

# FY 2014 FIRST QUARTER IN CUMULATIVE FINANCIAL REPORT

{ From April 1, 2014  
To June 30, 2014 }



FUNAI ELECTRIC CO., LTD.

First Quarter (April-June) Consolidated Financial Summary  
for the Period Ending March 2015

(Million yen)

	Previous Year First Quarter 〔 From April 1, 2013 to June 30, 2013 〕		Current Year First Quarter 〔 From April 1, 2014 to June 30, 2014 〕		Rate of increase or decrease
	Amount	%	Amount	%	
Net Sales	50,520	100.0	43,067	100.0	(14.8)
Operating Loss	(1,715)	(3.4)	(2,106)	(4.9)	—
Ordinary Income (Loss)	113	0.2	(2,462)	(5.7)	—
Income (Loss) before Income Taxes	51	0.1	(2,292)	(5.3)	—
Net Loss	(18)	(0.0)	(2,331)	(5.4)	—
Net Loss per Share	(0.54)		(68.34)		

Notes: Includes 21 consolidated subsidiaries, 1 non-consolidated subsidiary of equity method, 1 affiliated company of equity method.



## Financial Report for the 3-Month Period ended June 30, 2014

August 4, 2014

Listed company name: Funai Electric Co., Ltd. Securities Code: 6839 Tokyo Stock Exchange, First Section  
(URL <http://www.funai.jp/>)

Representative: President and CEO

Yoshikazu Uemura

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Scheduled date of Quarterly Report; August 7, 2014

Scheduled date of Commencement of Annual Dividend Payment; —

Quarterly Financial Results Supplementation: Yes

Quarterly Financial Results Seminar: Yes

## 1. First Quarter Consolidated Results for the Period Ending March 2015 (April 1, 2014 – June 30, 2014)

## (1) Operating Results (Consolidated)

(% denotes year on year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1 <sup>st</sup> Quarter FY2014	43,067	(14.8)	(2,106)	—	(2,462)	—	(2,331)	—
1 <sup>st</sup> Quarter FY2013	50,520	26.2	(1,715)	—	113	—	(18)	—

(Reference) Comprehensive Income 1<sup>st</sup> Quarter FY 2014 ended June 30, 2014 (2,936) million yen (—%)  
1<sup>st</sup> Quarter FY 2013 ended June 30, 2013 2,447 million yen (—%)

	Net Income Per Share	Net Income Per Share on a Fully Diluted Basis
	Yen	Yen
1 <sup>st</sup> Quarter FY2014	(68.34)	—
1 <sup>st</sup> Quarter FY2013	(0.54)	—

## (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
1 <sup>st</sup> Quarter FY2014	176,318	114,022	64.0
Fiscal Year 2013	181,341	117,684	64.2

(Reference) Equity 1<sup>st</sup> Quarter FY 2014 ended June 30, 2014 112,857 million yen  
Fiscal Year 2013 ended March 31, 2014 116,509 million yen

## 2. Dividends

	Dividend per Share				
	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	Year-End	Annual
	yen	yen	yen	yen	yen
Fiscal Year 2013	—	0.00	—	35.00	35.00
Fiscal Year 2014	—				
Fiscal Year 2014 (Projection)		—	—	—	—

(Note) Revision of Annual Dividends Forecast in this 1<sup>st</sup> Quarter: No

The dividend for FY 2014 has been undecided. The company's dividend policy of DOE is unchanged.

Because of the high impact stemmed from the recent fluctuations in exchange rates give to the consolidated net assets, the dividend is to be disclosed at the time of disclosure has become possible to public.

3. Forecast of Consolidated Results for the Fiscal Year ending March 2015 (April 1, 2014 - March 31, 2015)  
 (% denotes year on year)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income Per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ending Sep.30.2014	93,700	(22.3)	500	(11.9)	400	(81.5)	200	(67.4)	5.86
Full Year	200,000	(14.5)	500	—	400	—	10	—	0.29

(Note) Revision of Forecast of Consolidated Results for the six month period or the Full Year in this 1<sup>st</sup> Quarter: No

