our Environmental policy stipulates that we make efforts to conserve water resources by using water efficiently and preventing water pollution. In accordance with the "Green Impact", being our environmental action plan, we are continuously working on reducing water consumption in our production operations.* *1. Water resource conservation through products* *a. Water flow control of washing machine products* *b. Efficient design of washing machine products* *2. Initiatives for water resource conservation through production activities.* *a. Wastewater recycling at REF BD used for flushing urinals and water closets at comfort rooms* *b. Wastewater recycling at ACBD used for flushing urinals and water closets at comfort rooms* *Through these activities, we reduce environmental loads on water resources due to the intake and effluent water in production activities.*

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Water Supply risk. It may cause production stoppage	*Customers, Employees, Community, Suppliers*	*In accordance with the "Green Impact" (our environmental action plan), we are continuously working on reducing the water used in our production operations.* *1. Water resource conservation through products* *a. Water flow control of washing machine products* *b. Efficient design of washing machine products* *2. Initiatives for water resource conservation through production activities.* *a. Wastewater recycling at REF BD used for flushing urinals and water closets at Comfort Rooms* *b. Wastewater recycling at ACBD used for flushing urinals and water closets at comfort rooms.* *Through these activities, we reduce environmental loads on water resources due to the intake and effluent water in production activities.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Come up with Water Conservation Activities (e.g. Waste Water Recycling)	*Customers, Employees, Community, Suppliers*	*In accordance with the "Green Impact", our environmental action plan, we are continuously working on reducing the water used in our production operations.* *1. Water resource conservation through products* *a. Water flow control of washing machine products* *b. Efficient design of washing machine products* *2. Initiatives for water resource conservation through production activities* *a. Wastewater recycling at REF BD used for flushing urinals and water closets at comfort rooms*

		b. *Wastewater recycling at ACBD used for flushing urinals and water closets at comfort rooms.* *Through these activities, we reduce environmental loads on water resources due to the intake and effluent water in production activities.*

Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume		
renewable	*5,800,000*	kg/liters
non-renewable		kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services	*1,160,000*	20%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Production lines of the following Business Divisions: *a. Refrigerator* *b. Air Conditioner* *c. Washing Machine* *d. Electric Fan* *Materials are utilized in the manufacture of the specified products.*	*Customers, Employees, Community, Suppliers*	*Through Green Impact, PMPC aims for the sustainable procurement of raw materials to cover not only procurement of wood materials, but also procurement of raw materials considering conservation of biodiversity. In this procurement, PMPC considers social issues and compliance of laws and regulations. PMPC adheres to the Panasonic Group's Green Procurement Guidelines aiming for conservation of biodiversity and sustainable use of natural resources. Currently, PMPC is promoting to increase the usage of recycled material such as plastic resin and papers.*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Insufficient materials may lead to production stoppage	*Customers, Employees, Community, Suppliers*	*PMPC considers that in conducting its business activities, the companies involved in the entire supply chain is important for the conservation of biodiversity. Therefore, focusing on*

		sustainable procurement of raw materials
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Material conservation activities such as usage of returnable items to supplier, utilization of recyclable materials such as plastics, etc.	*Customers, Employees, Community, Suppliers*	*PMPC considers that in conducting its business activities, the companies involved in the entire supply chain are important for the conservation of biodiversity, thus, focusing on sustainable procurement of raw materials.*

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	*None*	
Habitats protected or restored	*La Mesa Watershed (8has)*	ha
IUCN[3] Red List species and national conservation list species with habitats in areas affected by operations	*None*	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
To have corporate citizenship activities for Environmental Sustainability	*Customers, Employees, Community, Suppliers*	*PMPC properly understood the impact of business activities on biodiversity and made efforts to achieve the target of contributing to its conservation. The Green Impact is aimed towards realizing "a better life" and a sustainable global environment" compatibly stated in the "Panasonic Environmental Vision 2050". Activities on Biodiversity include the Annual Tree Planting Activities of PMPC which is held month of June which is declared Environment Month. To date, PMPC has restored a total of 8(has) at the La Mesa Watershed.*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**

[3] International Union for Conservation of Nature

Deforestation, Flood Hazard	*Customers, Employees, Community, Suppliers*	*In achieving the Sustainable Development Goals and realizing societies where people and nature live harmoniously, which is the long-term goal, measures to address the climate change, resources recycling, and biodiversity have been recognized as being closely linked to each other by PMPC.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Implement Environmental Corporate Citizenship activities. (e.g. Tree Planting, Eco Learning Program)	*Customers, Employees, Community, Suppliers*	*PMPC has been involved with the programs of Department of Environment and Natural Resources as well as the Save the La Mesa Watershed Project and will continuously come up with Environmental Corporate Citizenship activities. (e.g. Tree Planting, Eco Learning Program)*

