

# Presentation of Operating Results for the 2<sup>nd</sup> Quarter (Apr.-Sep.) of FY2013

November 12, 2013

**FUNAI ELECTRIC CO., LTD.**

TSE 6839

## I . Message from the President

1. Summary of 1<sup>st</sup> Half(Apr.-Sep.) Operating Results
2. 2<sup>nd</sup> Half (Oct.-Mar.) Macro Outlook
3. 2<sup>nd</sup> Half (Oct.-Mar.) and Full-Year Projections
4. Growth Strategy
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  - 4-3 Growth Strategy - Accelerated Development of M&As and Alliances
5. **FUNAI** Brand Strategy
6. Accelerate Growth Strategy

# 1. Summary of 1<sup>st</sup> Half (Apr.-Sep.) Operating Results ①



(100 million yen)

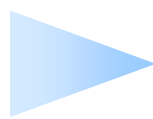
	FY 2012	Forecast	FY 2013
Net Sales	890	960	1,205
Operating Income (Margin)	-14 (-1.6%)	0 (0.0%)	5 (0.5%)
Average USD-JPY Exchange Rate	78.96	96.00	98.64

**Summary** Both of net sales and operating income, **more than projected.**

# 1. Summary of 1<sup>st</sup> Half (Apr.-Sep.) Operating Results ②



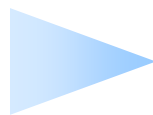
## Display Segment (LCD TVs)



Both of Net Sales and Operating Income, more than expected (TVs turnaround)

Contributes the larger sized TVs, for the sales increase.

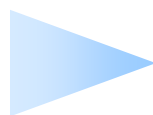
## Digital Media Segment (DVDs, Blu-ray Discs, Home Theaters)



Net Sales, more than expected.

Operating Income, less than projected due to recorded as an expense to optimize production sites. ( However, significant improvements were seen for Q2 onward.)

## Office Solutions Segment (Laser Beam Printers /Ink-Jet Cartridges)



Net Sales, more than expected.

Operating Income, less than expected due to recorded as expenses to investment for the original printer development.

### Economic Trends

- **US** : Sustained, gradual growth supported by improvements in the housing and labor markets, as well as a recovery in personal consumption
- **Europe** : Expected the bottoming out as the European Central Bank's responses to the debt crisis have dispelled economic concerns, but slow domestic growth.
- **Emerging Markets** : Slow growth in emerging markets - especially China, due to ended subsidies for promoting energy efficiency at end-May, and a new program has not been in place.
- **Japan** : Continued modest recovering after the countermeasures of monetary easing at the Bank of Japan, expected the last minute surge in demand before coming the consumption tax increase.

### Industry Trends

- TVs experience continuing commoditization - although the average screen size has increased in the US and China.
- Rapid growth of the smartphone and tablet markets, accompanied with Wi-Fi technology by an accelerated fusion of AV, home appliance, auto vehicle, and Internet products.
- TV and BD recorder markets in Japan have shrunk drastically year-over-year, but expected to have seen some bottoming out in the recent weeks.

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## 3. 2<sup>nd</sup> Half (Oct.-Mar.) and Full-Year Projections

(100 million yen)

	Revised Earnings Forecast		
	1 <sup>st</sup> Half Actuals	2 <sup>nd</sup> Half Forecast	Full-Year Forecast
Net Sales	1,205	1,085	2,290
Operating Income	5 (0.5%)	0 (0.0%)	5 (0.2%)
Average USD-JPY Exchange Rate	98.64	96.00	97.32

### Compared with Original Forecast

	<Original>		<Revised>	
Net Sales:	2,020	→	2,290	+270 (+13.4%)
Operating Profit:	2	→	5	+3 (+150.0%)

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- Improve profit ratios and strengthen the competitive power of the existing businesses
- Deploy newly acquired businesses
- Quickly create business for newly developed products

4-1. Growth Strategy – Summary

**Creating synergies and growth strategies**

**1** Boost Sales and Reinforce Existing Businesses


**2** Open up Emerging Markets

**3** Launch new businesses

- Stabilize the business performance
- Expand the size of business
- Accelerate the globalization
  - ① Expand the sales channels
  - ② Optimize for existing plants
- Strengthen the patent portfolio
- Improve the marketing power
- More focusing to the industrial design

Optimize the existing our plants, while the business environment fluctuation

Expand	Put together	CHINA	 <ul style="list-style-type: none"> <li>● Optimize the existing plants from 3 to 2 (Huan Jiang, Zhong Shang) (April, 2013 -)</li> </ul>
		THAILAND	 <ul style="list-style-type: none"> <li>● Newly build the third plant, as well as increasing the production capacities (July, 2013-)</li> </ul>
		PHILIPPINES	 <ul style="list-style-type: none"> <li>● Acquired former Lexmark's Cebu Plant, started the Ink Cartridge production (May, 2013-)</li> <li>● Planning the new plant (May, 2014-)</li> </ul>



- Over 16years of robust mutual partnerships
- Altogether approx. 130million units have been sold to the market. (Over 80 models and more)
- Mechatronics products should be taken advantage of our strength.

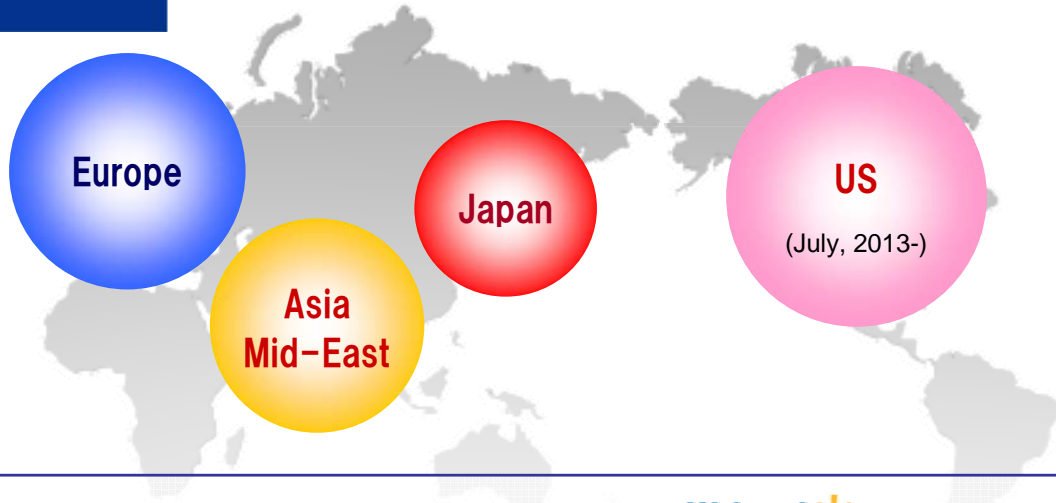
Acquired Inkjet-Related Techs and Assets of LEXMARK

Inkjet Related Patents	<ul style="list-style-type: none"> <li>● More than 1,000 of Inkjet-Related Patents were transferred</li> </ul>
R&D Resources	<ul style="list-style-type: none"> <li>● Acquired R&amp;D firm and resources for IJP-Related &lt;Establish R&amp;D firm in Lexington&gt; (approx. 30 of technicians)</li> </ul>
Production Sites	<ul style="list-style-type: none"> <li>● Acquired the Manufacturing Plant for Ink Cartridges and Printing Head, and Started of Production on May, 2013. (approx. 750 employee)</li> </ul> <div style="display: flex; justify-content: space-around; align-items: flex-start;"> <div style="text-align: center;">  <p>Circuit Assembly 11,178m<sup>2</sup>, Class 1,000</p> </div> <div style="text-align: center;">  <p>Bottle Assembly 13,941m<sup>2</sup>, Class 10,000</p> </div> </div>