\*Note

- (1) Changes in Consolidated Subsidiaries (Changes in Scope of Consolidation): No
- (2) Application of simplified accounting procedure and use of unique accounting procedure for preparation of financial statements covering consolidated accounting in this 1<sup>st</sup> quarter: Yes
- (3) Changes in Accounting Practices, Procedures and Presentation Methods for Consolidated Financial Results
1. Changes arising from revision of accounting standards: Yes
  2. Changes arising from other factors: No
  3. Changes in accounting estimates: No
  4. Restatement: No
- (4) Number of Shares Outstanding (Ordinary Shares)
1. Number of shares outstanding (including treasury stock) as of June 30, 2014; 36,130,796 shares  
as of March 31, 2014; 36,130,796 shares
  2. Number of shares of treasury stock as of June 30, 2014; 2,011,615 shares  
as of March 31, 2014; 2,011,615 shares
  3. The Average number of outstanding shares on June 30, 2014; 34,119,181 shares  
on June 30, 2013; 34,114,181 shares

\* The Recording of Implementation Conditions Regarding Quarterly Review Procedures

This quarterly financial summary does not fall within the scope of the Quarterly Review Procedures referenced in the Financial Instruments and Exchange Act. At the time of disclosure of the quarterly financial summary, the Group was in the process of implementing the quarterly review procedures for its quarterly financial statements.

Disclaimer;

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.

## 1. Qualitative Information Regarding Quarterly Financial Results

### (1) Explanation of Business Performance

During the first quarter of the current fiscal term, the economy of the United States, which is the Funai Group's mainstay market, although the economy has recovered steadily, the improvement, has yet to stimulate consumer spending. In Europe, although uncertainty remained due to the political unrest in Ukraine, keeping modest economic growth. China is seen there have been increasing signs of a bottoming out over recent months. As for Japan, the economy experienced a rebound following the rush in demand leading up to the hike in the country's consumption tax.

As a result of the above factors, the Funai Group posted net sales of JPY 43,067 million, a 14.8% decrease compared with the same period last year.

On the profit front, operating loss was JPY 2,106 million (the operating loss for the same period last year was JPY 1,715 million); ordinary loss was JPY 2,462 million (the ordinary income for the same period last year was JPY 113 million); and a net loss of JPY 2,331 million (the net loss for the same period last year was JPY 18 million).

As for the markets, in which Funai operates amid these conditions, Funai aims to improve profitability for LCD TVs from screen size increases and higher value added features. Profitability improvement also came from selective reduction of the range of purchased Audio Accessory items as well.

Segment conditions by location were as follows:

#### i) Japan

Sales of Printers increased, but sales of Audiovisual Equipment recorded a huge drop due to decrease of BD-related products.

As a result, net sales were JPY 12,585 million, a decrease of 13.8% year by year. Our segment loss (operating loss) was JPY 640 million (the operating loss for this segment for the same period last year was JPY 1,322 million).

#### ii) Americas

Revenues from Ink Cartridge, Audio and Accessories increased. On the other hand, LCD TVs significantly decreased compared with the same period last year due to strong sales at a major mass Retailer. Additionally, DVD-related products also decreased due to sluggish market conditions last year.

As a result, net sales amounting to JPY 28,886 million, a decrease of 16.1% year by year. Our segment loss (operating loss) was JPY 957 million (the operating income for this segment for the same period last year was JPY 102 million).

(Notes)

Effective from the first quarter of the fiscal year under review, the Company has changed the name of a reportable segment from the previous North America to Americas. This is a change of name only and has no impact on segment information.

#### iii) Asia

Net sales were JPY 1,033 million, an increase of 16.5% year by year due to a revenue growth in Ink Cartridges. Our segment loss (operating loss) was JPY 134 million (the operating loss for this segment for the same period last year was JPY 530 million).

#### iv) Europe

The Ink Cartridges contributed to sales and DVD-related products came out of a slump, but LCD TVs sales declined.

As a result, net sales down 9.5% year by year, to JPY 562 million, and an segment loss (operating loss) of JPY 58 million (operating loss for the same period last year was JPY 94 million).

Sales by product segment were as follows:

#### i) Audiovisual Equipment

In the Audiovisual Equipment sector, unit price of LCD TVs increased by growing in screen size, but total sales decreased compared with the same period last year due to strong sales at a major mass Retailer last year. DVD-related products declined due to sluggish market conditions.

As a result, net sales of this equipment were JPY 29,590 million, a decrease of 22.1% year by year.