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions		Tonnes CO_2e
Energy indirect (Scope 2) GHG Emissions	*4,448 Tons*	*Tonnes CO_2e*
Emissions of ozone-depleting substances (ODS)		Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
PMPC Business division Manufacturing of Home Appliances (REF, AC, WM, EF	*Customers, Employees, Community, Suppliers*	*During the late 90,s the Philippine Clean Air Act of 1999 was enacted. And in response to this PMPC had been complying all the requirements pertaining to its air emissions which includes two types.* *1. Direct Impact from PMPC's generator sets, and:* *2. Indirect Impact caused by the use of our electricity, fuel and LPG use,*

		which triggers Green House Gas emissions by the form of CO2 emission. *PMPC's activities to address its direct and indirect impact:* *1. Annual Generator Air Emission Test (Compliance to Phil. Clean Air Act of 1999 Standards)* *2. Energy Conservation Activities to reduce Carbon Dioxide Emissions of PMPC*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Depletion of Energy, Increase in Power Consumption due to increased Production Quantity	*Customers, Employees, Community, Suppliers*	*PMPC 's activities to address its direct and indirect impact (risks)* *1. Annual Generator Air Emission Test (Complying Phil. Clean Air Act of 1999 Standards).* *2. Energy Conservation Activities to reduce Carbon Dioxide Emissions of PMPC*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Implementation of Energy Conservation Activities	*Customers, Employees, Community, Suppliers*	*PMPC has been continuously improving its Green House Gas Emission throughout the years thru its various Energy Conservation Activities and Annual Compliance to the yearly Emission Test of Generator Sets to comply (DENR) Department of Environment and Natural Resources Air Emission Standards.*

Air pollutants

Disclosure	Quantity	Units
NO_x	*230 mg/Nm^3 – average* *451 mg/Nm^3 – max.*	*kg*
SO_x	*166.2 mg/Nm^3 – average* *240 mg/Nm^3 – max.*	*kg*
Persistent organic pollutants (POPs)		kg
Volatile organic compounds (VOCs)		kg
Hazardous air pollutants (HAPs)		kg
Particulate matter (PM)		kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
PMPC Business Division Manufacturing of Home Appliances (REF,AC, WM, EF)	*Customers, Employees, Community, Suppliers*	*During the late 90's, the Philippine Clean Air Act of 1999 was enacted. And in response to this, PMPC had been complying with all the requirements pertaining to its air emissions which includes two types.* *1. Direct Impact from PMPC's generator sets,* *PMPC 's activity/ies to address its direct and indirect impact:* *1. Annual Generator Air Emission Test (Complying Phil. Clean Air Act of 1999 Standards)*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Air Pollution and Non-Compliance Government Regulations. (Penalties and possible Closure)	*Customers, Employees, Community, Suppliers*	*PMPC's activities to address its direct and indirect impact:* *1. Annual Generator Air Emission Test (Complying Phil. Clean Air Act of 1999 Standards)*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Provision of budget to Conduct Air Emission test and Work Environment Measurement.	*Customers, Employees, Community, Suppliers*	*PMPC's activities to address its direct and indirect impact:* *1. Annual Generator Air Emission Test (Complying Phil. Clean Air Act of 1999 Standards)*

Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	*2141.7*	Mtons
Reusable		kg
Recyclable	*2135.3*	Mtons
Composted		kg
Incinerated		kg
Residuals/Landfilled	*6.3*	Mtons

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
PMPC Business divisions Manufacturing of Home Appliances (REF, WM, AC, EF)	*Customers, Employees, Community, Suppliers*	*In relation with PMPC's Environment Health and Safety Policy to comply to all government regulations which includes compliance to Solid Waste and Hazardous Waste regulations in the Philippines, particularly:* *1. The Ecological Solid Waste Management Act of 2000 (RA 9003)* *2. The Toxic and Nuclear Waste Management Act of 1990 (RA 6969)* *PMPC complies with this policy and Government Regulations.* *Compliance Activities include:* *1. Proper storage of solid and hazardous waste in compliance with government regulation and standards* *2. Securing a DENR and PEZA Accredited Scrap and Residual Waste Hauler* *3. A DENR accredited transporter and treater of Hazardous Wastes* *Thru these service providers PMPC ensures the compliance on the said regulation while maintaining an environment friendly workplace.*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Non-compliance to government regulations (Penalties and possible closure)	*Customers, Employees, Community, Suppliers*	*To comply with the regulations on Solid and Hazardous Waste, PMPC provided clean, accessible and environment friendly storage areas for these wastes including securing a DENR and PEZA Accredited Haulers to be able to comply with government regulations and avoid penalties and possible closure.*