With the highly profitable Ink-Cartridge, enable us to establish as like vertical integration in-house



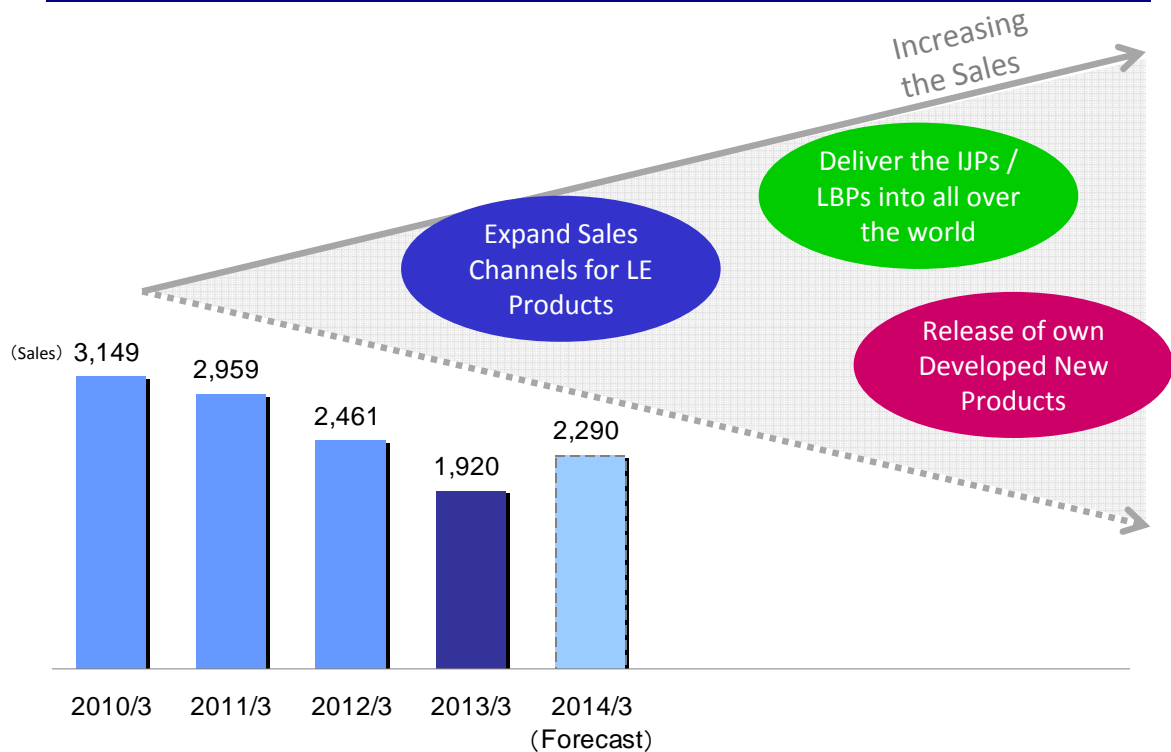
Delivers and Promote **FUNAI** Brand Products  
 Into All Over the World, as well as US and Japan Market



- Started to sell DVD at Wal-Mart stores by July, 2013.
- Planning to sell BD, TV.

- DVD Player
- DVD Recorder
- BD Player
- LCD TV

Expanding Business with Diversity through Active Growth Strategy,  
 Our Performance will Recover



## I . Outline of Operating Results

1. Summary of 2<sup>nd</sup> Quarter (Jul.-Sep.)
2. Summary of 2<sup>nd</sup> Quarter (Apr.-Sep.)
3. Breakdown of Sales by Equipment
4. Sales of DVD related Equipment
5. Sales of LCD Television
6. Geographic Breakdown of Sales
7. Factor of Changes of Operating Income
8. Financial Conditions
9. Changes of Inventories
10. Capital Expenditures, Depreciation Expense and R&D Expenditures
11. Projection of Fiscal 2013 ending March 2014
12. Projection of Sales by Equipment in Fiscal 2013 ending March 2014
13. Projection of Sales by Geography in Fiscal 2013 ending March 2014

### 1. Summary of 2<sup>nd</sup> Quarter (Jul.-Sep.)

(100 million yen)

	FY 2012	FY 2013	Y / Y
<b>Net Sales</b>	<b>490</b>	<b>700</b>	+210 (+42.9%)
<b>Operating Income</b>	<b>-5</b>	<b>22</b>	+27
( M a r g i n )	(-1.0%)	(3.3%)	- 2 (※1) +3 (※3)
<b>Ordinary Income</b>	<b>-10</b>	<b>20</b>	+30
( M a r g i n )	(-2.0%)	(2.9%)	- 14 (※2) - 13 (※4)
<b>Net Income after tax</b>	<b>-11</b>	<b>6</b>	+17
( M a r g i n )	(-2.3%)	(0.9%)	

Average USD-JPY  
Exchange Rate

78.<sup>12</sup>

98.<sup>06</sup>

(※1) others -2

(※3) decrease of interest received -1,  
forex gain and loss +5,  
other -1

(※2) extraordinary loss -11,  
income taxes -3

(※4) increase of extraordinary loss -10  
increase of income taxes -3

Month End Exchange Rate	12/6	12/9	13/6	13/9
(USD/JPY)	79. <sup>31</sup>	77. <sup>60</sup>	98. <sup>59</sup>	97. <sup>75</sup>

## 2. Summary of 2<sup>nd</sup> Quarter (Apr.-Sep.)

(100 million yen)

	FY2012	Forecast	FY2013	Y / Y (Actual base)	Y / Y (Forecast base)
Net Sales	890	960	1,205	+315 (+35.4%)	+245 (125.5%)
Operating Income ( M a r g i n )	-14 (-1.6%)	0 (0.0%)	5 (0.5%)	+19 +16 (※1)	+5 +32 (※3)
Ordinary Income ( M a r g i n )	-30 (-3.4%)	3 (0.3%)	21 (1.8%)	+51 -15 (※2)	+18 -16 (※4)
Net Income after tax ( M a r g i n )	-29 (-3.4%)	0 (0.0%)	6 (0.5%)	+35	+6 -12 (※6)
Average USD-JPY Exchange Rate	78. <sup>96</sup>	96. <sup>00</sup>	98. <sup>64</sup>		