#### ii) Information Equipment

In the Information Equipment sector, the revenue of printers and ink cartridges increased resulting in net sales of JPY 5,727 million, an increase of 17.8% year by year.

#### iii) Other Products

Net sales were JPY 7,749 million, an increase of 0.8% year by year on a revenue growth of Audio Accessories.

## (2) Qualitative Information Relating to Consolidated Financial Position

Our financial position at the end of first quarter is described below.

Total assets decreased by JPY 5,022 million as compared to the end of the previous consolidated fiscal year. This was mainly due to an increase of JPY 5,532 million in merchandise and finished goods, and a decrease of JPY 3,588 million, JPY 4,826 million and JPY 1,950 million in cash and deposits, notes and accounts receivable-trade, raw materials and supplies.

Total liabilities decreased by JPY 1,360 million as compared to the end of the previous consolidated fiscal year. This was mainly due to the JPY 2,695 million increases in short-term loans payable and decrease of JPY 4,423 million in notes and accounts payable-trade.

Net assets decreased by JPY 3,661 million as compared to the end of the previous consolidated fiscal year. This was mainly due to a decrease of JPY 3,042 million and JPY 706 million in retained earnings and foreign currency translation adjustment.

## (3) Qualitative Information Relating to Consolidated Performance Forecasts:

We have not revised its consolidated operating results forecast released on May 12, 2014.

Note: The operating results outlook is a forward-looking statement about the future performance of the Company and is based on management's assumptions and beliefs in light of information currently available, and involves known and unknown risks and uncertainties. Various factors such as changes in economic conditions overseas, especially in the main U.S. market, and severe price fluctuations may cause actual events and results to differ materially from those anticipated in these statements.

## 2. Summary Information

### (1) Unique accounting procedure for preparation of consolidated financial statements for fiscal quarter

Expenses relating to taxes are calculated by applying the estimated effective tax rates on the before-tax net profit for the fiscal quarter, through a practical estimation of the effective tax rates that will take effect after the application of the tax effect accounting for before-tax net profits of the consolidated fiscal year, including this first fiscal quarter.

### (2) Change in accounting policy

#### (Application of accounting standard for retirement benefits)

Effective from the first quarter of the fiscal year under review, the Company has applied the provisions set forth in the main clauses of Paragraph 35 of the Accounting Standard for Retirement Benefits (ASBJ Guidance No. 26, May 17, 2012) and Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012). As a result, the methods for calculating retirement benefit obligations and service costs have been revised in the following respects: the method for attributing projected benefits to periods has been changed from the straight-line basis to the benefit formula basis, and the method for determining the discount rate has been changed from a discount rate based on the average period until payment of estimated amount of retirement benefits to use a single weighted-average discount rate that reflects the periods until the expected payment of retirement benefits and the amount of projected benefits for each period.

Application of the Accounting Standard for Retirement Benefits and Guidance on Accounting Standard for Retirement Benefits conforms to the transitional treatment set forth in Paragraph 37 of the Accounting Standard for Retirement Benefits, and the effect of changing the method for calculating retirement benefit obligations and service costs was recognized by adjusting retained earnings at the beginning of the current first quarter.

As a result, net defined benefit assets and net defined benefit liabilities at the beginning of the current first quarter increased by JPY 934 million and JPY 200 million, respectively, retained earnings increased by JPY 483 million, and minority interests decreased by JPY 11 million. The effect of this change on consolidated operating income and loss, ordinary income and loss, and income and loss before income taxes for the current first quarter is immaterial.

### (3) Additional Information

#### (About anti-tax haven law)

The Funai Group received a rectification notice from the Osaka Regional Taxation Bureau on June 29, 2011. The Bureau determined that our Hong Kong subsidiary does not meet the requirements for exclusion under the anti-tax haven system and the Hong Kong subsidiary's income for the three fiscal years ended March 31, 2008 through 2010, will be considered, and taxed as our income. We objected to these supplementary tax assessments, and filed a petition with the Osaka Regional Tax Tribunal on August 25, 2011, to overturn the supplementary tax assessment order. Thereafter, we received written verdicts on this case on July 24, 2012 indicating that our assertions had been dismissed. We will continue to assert the validity of its arguments in the future.

The additional tax of JPY 825 million (JPY 935 million including incidental taxes) includes corporate, enterprise and residence taxes. We charged the tax assessments to income as "prior year's taxes" in the fiscal year ended March 31, 2012.