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Waste Minimization Activities and 3R Activities (Reduce, Reuse, Recycle)	*Customers, Employees, Community, Suppliers*	*PMPC had implemented Waste Minimization activities and 3R Activities (Reduce, Re-use, and Recycle).* *1. Reduction of resources used thru design by studying the possibility of:* *a. Usage of less resources to make products lighter and smaller and using less components* *b. Component re-use* *c. Longer Durability* *d. Use of Recycled resources* *e. Labels necessary for collection and recycling.* *2. Use of Sustainable materials* *3. Re-use of Scrap Plastics*

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	*26,671*	kg
Total weight of hazardous waste transported	*26,671*	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
PMPC Business divisions Manufacturing of Home Appliances (REF, WM, AC, EF)	*Customers, Employees, Community, Suppliers*	*In relation with PMPC's Environment Health and Safety Policy to comply to all government regulations which includes compliance to Hazardous Waste regulations in the Philippines, particularly:* *1. The Toxic and Nuclear Waste Management Act of 1990 (RA 6969).* *PMPC complies with this policy and Government Regulations.*

		Compliance Activities include: *1. Proper storage of solid and hazardous waste in compliance with government regulation and standards* *2. Securing a DENR and PEZA accredited scrap and residual waste Hauler(s)* *3. A DENR Accredited Transporter and Treater of Hazardous Wastes* *Thru these service providers, PMPC ensures compliance to the said regulation while maintaining an environment friendly workplace.*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Non-compliance to government regulations (Penalties, Closure)	*Customers, Employees, Community, Suppliers*	*To comply with the government regulations on Solid and Hazardous Wastes, PMPC provided clean, accessible and environment friendly storage areas for these wastes including securing a DENR and PEZA Accredited Haulers in order to avoid penalties and possible closure.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Establish rapport with government agencies for effective implementation of Environmental Mgt. System.	*Customers, Employees, Community, Suppliers*	*With PMPC's implementation on Storage, Treatment and Disposal of Hazardous Wastes, the company was able to establish rapport with government agencies thru various collaborations such as seminars, online activities and updates on New Hazardous Waste Regulations.*

Effluents

Disclosure	Quantity	Units
Total volume of water discharges	*11120 cu.m*	*Cubic meters*
Percent of wastewater recycled	*1%*	*%*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
PMPC BD Manufacturing of Home Appliances (REF, AC, WM, EF)	*Customers, Employees, Community, Suppliers*	*In relation to PMPC's Environment, Health and Safety Policy in compliance with all government regulations which includes Water Effluents regulations in the Philippines, particularly,* *1. Clean Water Act of 2004 (RA 9275), PMPC has its own Sewage Treatment Facility in Taytay and a Wastewater Treatment Facility in Sta. Rosa.* *The Sewage Treatment Facility in Taytay services the REF BD production area comfort rooms discharges where it is treated thru the 7 stages of aeration and biological treatment with chlorination to comply with the Philippine Effluent Standards of the Clean Water Act.* *In Sta. Rosa, the Wastewater Treatment plant services the ACBD painting line discharges. It is treated thru chemical treatment, aeration and filtration, further reducing the heavy metal pollutants contained in the water discharge at the painting line. This is to comply with the Philippine Effluent Standards of the Clean Water Act.* *Both Treatment Facilities have the capacity to recycle wastewater for flushing urinals and water closets of comfort rooms.*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Non-Compliance to government regulations (Penalties / Closure)	*Customers, Employees, Community, Suppliers*	*With the efficiency of the water treatment facilities, PMPC was able to comply with the Effluent Standards, realizing its effectivity by passing the wastewater quality standards set by the Philippine Clean Water Act of 2004.*

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Establish rapport with government agencies for effective implementation of Environmental Mgt. System	*Customers, Employees, Community, Suppliers*	*With PMPC's implementation of Wastewater Treatment, the company was able to establish rapport with government agencies thru various collaborations such as seminars, online activities and updates on New Effluent Regulations.*

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	*0*	Php
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	*0*	#
No. of cases resolved through dispute resolution mechanism	*0*	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
PMPC BD Manufacturing of Home Appliances (REF, AC, WM, EF)	*Customers, Employees, Community, Suppliers*	*In relation with PMPC's Environment Health and Safety Policy to comply to all government regulations which includes compliance to Air Emissions, Water Effluents, Solid Waste and Hazardous Waste regulations in the Philippines, particularly:* *1. Clean Water Act of 2004 (RA 9275)* *2. Clean Air Act of 1999 (RA 8749)* *3. Toxic and Nuclear Waste Act of 1990 (RA 6969)* *4. Ecological Solid Waste Management Act of 2000 (RA 9003)* *5. Other relevant Environmental Government Rules and Regulations* *PMPC aims to support and implement activities to comply with all the*