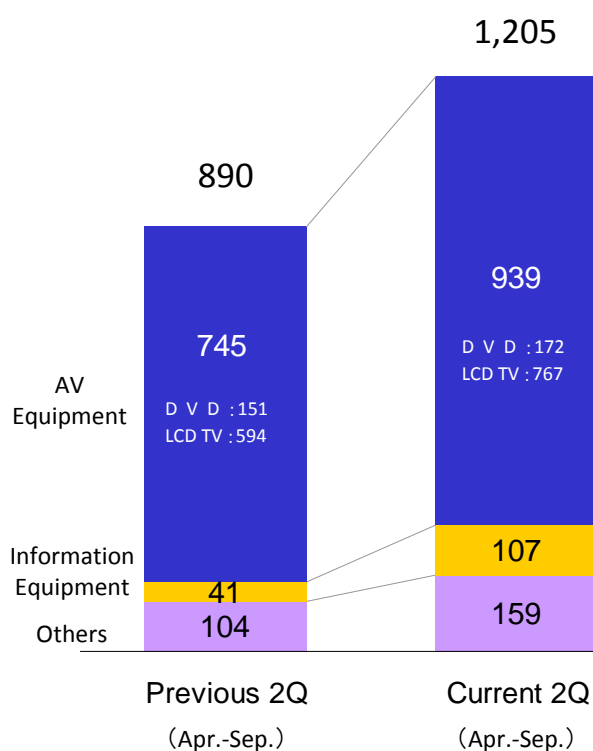
(※1) interest received +1, interest expense -1, forex gain+19, other -3	(※3) forex gain and loss+36, other -4	(※5) interest received+1, increase of forex gain+15, other -3
(※2) extraordinary loss -12, income taxes -3	(※4) increase of extraordinary loss -10, increase of income taxes -6	(※6) increase of extraordinary loss -12

Month End Exchange Rate	12/3	12/9	13/3	13/9
(USD/JPY)	82. <sup>19</sup>	77. <sup>60</sup>	94. <sup>05</sup>	97. <sup>75</sup>

## 3. Breakdown of Sales by Equipment

(100 million yen)



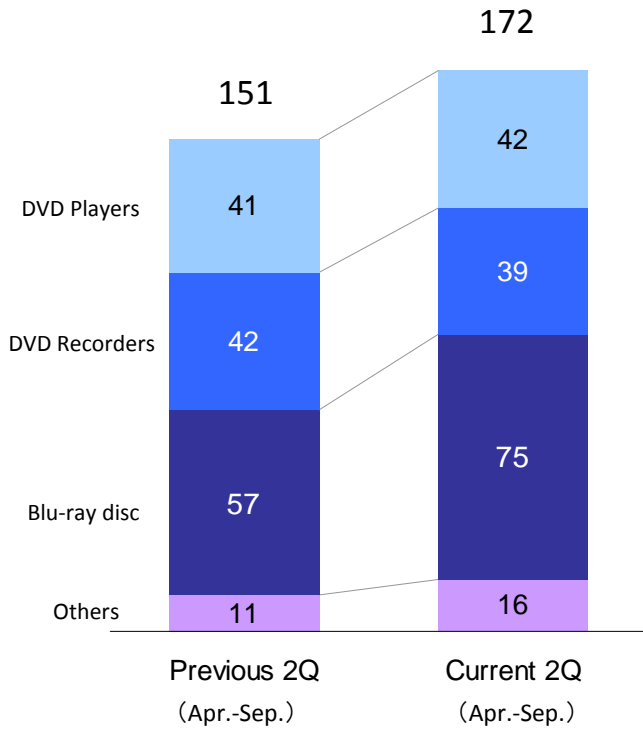
(100 million yen)

Y / Y	
AV Equipment	: +194 (+26.0%)
DVD Equip.	: + 21 (+13.9%)
LCD TV	: +173 (+29.1%)
Information Equipment	: + 66 (+163.7%)
Others	: + 55 (+52.6%)
<b>Total</b>	<b>: +315 (+35.4%)</b>



## 4. Sales of DVD related Equipment

(100 million yen)



### Blu-ray disc

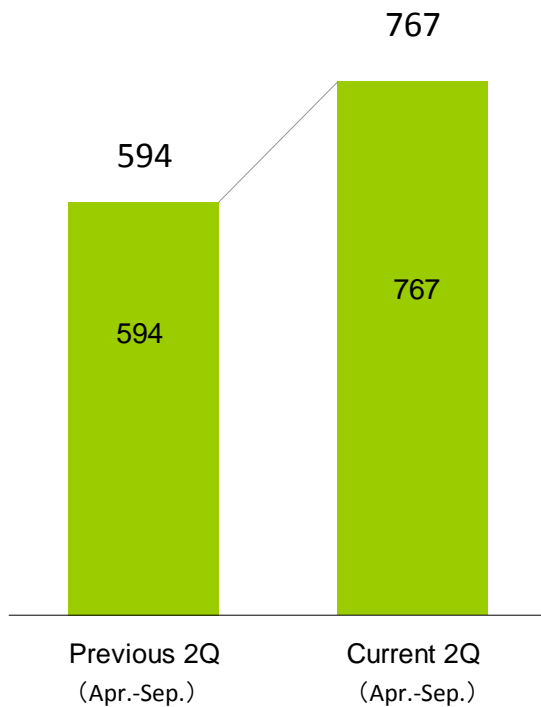
•BD recorders were flat, but BD players increased in North America.

(100 million yen)

Y / Y	
DVD Players	: + 1 (+ 2.4%)
DVD Recorders	: - 3 (- 7.1%)
Blu-ray disc	: + 18 (+31.6%)
Others	: + 5 (+45.5%)
<b>Total</b>	<b>: + 21 (+13.9%)</b>

## 5. Sales of LCD Television

(100 million yen)



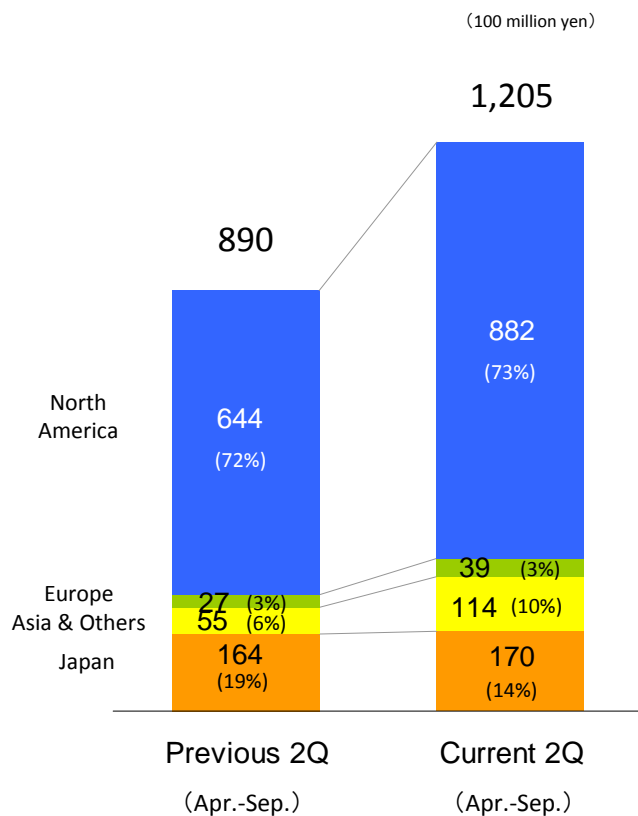
### LCD TV

•LCD TVs increased revenue because of strong sales in North America and Mexican market.

(100 million yen)

Y / Y	
LCD TV	: +173 (+29.1%)

## 6. Geographic Breakdown of Sales



### North America

• Sales of LCD TVs, audio accessories products, DVD-related products and information equipment increased.