The financial effect of applying the tax system beginning in the fiscal year ended March 31, 2011, the accounting period after the fiscal year in which the tax examination concluded, has been charged to income.

### 3. Consolidated Financial Statements

#### (1) Consolidated Quarterly Balance Sheets

(Units : Million Yen)

	Fiscal year 2013 (As of March 31, 2014)	1st Quarter FY2014 (As of June 30, 2014)
<b>ASSETS;</b>		
Current Assets		
Cash and deposits	49,167	45,579
Notes and accounts receivable - trade	37,681	32,855
Merchandise and finished goods	31,665	37,198
Work in process	1,182	1,497
Raw materials and supplies	16,427	14,477
Other	8,126	7,986
Allowance for doubtful accounts	(210)	(310)
Total current assets	144,041	139,284
Noncurrent Assets		
Property, plant and equipment	21,905	21,667
Intangible assets	6,574	6,370
Investments and other assets		
Net defined benefit asset	335	1,273
Other	8,780	8,017
Allowance for doubtful accounts	(296)	(294)
Total investments and other assets	8,819	8,996
Total noncurrent assets	37,300	37,034
<b>TOTAL ASSETS</b>	<b>181,341</b>	<b>176,318</b>
<b>LIABILITIES;</b>		
Current Liabilities		
Notes and accounts payable - trade	32,942	28,518
Short-term loans payable	4,526	7,222
Income taxes payable	414	134
Provision	1,312	1,291
Other	14,497	14,737
Total current liabilities	53,692	51,903
Noncurrent Liabilities		
Long-term loans payable	6,121	5,968
Provision	1,088	1,081
Net defined benefit liability	775	954
Other	1,979	2,388
Total noncurrent liabilities	9,964	10,392
<b>TOTAL LIABILITIES</b>	<b>63,656</b>	<b>62,296</b>

(Units : Million Yen)

	Fiscal year 2013 (As of March 31, 2014)	1st Quarter FY2014 (As of June 30, 2014)
NET ASSETS;		
Shareholders' equity		
Capital stock	31,307	31,307
Capital surplus	33,272	33,272
Retained earnings	93,196	90,154
Treasury shares	(24,341)	(24,341)
Total shareholders' equity	133,435	130,392
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	672	757
Foreign currency translation adjustment	(17,495)	(18,201)
Remeasurements of defined benefit plans	(103)	(91)
Total accumulated other comprehensive income	(16,925)	(17,535)
Subscription rights to shares	132	133
Minority interests	1,042	1,031
Total net asset	117,684	114,022
TOTAL LIABILITIES AND NET ASSETS	181,341	176,318



(2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statement of Comprehensive Income  
(Consolidated Quarterly Statements of Income)

(Units : Million Yen)

	1st Quarter FY2013 ( from April 1, 2013 to June 30, 2013)	1st Quarter FY2014 ( from April 1, 2014 to June 30, 2014)
Net sales	50,520	43,067
Cost of sales	43,200	36,566
Gross profit	7,320	6,501
Selling, general and administrative expenses	9,035	8,608
Operating income (loss)	(1,715)	(2,106)
Non-operating income		
Interest income	47	30
Dividends income	14	89
Foreign exchange gains	1,899	—
Gain on investments in partnership	—	77
Other	30	62
Total non-operating income	1,991	260
Non-operating expenses		
Interest expenses	67	47
Share of loss of entities accounted for using equity meth	23	131
Foreign exchange losses	—	398
Other	71	38
Total non-operating expenses	162	616
Ordinary income (loss)	113	(2,462)
Extraordinary income		
Gain on sales of non-current assets	0	46
Gain on sales of shares of subsidiaries and associates	—	134
Other	—	1
Total extraordinary income	0	183
Extraordinary losses		
Loss on disposal of non-current assets	2	12
Loss on valuation of investment securities	60	—
Total extraordinary loss	63	12
Income (loss) before income taxes	51	(2,292)
Income taxes	55	36
Income (loss) before minority interests	(4)	(2,328)
Minority interests in income	13	2
Net income (loss)	(18)	(2,331)

## (Consolidated Quarterly Statement of Comprehensive Income)

(Units : Million Yen)