		requirements of government regulations to prevent penalties and non-compliance.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Non-Compliance to government regulations (Penalties / Closure)	*Customers, Employees, Community, Suppliers*	*PMPC aims to support and implement activities to comply with all the requirements of government regulations to prevent penalties and non-compliance.* *Activities involve the following*: 1. *Air Emission – Yearly Air Emission Test of Generator Sets. To comply with Permit to Operate Requirements RA 8749* 2. *Water Discharges – Effective utilization and maintenance of Sewage Treatment Plant and Wastewater Treatment Plant to comply with the Effluent Regulations* 3. *Solid Waste disposal – Ensure that the Solid Waste is properly disposed in a landfill or government approved disposal facility, thru its DENR / PEZA accredited scrap and residual waste haulers* 4. *Hazardous Waste Disposal – Ensure that the Hazardous Waste is properly stored, disposed and treated in accordance with RA 6969 thru its DENR approved Haulers and Treaters.* *Other Environmental Regulations – Ensure proper environmental evaluation and compliance is being done prior to conducting PMPC related activities.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Establish rapport with government agencies for	*Customers, Employees, Community, Suppliers*	*With PMPC's compliance to government's environmental rules and regulations, the company was able to*

effective implementation of Environmental Mgt. System		*establish rapport with government agencies thru various collaborations such as seminars, online activities and updates on New Regulations.*

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees[4]	*924*	
a. Number of female employees	*268*	*#*
b. Number of male employees	*656*	*#*
Attrition rate[5]	*1.6% (101 employees)*	*%*
Ratio of lowest paid employee against minimum wage	*13.7% (127employees)*	*%*

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS Contributions	*Y*	*268 (100%)*	*656 (100%)*
PhilHealth Contributions	*Y*	*268 (100%)*	*656 (100%)*
Pag-ibig Contributions	*Y*	*268 (100%)*	*656 (100%)*
Parental leaves	*Y*	*10 (3.7%)*	*37 (5.6%)*
Vacation leaves	*Y*	*268 (100%)*	*656 (100%)*
Sick leaves	*Y*	*101 (37%)*	*289 (44%)*
Medical benefits (aside from PhilHealth))	*Y*	*268 (100%)*	*656 (100%)*
Housing assistance (aside from Pagibig)	*Y*	*32 (11.9%)*	*63 (9.6%)*
Retirement fund (aside from SSS)	*Y*	*1 (0.3%)*	*7 (1%)*
Further education support	*Y*	*0*	*0*
Company stock options	*N*	*0*	*0*
Telecommuting	*Y*	*0*	*0*
Flexible-working Hours	*N*	*0*	*0*
(Others)			

[4] Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)

[5] Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Company mandate of 100% reporting back on-site, will put concerns on the current control of the new normal way of doing business.	*Adaptation of the IATF's and DOLE's Guidelines on Operating a Manufacturing Enterprise while securing the health of the company workers (front liners)*
Business Continuity in coping with slow movement of business transactions even with the ease in pandemic restrictions.	*Improvement in doing the normal course of business activities, but with strict compliance in observing basic health and safety protocols aligned with existing government regulations.*
What are the Risk/s Identified?	**Management Approach**
With the resumption of the normal business activities, and the influx of applicants control on the complete submission of necessary hiring requirements, ex. Government IDs.	*Establish new process of screening hiring of new employees, especially pertaining to submission of various requirements.*
What are the Opportunity/ies Identified?	**Management Approach**
Attraction of seasonal employees from the public due to company reputation of creating job opportunities and providing government mandated benefits at the time when there are more getting unemployed than employed at the time of the pandemic	*Partnership with the Public Employment Services Office of the various Municipalities surrounding the company*

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	*218*	*7,000 hours*
b. Male employees	*382*	*17,808 hours*
Average training hours provided to employees		
a. Female employees	*218*	*32 Hours/Employee*
b. Male employees	*382*	*47 Hours/Employee*

What is the impact and where does it occur? What is the organization's involvement inthe impact?	Management Approach
Development of identified Successor	*Implementation of Training Circle*

What are the Risk/s Identified?	Management Approach
Possible skills gap that may disrupt the operation of certain processes.	*Establish a new scheme of increasing identified high potentials and be able to train and develop for future high rank position.*
What are the Opportunity/ies Identified?	**Management Approach**
Better teamwork and more effective communication, on implementing the program for identifying high potentials	*Establish training and development plan for high potential preparedness and improve employee engagement.*