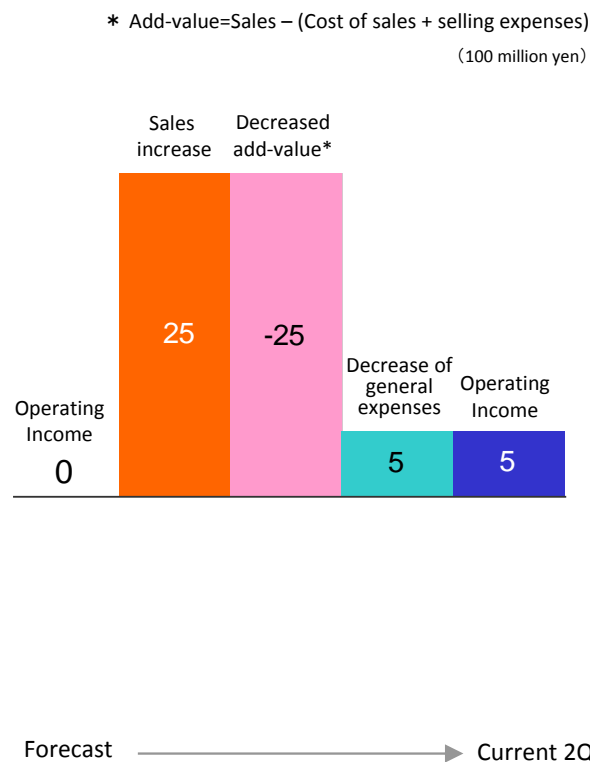
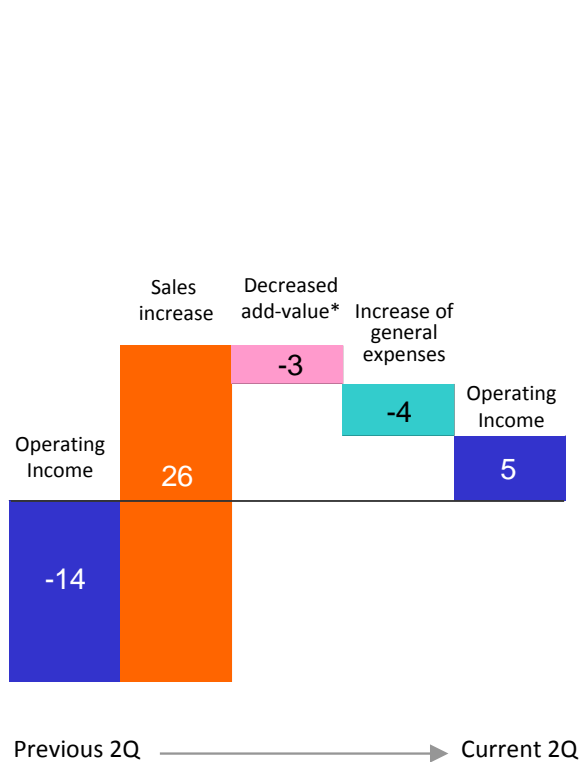
### Asia & Others

• The sales of LCD TVs showed steady increases in Mexico.

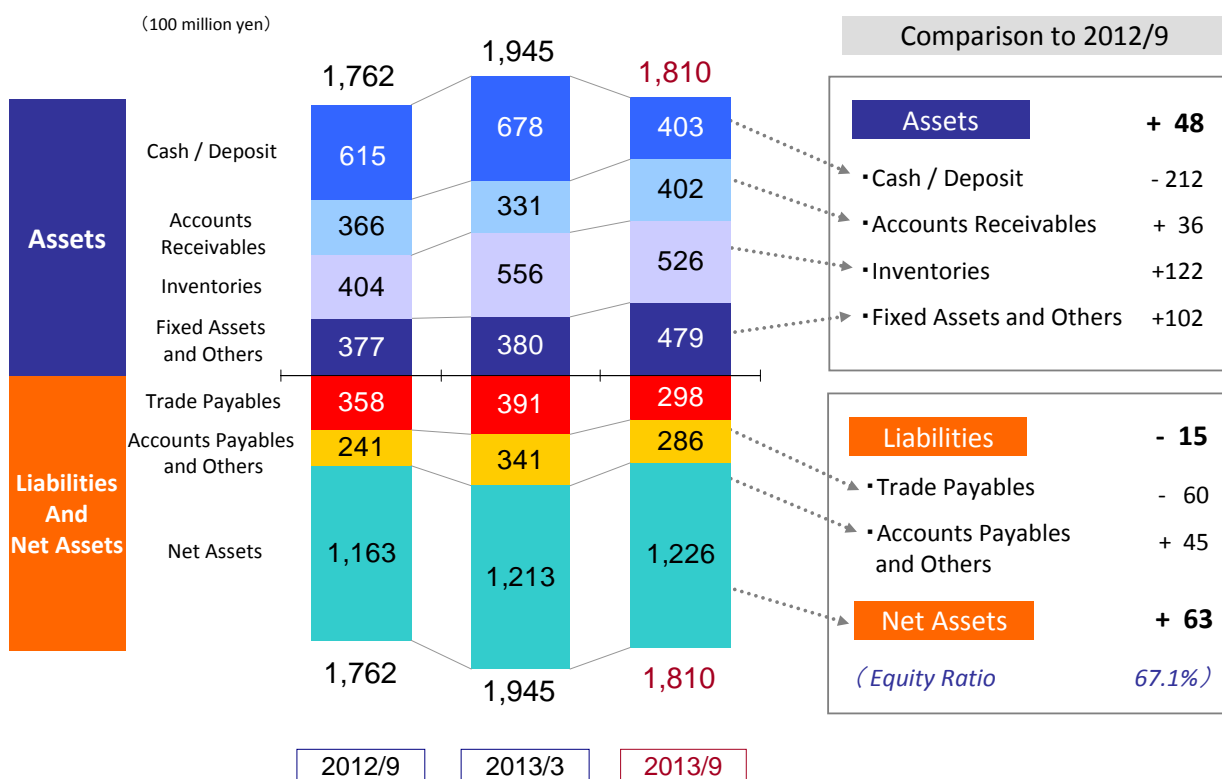
(100 million yen)

Y / Y	
North America	: +238 (+36.8%)
Europe	: + 12 (+44.4%)
Asia & Others	: + 59 (+107.3%)
Japan	: + 6 (+ 3.7%)
<b>Total</b>	<b>: +315 (+35.4%)</b>

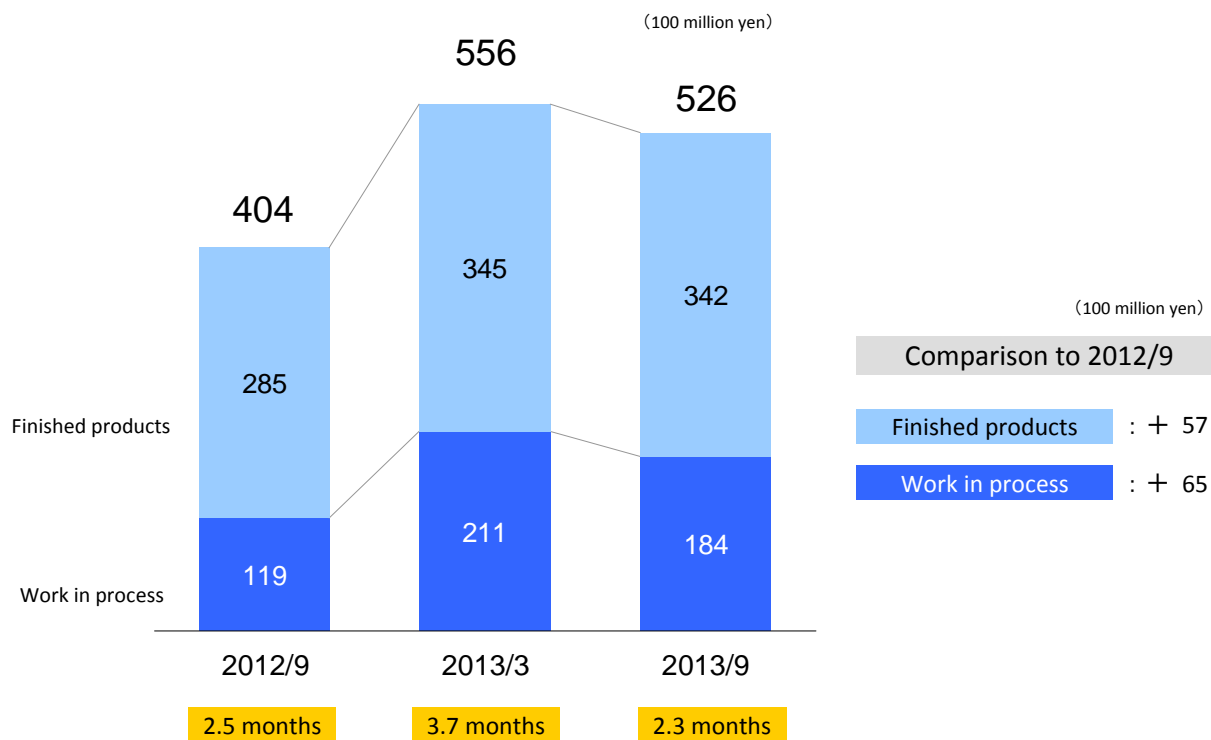
## 7. Factor of Changes of Operating Income