	1st Quarter FY2013 ( from April 1, 2013 to June 30, 2013)	1st Quarter FY2014 ( from April 1, 2014 to June 30, 2014)
Income (loss) before minority interests	(4)	(2,328)
Other comprehensive income		
Valuation difference on available-for-sale securities	100	85
Foreign currency translation adjustment	2,325	(700)
Share of other comprehensive income of entities accounted for using equity method	26	(6)
Remeasurements of defined benefit plans, net of tax	—	13
Total other comprehensive Income	2,451	(607)
Comprehensive income	2,447	(2,936)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	2,431	(2,941)
Comprehensive income attributable to minority interest:	15	4

(3) Consolidated Quarterly Statements of Income  
(Notes for Continuing Enterprises)  
Not Applicable

(Notes of remarkable changes in Shareholders Equity)  
Not Applicable

(Consolidated balance sheets)  
First Quarter Consolidated Fiscal Period – Year to Date (As of June 30, 2014)  
Contingent liabilities

(Arbitration)

Funai Electric Co., Ltd. (hereinafter, "Funai") resolved to acquire from Koninklijke PHILIPS N.V. (hereinafter, "PHILIPS") all shares in a company that will hold the operation of the PHILIPS' Lifestyle Entertainment Business and concluded a share purchase agreement on January 29, 2013. But PHILIPS filed against Funai a petition as of October 25, 2013 for arbitration to claim compensation for damages on the grounds of breach of the agreement by Funai and the petition has been served on November 8, 2013 by the International Chamber of Commerce.

With regard to this matter, Funai recognizes there to have been no breach of contract on its behalf. Consequently, on December 6, 2013, Funai filed with the International Chamber of Commerce a counterclaim for claiming compensation for damages on the grounds of breach of the agreement and undue action by PHILIPS.

Funai was presented with €171.8 million, statutory interest and arbitration costs as the amount of claim for compensatory damages from Philips on May 20, 2014.

The results of these arbitral proceedings may affect the Funai Group's operating performance, but given the difficulty of making a rational estimate of this impact during this third quarter consolidated fiscal period, such impact has not been reflected in the Funai Group's operating performance or financial condition.

Following is the outline of arbitration filed against Funai and counterclaim filed by Funai.

#### 1. Outline of arbitration filed against Funai

##### (1) Institution and date of arbitration

- i) Institution where petition for arbitration is filed: International Chamber of Commerce
- ii) Date of petition for arbitration: October 25, 2013

##### (2) Petitioner of arbitration

- i) Name : Koninklijke PHILIPS N.V.
- ii) Location : Eindhoven, The Netherlands
- iii) Title & name of representative : Chief Executive Officer Frans van Houten

##### (3) Details of petition and claimed amount for damages

- i) Details of petition : A claim for damages on the grounds of breach of the agreement by Funai
- ii) Claimed amount : €171.8 million, statutory interest and arbitration costs

#### 2. Outline of counterclaim filed by Funai

##### (1) Institution with which counterclaim filed and date of filing

- i) Institution with which counterclaim filed : International Chamber of Commerce
- ii) Date of counterclaim: December 6, 2013

##### (2) Other party to counterclaim filing

- i) Name : Koninklijke PHILIPS N.V.
- ii) Location : Eindhoven, The Netherlands
- iii) Title & name of representative : Chief Executive Officer Frans van Houten

##### (3) Details of petition and claimed amount for damages

- i) Details of petition : Claim for damages on the grounds of breach of the agreement and undue action by PHILIPS
- ii) Claimed amount : A specific claimed amount has not been stipulated

As instructed by the arbitral tribunal, the Company will calculate the amount of damages incurred and present a counterclaim against PHILIPS by October 2014.

An overview of the above-mentioned share purchase agreement is as follows.

#### 1. Name of other company and content of acquired businesses

##### (1) Name of other company : Koninklijke PHILIPS N.V.

##### (2) Content of acquired businesses : Lifestyle Entertainment Business

(Note) The Lifestyle Entertainment Business involves the development and design, sales and (partial) manufacture of the PHILIPS-brand Audio Video Multimedia products, Home Communication products and Accessories products.

## 2. Reasons for Acquiring the Shares

The Transaction to assume the operation will enable the Funai Group to expand the lineup of products that it handles and expand its sales region to include Asia, South America and other emerging markets, as well as advanced countries in Europe. Funai decided to acquire shares in the New Company, based on the belief that the acquisition would foster sustained growth of the Funai Group's business.