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	*354 (38)*	*No. of emp (%)*
Number of consultations conducted with employees concerning employee-related policies	*Twice a week consultation meeting with the Union President*	*More or less 100 times in a year*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Where: Primary Business *Impact: Social*	*In the conduct of Collective Bargaining Agreement negotiation, the management is very transparent with the Worker's Union.* *Our company provides reasonable notice of significant operational changes to employees and their representatives, as well as to appropriate government authorities i.e. DOLE. Thus, we are able to maintain employee satisfaction and motivation while implementing significant changes to operations.* *The company's timely and meaningful consultation allows the affected parties to understand the impacts of the changes, such as possible loss of employment. It also gives an opportunity for them to work collectively to avoid or mitigate negative impacts as much as possible. Our consultative practices resulted in good industrial relations which help to provide positive working environments, reduce turnover, and minimize operational disruptions.*

What are the Risk/s Identified?	**Management Approach**
Collective Bargaining Agreement (CBA) Deadlock	*The negotiation is always done in good faith, have an open mind when the worker's union are presenting their demands and discuss with them in a civil manner to avoid possible conflict.*
What are the Opportunity/ies Identified?	**Management Approach**
Industrial peace is always maintained when the management treats the workers union as co-equal in the achievement of the company's business objective.	*The management will continue to be transparent in its dealing with the workers union and will see to it that all policies affecting the workers are clearly explained to them before its implementation.*

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	*268*	*29%*
% of male workers in the workforce	*656*	*71%*
Number of employees from indigenous communities and/or vulnerable sector*		

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The COVID Pandemic times which started last March 2020 up to the present time posted many restrictions from the government which affected travel to and from the Province of Rizal and Laguna including the guidelines on safety protocol involving older people, those with underlying conditions, and pregnant women.	*Thorough screening and dialogue when hiring women and middle-aged applicants for seasonal employment while providing education and awareness on the health risks of infecting and being infected with Covid 19 in and out of the workplace.*
What are the Risk/s Identified?	**Management Approach**
In their desperation, a lot of applicants are withholding information that are vital to pre-employment screening	*Interviews and validation of submitted pre-employment documents were validated faster and safer with the use of the Internet*

What are the Opportunity/ies Identified?	Management Approach
Employment opportunities and applications surpassed the previous face to face screening turnouts	*With the limitation of a non-face to face screening process, the use of major social media and messaging were employed*

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	*2,714,130 Man-hours from April 2022 up to March 2023*	*Man-hours*
No. of work-related injuries	*0*	*#*
No. of work-related fatalities	*0*	*#*
No. of work related ill-health	*0*	*#*
No. of safety drills	*No fire drill was conducted last March 2023. We will set schedule fire drill on Oct 2023.*	*#*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
PMPC BD Manufacturing of Home Appliances (REF, AC, WM, EF)	*The Panasonic Occupational Safety and Health Policy consists of an Occupational Safety and Health Declaration based on the spirit of respect for human beings as stated in our management philosophy. PMPC is committed to creating a safe, physically and mentally healthy workplaces through consistent efforts and careful attention.* *Activity Guidelines for Occupational Safety and Health are the following:* *1. Legal and Regulatory Compliance* *2. Management of Resources* *3. Establish, maintain and improve our occupational safety and health management systems* *4. Definition of roles, authorities and responsibilities, and establishment of an organizational structure.* *5. Removal and reduction of the root causes of hazards and potential damage.* *6. Setting health and safety goals and formulating and implementing a management plan.*

	7. Auditing and review by management 8. *Education and Training*
What are the Risk/s Identified?	**Management Approach**
Accidents and Injuries of Employees	*PMPC Occupational Safety and Health Key Initiatives to prevent risks are as follows:* *1. Creating Equipment Safety Standards* *2. Promoting Occupational Accident Prevention Plans* *3. Occupational Health (Medical Section)* *4. Personal Health.* 5. *Health Promotion Initiatives*
What are the Opportunity/ies Identified?	**Management Approach**
Initiatives on Accident Prevention, E.g. Equipment Safety, PPE's, Safety and Health Activities and Trainings	*PMPC Occupational Safety and Health Key Initiatives opportunities are as follows:* *1. Provision of resources for Creating Equipment Safety Standards* *2. Provision of Resources for Promoting Occupational Accident Prevention Plans* *3. Provision of resources for Occupational Health (Medical Section)* *4. Provision of resources for Personal Health* *5. Provision of resources for Health Promotion Initiatives*