# 8. Financial Conditions

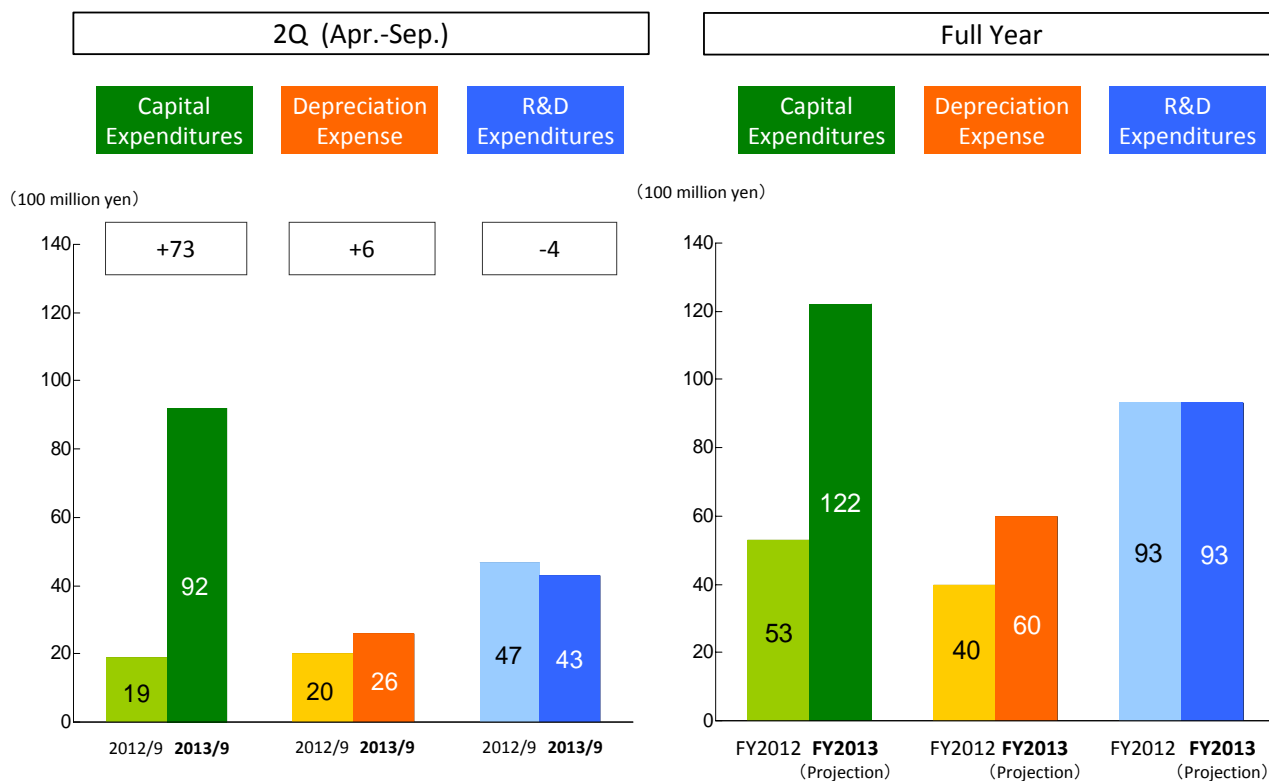


# 9. Financial Conditions



<Inventories Turnover>

## 10. Capital Expenditures, Depreciation Expense and R&D Expenditures



## 11. Projection of Fiscal 2013 ending March 2014

(100 million yen)

	FY2012	Forecast (2013/5/7)	Forecast (2013/11/11)	Y/Y (Actual base)	Y/Y (Forecast base)
Net Sales	1,920	2,020	2,290	+370 (+19.3%)	+270 (+13.4%)
Operating Income	-52	2	5	+57	+3
(Margin)	(-2.7%)	(0.1%)	(0.2%)	+16 (※1)	-33 (※3)
Ordinary Income	-3	5	21	+24	+16
(Margin)	(-0.2%)	(0.2%)	(0.9%)	-20 (※2)	+62 (※4)
Net Income after tax	-85	1	1	+86	0
(Margin)	(-4.4%)	(0.0%)	(0.0%)		
Average USD-JPY Exchange Rate	83. <sup>32</sup>	96. <sup>00</sup>	97. <sup>32</sup>		

(※1) interest received +2, interest expense -2, forex gain +19, other -3

(※3) decrease of interest received -1, increase of interest expense -1, decrease of forex gain -28, other -3

(※5) increase of interest received +1, increase of forex gain +15, other -3

(※2) extraordinary loss -12, income taxes -8

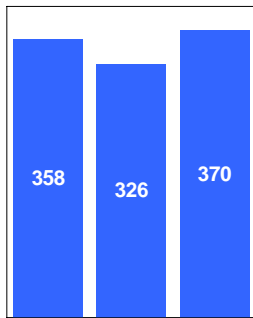
(※4) decrease of extraordinary gain -4, decrease of extraordinary loss +14, decrease of income taxes +52

(※6) increase of extraordinary loss -12, increase of income taxes -4

## 12. Projection of Sales by Equipment in Fiscal 2013 ending March 2014

( 100 million yen )

### DVD related Equipment

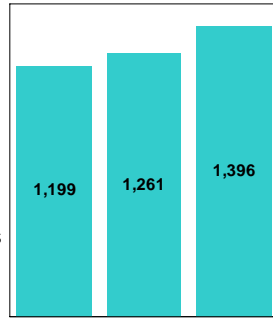


(Comparison to Previous Forecast)  
+13.5%

【Plus Factor】  
• DVD players, recorders  
• Blu-ray Disc players

2013.3 2014.3 2014.3  
(Previous Forecast) (Current Forecast)

### TV related Equipment

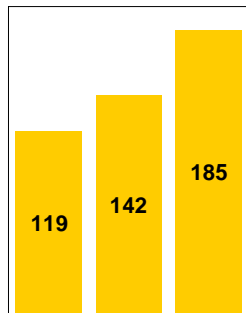


(Comparison to Previous Forecast)  
+10.7%

【Plus Factor】  
• Strong sales in North America and Mexico

2013.3 2014.3 2014.3  
(Previous Forecast) (Current Forecast)