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	*None*	*N/A*

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	*Y*	*Panasonic Code of Conduct*
Child labor	*Y*	*Panasonic Code of Conduct*
Human Rights	*Y*	*Panasonic Code of Conduct*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Where: Primary Business *Impact: Social*	*The company does not allow forced labor. When employees are required to render overtime work, the need to work extra hours are explained to them before the overtime work will be rendered.* *The company does not employ workers below 18 years of age, hence, child labor is not an issue.* *In hiring of workers, we follow Republic Act No. 10911,* ***Anti-Age Discrimination in Employment Act*** *so that there is no discrimination in individual employment on account of age.*
What are the Risk/s Identified?	**Management Approach**
Hiring of workers below 18 years of age if the hiring personnel failed to check the documents presented by the applicant.	*The Human Resource Department must screen the applicants carefully. Checks and balances must be in place so that all documents are processed without violating the hiring of minors.*
What are the Opportunity/ies Identified?	**Management Approach**
Compliance with local law. *Improvement of internal procedures to ensure that the company hires prospective employees of legal age.*	*The company will only hire those applicants who have reached the required age for employment.*

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

Yes

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	*Yes*	*Article 35 of Master Global Purchasing Agreement (MGPA)*
Forced labor	*Yes*	*Article 36 & 37 of Master Global Purchasing Agreement (MGPA)*

Child labor	*Yes*	*Article 36 & 37 of Master Global Purchasing Agreement (MGPA)*
Human rights	*Yes*	*Article 37 of Master Global Purchasing Agreement (MGPA)*
Bribery and corruption	*Yes*	*Article 33 of Master Global Purchasing Agreement (MGPA)*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Where: Primary Business *Impact: Economic, Social* *Involvement: Supplier Relationship* *Task to level up supplier's standards and understanding to meet Global standards.*	***Selection and development of local suppliers in consideration of Global standard****.* *Panasonic uses common Master Global Purchasing Agreement to meet the global standard for each Panasonic suppliers.* *Developing local suppliers will create job opportunities in the community. Likewise, this will increase buying power in which it will benefit local manufacturing company. Local procurement will lessen impact of business continuity plan (BCP) issue.* *PMPC regularly conducts Audit for Quality, Environmental, Material, CSR among others to continuously educate and improve the level of the suppliers.*
What are the Risk/s Identified?	**Management Approach**
Tendency to change price level	*PMPC implements the following:* *1. Standard quotation format to visualize all cost factors* *2. Promotes multiple sources to meet correct price* *3. Lends fixed assets to suppliers lessen their financial burden*
What are the Opportunity/ies Identified?	**Management Approach**
Improvement of Local suppliers' standard level creates more job opportunities and bigger market, thus, will not be dependent to PMPC.	*PMPC usually practice limiting suppliers' transaction to company up to 40%. 60% should be purchases by other customers.*

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
Fixed term employment	*Luzon*	*Youth*	*N*	*N/A*	*N/A*

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: ______________

Certificates	Quantity	Units
Certificate of Appreciation from Local Government	*1*	

What are the Risk/s Identified?	Management Approach
Absences / Quit Training	*Regular coordination with partner schools*
What are the Opportunity/ies Identified?	**Management Approach**
Human Resources	*Recruitment*

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction		*Y*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Where: Primary Business *Impact: Economic, Social* *Involvement: Customer Product Satisfaction Survey* 1. *Repeat purchase* 2. *Brand Loyalty* 3. *Positive word of mouth advertisement* 4. *Product Quality* 5. *Customer requirement for the product* 6. *Comparison with competitive product*	1. *Execute yearly CS strategies/initiatives which includes policies, commitment, goals, targets and programs/activities.* 2. *Customer's 1st principle approach.* 3. *Utilize Net Promoter Score (NPS) as tool for Customer Satisfaction Survey executed by Call Center and inform related groups. NPS is mgmt. tool used to measure customer satisfaction. It is a percentage of customers rating their likelihood to recommend a company, a product, or a service to a friend or colleague. NPS asks questions to customers. Scores from NPS are rated as detractors and promoters.* *The acceptable NPS Score is 50 or above (Good).* 4. *Complains related to products are shared during weekly CS meetings, Monthly Market Quality meetings, PASC meetings, during product planning meeting, Call Center, dealers meetings* 5. *People before Products: Enhance technical and non-technical (knowledge and skills) thru regular trainings.* 6. *Collect voices from SNS and other digital media to identify and respond to individual customers through Active Care Activity using Sprinklr application. Respond to dissatisfaction, prevent spread of negative reviews and enhance customer satisfaction. This leads to solving the 'pain' and increasing the 'gain.'* 7. *Assist customer visually and remotely without dispatching a technician using the Visual Remote Assistance (VRA). Saving time and expense of customer.* 8. *Customer can resolve product concern on their own and book service requests online with the Customer Portal and Chatbot.* 9. *Customer can easily communicate with call agent online through Chatbot's Live Chat.*
What are the Risk/s Identified?	**Management Approach**
1. *Emerging new competitors or products* 2. *Government regulations (Consumer Act of Philippines)*	1. *Approach is maintaining customer focus and utilize customer's feedback. Consider also the weaknesses of competitors.*

3. *Handling customers complaints* 4. *Manufacturing difficulties* 5. *Slow moving stock (SMS)*	2. *Be knowledgeable about Consumer Act/DTI regulations and monitor the frequency of complaints* 3. *Improve skills for handling complaints (people first before products)* 4. *Collaboration with factory/QC/Sales/Marketing/Call Center/PASC for any challenges encountered* 5. *Effectively capture and immediately act on customer voices in SNS with the Active Care Activity.* 6. *Assist customers online with the use of Customer Portal, chatbot, and live chat.*
What are the Opportunity/ies Identified?	**Management Approach**
Listening to customer's dissatisfaction may lead to the following opportunities: 1. *New product* 2. *Increase customer's loyalty* 3. *Win market share due to customer's recommendations* 4. *Increase profitability*	*Utilize complaints, detractors as opportunities:* 1. *Product improvement/new product* 2. *Company policies* 3. *Increase customers' good experience* 4. *Customer services* 5. *Competitor's bench marking* 6. *Customers' 1st principle approach* 7. *Solve the 'Pain,' Increase the 'Gain' with Active Care Activity in SNS.* 8. *Assist customers online with the use of Customer Portal, chatbot, and live chat.*

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	*None*	*N/A*
No. of complaints addressed	*N/A*	*N/A*

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Where: Primary Business Operation *Impact: Economic, Social* 1. *Loss of customer's confidence for Panasonic products* 2. *Reduce sales & market share*	1. *Execute yearly CS strategies/initiatives which includes policies, commitment, goals, targets and programs/activities. Customer 1st Principle approach* 2. *Utilize Net Promoter Score (NPS) as tool for Customer Satisfaction Survey executed by Call Center and inform*

3. *Product reliability>> early defect in the market from date of purchase* 4. *Increase returns of defective units* 5. *Brand Reputation Risk* *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)* 1. *Customer filed letter of complaint to:* a. *DTI* b. *Dealer* c. *DENR*	*related groups. NPS is mgmt. tool used to measure customer satisfaction. It is a percentage of customers rating their likelihood to recommend a company, a product, or a service to a friend or colleague). NPS asks questions to customers. Scores from NPS are rated as detractors and promoters. The acceptable NPS Score is 50 or above (Good).* 3. *Complaints related to products are shared during weekly CS meetings, Monthly Market Quality meetings, PASC meetings, during product planning meeting, Call Center, dealers meetings* 4. *Enhance technical and non-technical (knowledge and skills) thru regular trainings*
What are the Risk/s Identified?	**Management Approach**
1. *Posting of complaints at website/social media/newspaper* 2. *Go to other brand* 3. *File legal to DTI* 4. *Loss of sales* 5. *Brand Reputation Risk*	1. *Customer's 1st principle approach* 2. *Enhance handling skills for complaints* 3. *Utilize NPS and opportunities for improvement* 4. *Posting of complaints at website/social media/newspaper* 5. *Efficient mfg. & sales operation & improved product* 6. *Leveraging customer feedback & product development to revitalize Customer satisfaction* 7. *Strong CS formation to respond with market trends & mgmt. environment* 8. *Assist customers online with the use of Customer Portal, chatbot, and live chat.*
What are the Opportunity/ies Identified?	**Management Approach**
1. *Complaints as opportunity for Competitive advantage/product improvement/marketing opportunities*	1. *Apply Customer's first principle* 2. *Build better customer relationships to retain more customers* 3. *Optimize website to increase profits* 4. *Use complaints as chance to learn & grow* 5. *Reinforce commitment to customer* 6. *Immediately capture and respond to customer voice in SNS with the Active Care Activity*

Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	*0*	*# No. of Complaints*
No. of complaints addressed	*0*	*#*

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The impact would be health and safety of end user, and Brand Reputation Risk *The boundary would be the Primary Business.*	*In 2021, the company's Marketing Center is not aware of any substantiated incident complaint on Marketing and Labelling. Nonetheless, the management approach on product Marketing and Labelling are as follows:* *1. Product information found in our catalogues, website, POPs, other marketing materials and into the product itself are with appropriate facts.* *2. The information such as specifications are tested in compliance with the Philippine regulations. This can be supported with test results by third party laboratory authorized by the Philippine government.* *3. With the markings of PS Marks and ICC found in our products (carton box, nameplate), signifies that we are compliant with the Philippine regulation as well as other labels.* *4. Accordingly, our company always ensure that we observe and meet the Philippine standards in relation to the Consumer act of the Philippines.* *As part of our marketing efforts, we:* *1. Advertise products with specific information or feature claimed supported by a clearance or approval by Ad Standards Council (ASC). An example would be for our billboards.* *2. Process our application and seek the approval of Department of Trade and Industry (DTI) for promotions being advertised.*