### Information Equipment

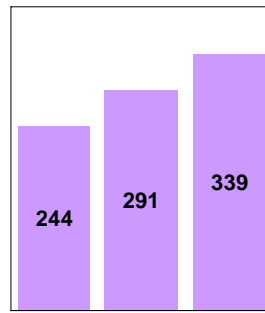


(Comparison to Previous Forecast)  
+30.3%

【Plus Factor】  
• Ink cartridges

2013.3 2014.3 2014.3  
(Previous Forecast) (Current Forecast)

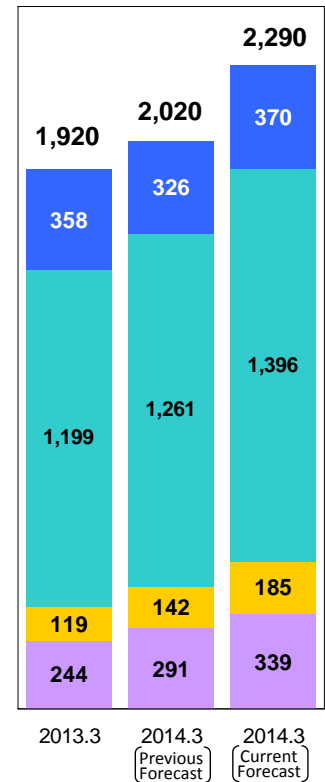
### Others



(Comparison to Previous Forecast)  
+16.5%

【Plus Factor】  
• Antenna and Related devices  
• AV Accessories (NA)

2013.3 2014.3 2014.3  
(Previous Forecast) (Current Forecast)

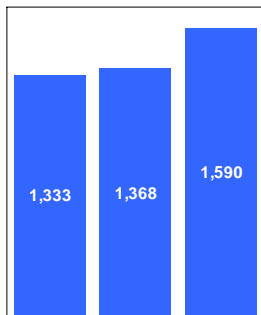


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## 13. Projection of Sales by Geography in Fiscal 2013 ending March 2014

( 100 million yen )

### North America

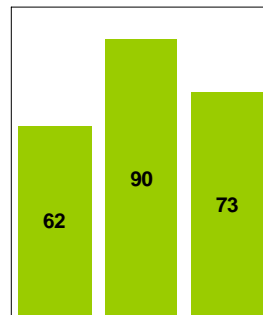


(Comparison to Previous Forecast)  
+16.2%

【Plus Factor】  
• LCD TVs  
• Ink cartridges

2013.3 2014.3 2014.3  
(Previous Forecast) (Current Forecast)

### Europe

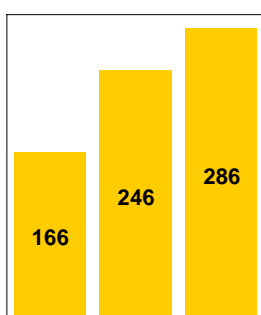


(Comparison to Previous Forecast)  
-18.9%

【Minus Factor】  
• LCD TVs

2013.3 2014.3 2014.3  
(Previous Forecast) (Current Forecast)

### Asia & Others

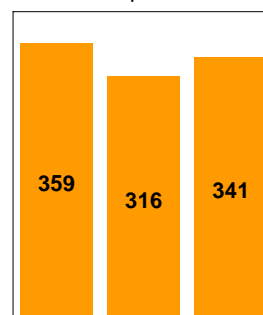


(Comparison to Previous Forecast)  
+16.3%

【Plus Factor】  
• LCD TVs in Mexico

2013.3 2014.3 2014.3  
(Previous Forecast) (Current Forecast)

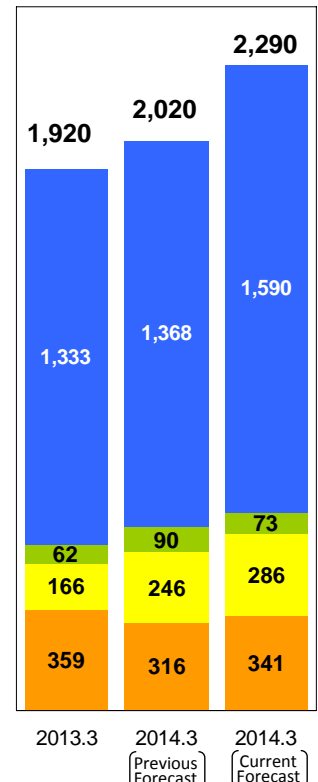
### Japan



(Comparison to Previous Forecast)  
+7.9%

【Plus Factor】  
• Antenna and Related devices

2013.3 2014.3 2014.3  
(Previous Forecast) (Current Forecast)



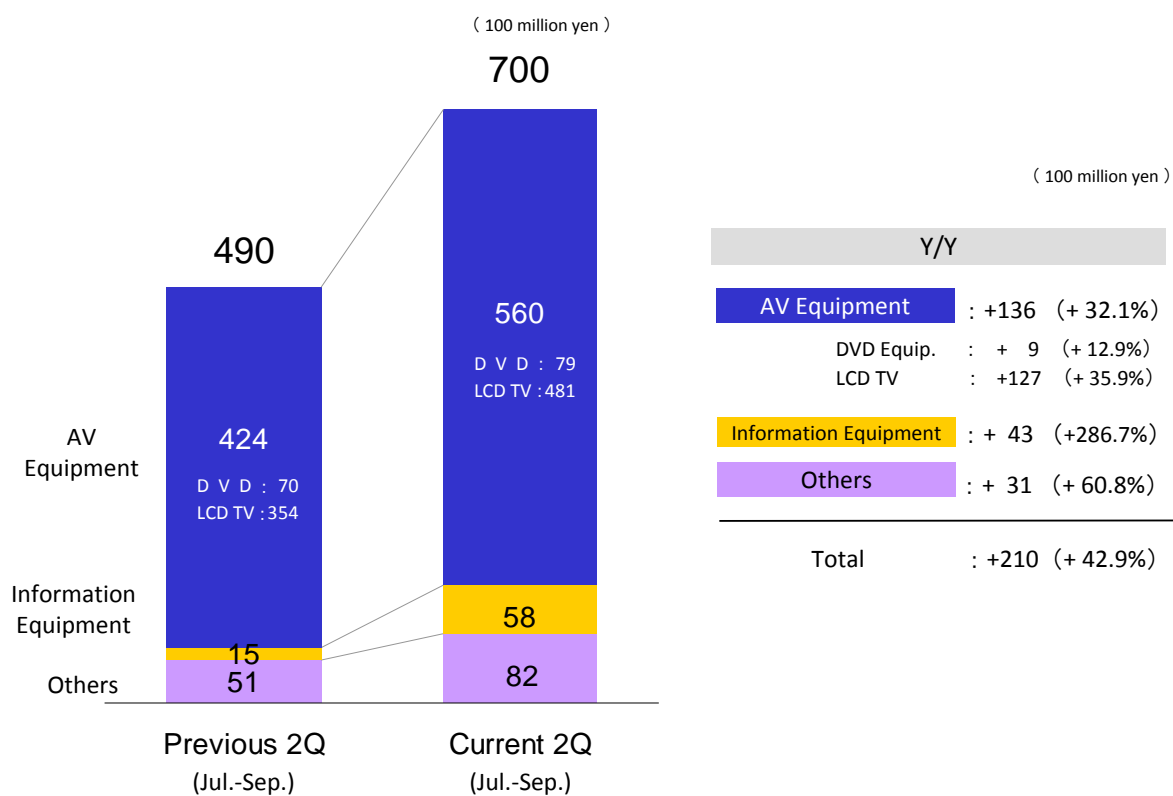
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### III. Appendix ①