	3. *Exert efforts for our products to be eco-friendly by using non-harmful substance in our products (environment-related).* 4. *Ensure the safety of our consumers by strictly following the Philippine regulations.* 5. *Claim in our marketing materials about our products being eco-friendly with appropriate test reports.*
What are the Risk/s Identified?	**Management Approach**
• *Health and safety risk due to inappropriate use of product* • *Brand Name Reputation Risk*	1. *We equip our products with safety features* 2. *As a standard procedure in the shopfront, sales or promoter personnel demonstrates and explains to customers the product features, specifications and gives advice on the proper use and maintenance of product prior to delivery.* 3. *Labelling and safety information are prominently indicated on the product or packaging* 4. *Product replacement if necessary and in accordance with the Consumer Act of the Philippines of the Dept. of Trade and Industry*
What are the Opportunity/ies Identified?	**Management Approach**
• *Product improvement in case of complaint*	• *We will continuously improve our product based on customer's feedback.*

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	*None*	*N/A*
No. of complaints addressed	*None*	*N/A*
No. of customers, users and account holders whose information is used for secondary purposes	*None*	*N/A*

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Where: Primary Business *Impact: Social*	*We protect the privacy of our customers and information acquired from them are only use for the purpose related to the purchase of our product.* *Moreover, the company is compliant with **Republic Act 10173** also known as **Data Privacy Act of 2012** and the company is bound not only the personal information of our employees but also of our customers.*
What are the Risk/s Identified?	**Management Approach**
Unauthorized use of personal data by : *1) Sharing personal information collected from customers to other related departments* *2) Giving personal information to other employees not entitled to possess the same*	*The said information must be secured and must not be shared by Customer Service Department to other departments.* *Moreover, HRD, being the repository of personal information of all employees, must see to it that all personal information are secured as required by law.*
What are the Opportunity/ies Identified?	**Management Approach**
• *Compliance with data privacy act law* • *Protection of brand reputation*	*The management will strictly comply with the Data Privacy Act of 2012 and must ensure that there are sufficient safeguards to protect the personal information of its employees and customers.*

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	*0*	*#*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Where: Primary business operation *Impact: Economic and Social Impact* *Involvement: Data Security of Personal Information*	*Panasonic commits to limit its collection of personal data, to collect data by lawful means, and to be transparent about how data are gathered, used, and secured. The organization is also expected not to disclose or use customer personal information for any purposes other than those agreed upon, and to communicate any change in data protection*

	policies or measures to customers directly. This disclosure provides an evaluation of the success of management systems and procedures relating to customer privacy protection. *Panasonic has established Information Security Management (ISM) policy to prevent unauthorized access, loss and leakage of company confidential and personal information. The organization also complies with the data protection legislation and regulation such as Philippines Data Privacy Act or RA 10173.*
What are the Risk/s Identified?	**Management Approach**
• *Breach on Information Security System* • *Failure to periodically conduct risk assessment and vulnerability* • *Unintended Disclosure of Personal Information and leak of confidential Information* • *Advance Persistent Threat (APT) Cyber-attack*	• *IT Governance* • *Risk assessment and vulnerability* • *Upgrade hardware and software that are prone to security breaches.* • *Application Controls and Authorization before personal data and confidential information can be obtained.* • *Trainings on how to handle and secure personal and confidential information.* • *KnowBe4 e-Learnings to handle (Email Phishing & Data Privacy)* • *Mandatory deployment of Endpoint Detection and Response for significant PC and Remote Work PC* • *Mandatory deployment of Zscalar network security for all remote work PC for Cybersecurity threat*
What are the Opportunity/ies Identified?	**Management Approach**
• *Acknowledgement of IT Vulnerabilities* • *identifying the organization's needs for the information security requirements and for the establishing an effective Information Security Management System* • *Compliance with Data Global Data Security* • *Compliance with Local Laws on Data Privacy Act*	• *Proactive approach to address IT vulnerabilities* • *Improvement of Information Security Management System based on risks and new information system requirement.* • *Immediate compliance with local laws*

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Split type A/C Inverter	*Energy Efficient Aircon* 	*Waste Electrical and Electronic Equipment*	*Recycle*
Inverter Refrigerator	*Energy Efficient Refrigerator* 	*Waste Electrical and Electronic Equipment*	*Recycle*
Fully Auto Inverter Washing Machine	*Energy and water Efficient Washing Machine* 	*Waste Electrical and Electronic Equipment*	*Recycle*
Solar Panel	Clean and renewable Energy 	*Waste Electrical and Electronic Equipment*	*Recycle*

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*