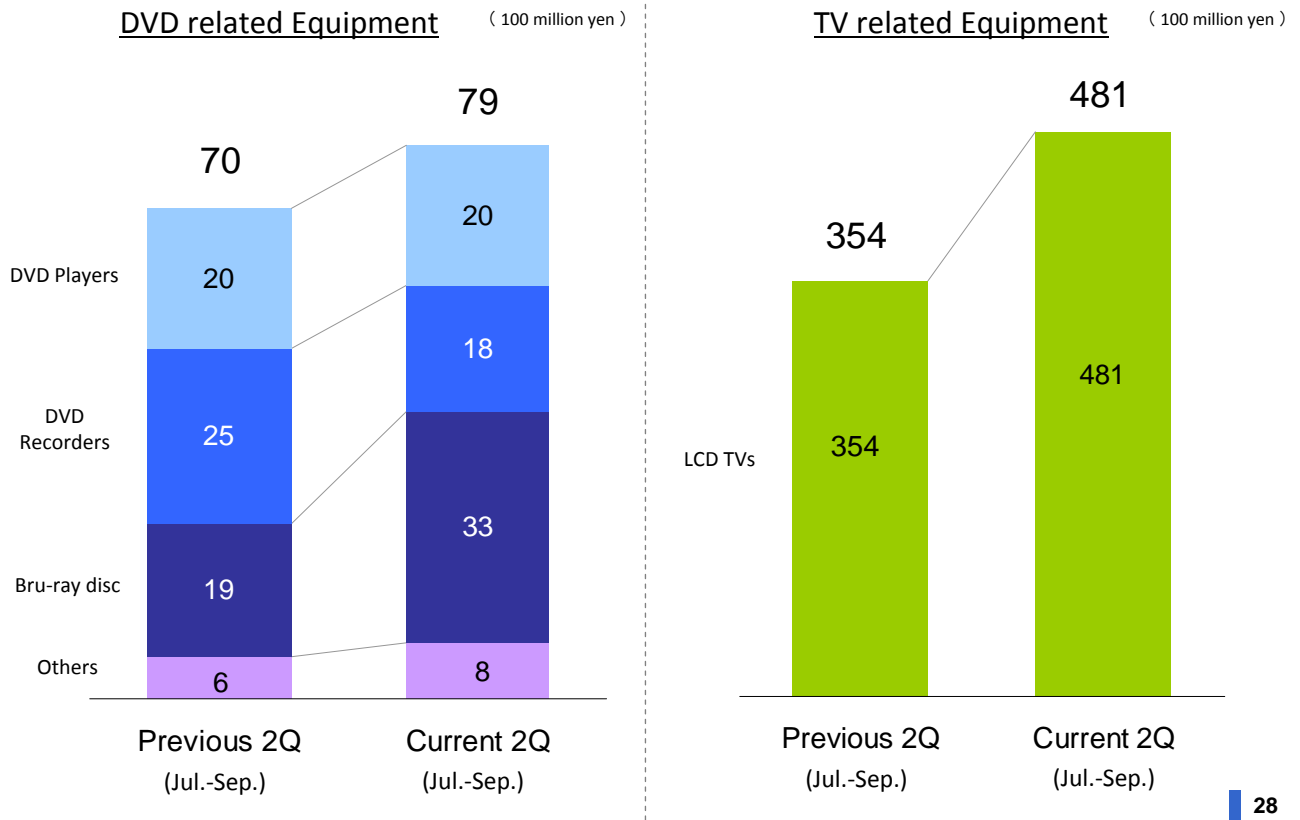
< Summary of Operating Results (Jul.– Sep.) >

1. Sales by Equipment
2. Sales of AV Equipment
3. Sales by Geography

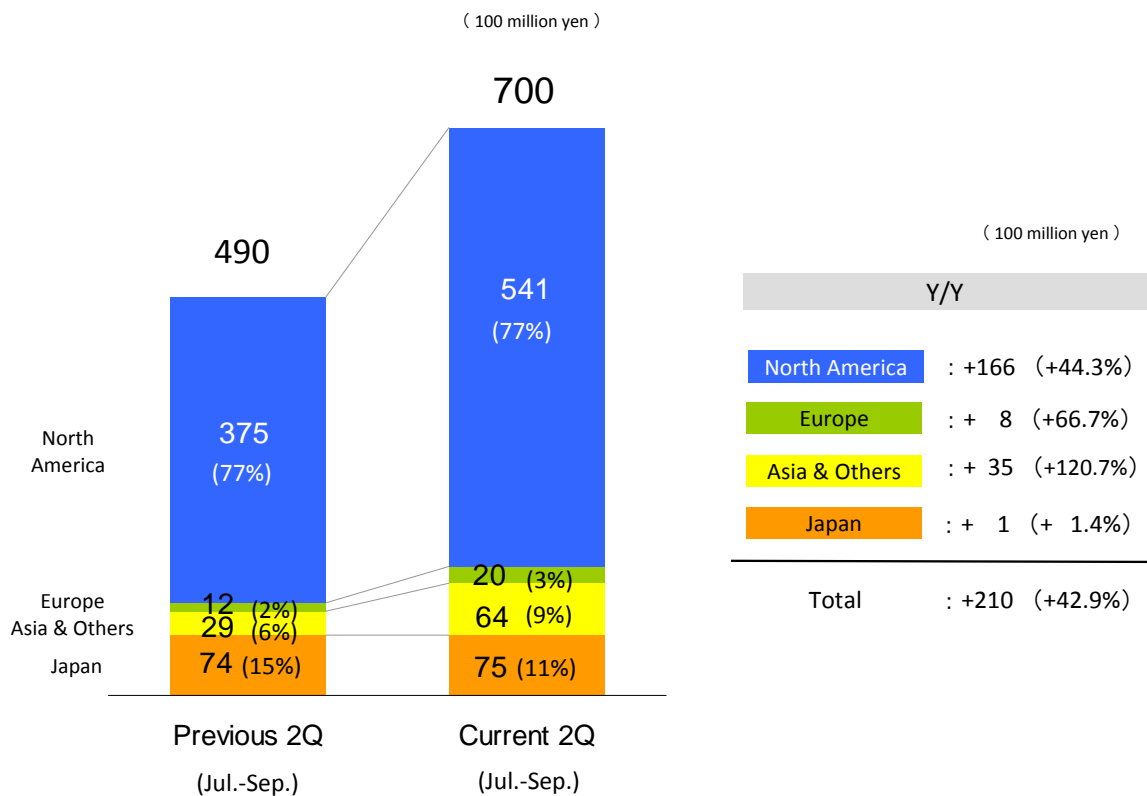
#### 1. Sales by Equipment



## 2. Sales of AV Equipment



## 3. Sales by Geography



## IV. Appendix

1. Quarterly Operating Summary of FY 2012 / 2013
2. Quarterly Changes of Sales Amount by Equipment
3. Quarterly Changes of Sales Amount by Geography

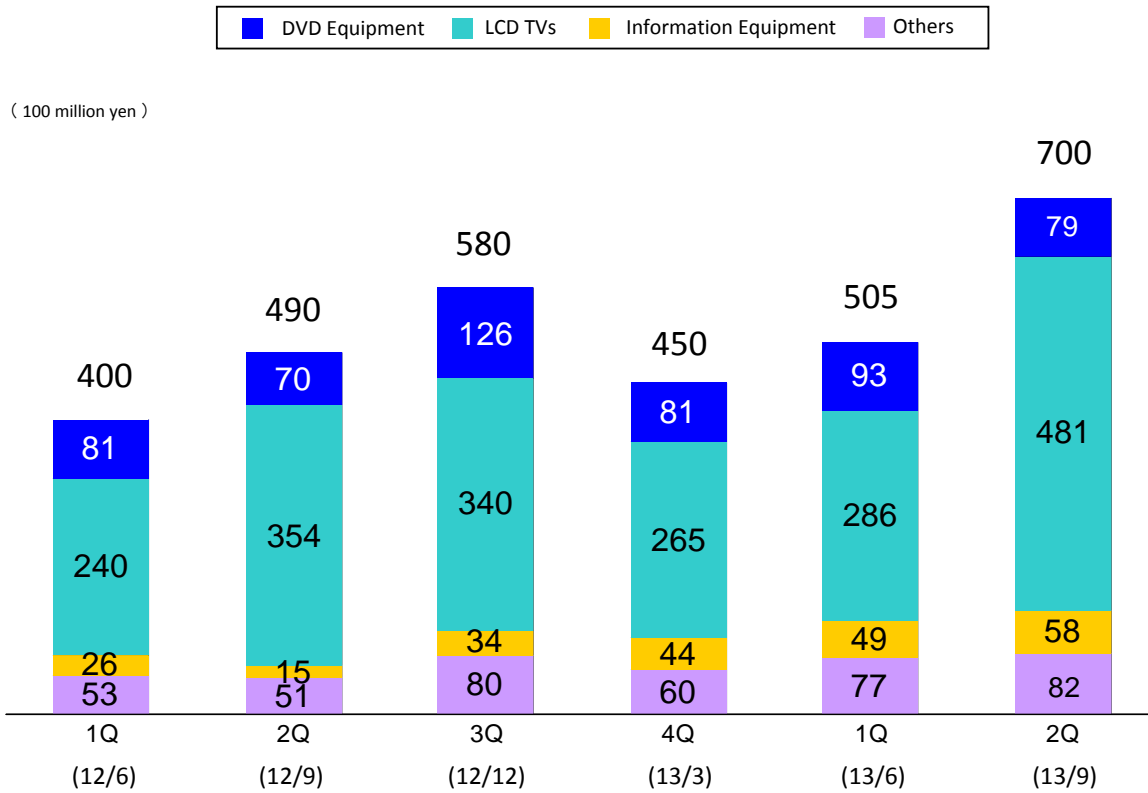
### 1. Quarterly Operating Summary of FY 2012 / 2013

( 100 million yen )

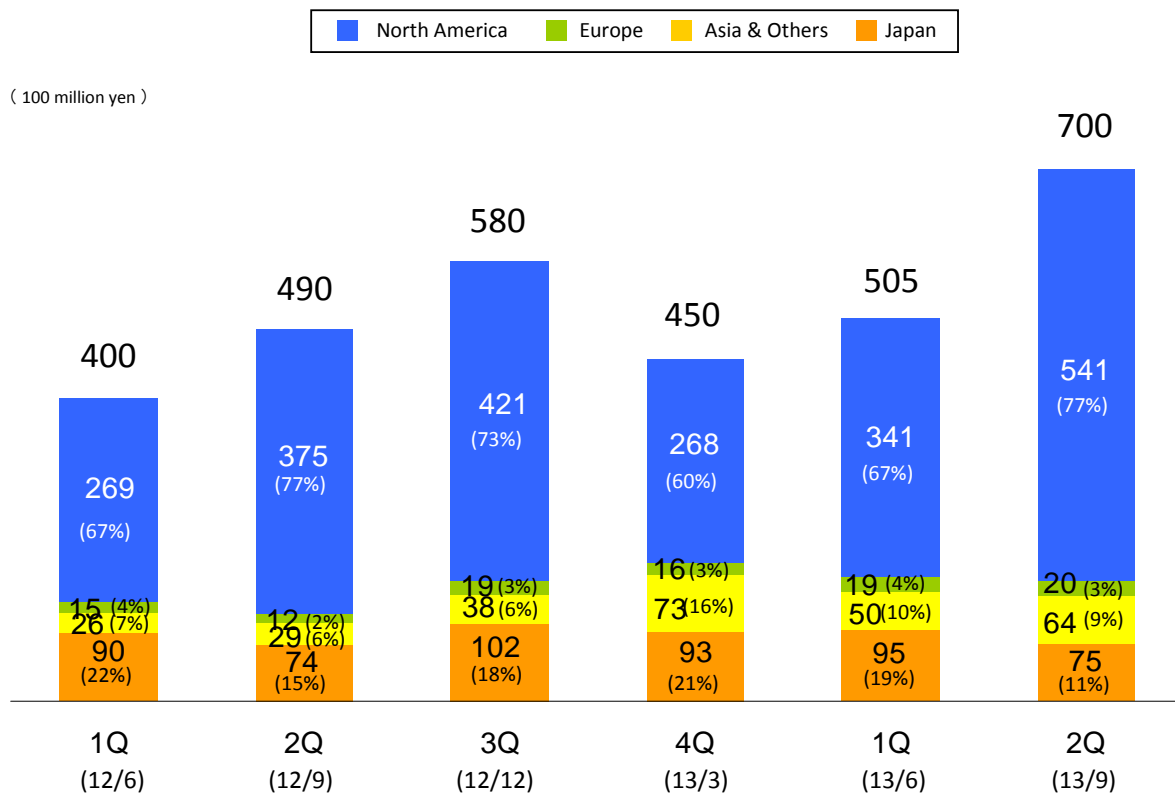
	FY2012				FY2013	
	1Q	2Q	3Q	4Q	1Q	2Q
Net Sales	400	490	580	450	505	700
Operating Income	-9	-5	-3	-34	-17	22
( margin )	(-2.4%)	(-1.0%)	(-0.7%)	(-7.6%)	(-3.4%)	(3.3%)
Ordinary Income	-20	-10	32	-4	1	20
( margin )	(-5.1%)	(-2.0%)	(5.5%)	(-1.1%)	(0.2%)	(2.9%)
Net Income after tax	-18	-11	6	-62	-0	6
( margin )	(-4.6%)	(-2.3%)	(1.2%)	(-13.9%)	(-0.0%)	(0.9%)



## 2. Quarterly Changes of Sales Amount by Equipment



## 3. Quarterly Changes of Sales Amount by Geography



This document contains forward-looking statements and projections regarding business performance which are not historical facts. Please note that these statements are based on information relating to factors that may impact future business performance that was available for analysis at the time this document was printed. These factors include industry trends relating to the business areas of Funai Electric Co., Ltd. or the Funai Group, such as audio-visual devices and information communication equipment, the economic conditions of both domestic and international markets, and fluctuations in currency exchange rates. Actual performance may greatly differ from projections included in this document because of the impacts of uncertainty in such areas as the competitive conditions of the electronics industry, market trends, currency exchange rate, introduction and success of new products, and various other global conditions that may affect the tax system and other systems.