## 3. Acquisition price and percentage of shares held after acquisition

Acquisition price : €150 million

Percentage of shares held after acquisition : 100%

(Information by Segment)  
[Segment Information]

I . First Quarter Consolidated Fiscal Period – Year to Date (April 1, 2013 to June 30, 2013)  
Information Regarding Net Sales and Profit/Loss Conditions by Reporting Segment

(Units: Million Yen)

	Japan	Americas	Asia	Europe	Total	Adjustments (Note 1)	Consolidated (Note 2)
Net Sales							
(1) Outside customers	14,599	34,413	886	621	50,520	—	50,520
(2) Inter-segment sales	27,463	0	33,824	0	61,288	(61,288)	—
Total	42,062	34,413	34,710	621	111,809	(61,288)	50,520
Segment Income (Loss)	(1,322)	102	(530)	(94)	(1,844)	129	(1,715)

Note: 1. JPY 129 million adjustment amount under segment loss includes items such as the JPY 0 million relating to the cancellation of inter-segment transactions, JPY -197 million of overall Group expenses that are not apportioned to each reporting segment, and the JPY 326 million adjustment relating to inventory assets. Overall Group expenses are comprised of general administrative expenses that do not belong to a specific reporting segment.

2. Segment loss has been adjusted to operating loss noted on the first quarter consolidated income statement.

II . First Quarter Consolidated Fiscal Period – Year to Date (April 1, 2014 to June 30, 2014)  
Information Regarding Net Sales and Profit/Loss Conditions by Reporting Segment

(Units: Million Yen)

	Japan	Americas	Asia	Europe	Total	Adjustments (Note 1)	Consolidated (Note 2)
Net Sales							
(1) Outside customers	12,585	28,886	1,033	562	43,067	—	43,067
(2) Inter-segment sales	23,321	220	26,224	—	49,766	(49,766)	—
Total	35,907	29,106	27,257	562	92,834	(49,766)	43,067
Segment Income (Loss)	(640)	(957)	(134)	(58)	(1,791)	(315)	(2,106)

Note: 1. JPY -315 million adjustment amount under segment loss includes items such as the JPY -5 million relating to the cancellation of inter-segment transactions, JPY -189 million of overall Group expenses that are not apportioned to each reporting segment, and the JPY -120 million adjustment relating to inventory assets. Overall Group expenses are comprised of general administrative expenses that do not belong to a specific reporting segment.

2. Segment loss has been adjusted to operating loss noted on the first quarter consolidated income statement.

2. Change a Reportable Segment

(Application of Accounting Standard for Retirement Benefits)

Effective from the first quarter of the fiscal year under review, the Company has applied the provisions set forth in the main clauses of Paragraph 35 of the Accounting Standard for Retirement Benefits (ASBJ Guidance No. 26, May 17, 2012) and Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012). As a result, the methods for calculating retirement benefit obligations and service costs have been revised in the following respects: the method for attributing projected benefits to periods has been changed from the straight-line basis to the benefit formula basis, and the method for determining the discount rate has been changed from a discount rate based on the average period until payment of estimated amount of retirement benefits to use a single weighted-average discount rate that reflects the periods until the expected payment of retirement benefits and the amount of projected benefits for each period. The effect of this change is immaterial.

(Change the Name of a Reportable Segment)

Effective from the first quarter of the fiscal year under review, the Company has changed the name of a reportable segment from the previous North America to Americas. This is a change of name only and has no impact on segment information. Segment information for the current first quarter is presented using the revised segment name.

# FIRST QUARTER IN CUMULATIVE FINANCIAL RESULTS SUPPLEMENTATION

## FY 2014

( from 2014.4.1  
to 2014.6.30 )

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FUNAI ELECTRIC CO., LTD.

## 1. Summary of 1Q Financial Statements (Consolidated)

### (1) Operating Results, Financial Conditions

(Units : 100 million yen, %)

	FY 2013						FY 2014					
	1Q			Full-Year			1Q			Full-Year (Projections)		
	Amount	%	Change	Amount	%	Change	Amount	%	Change	Amount	%	Change
Net Sales	505	100.0	26.2	2,340	100.0	21.9	430	100.0	(14.8)	2000	100.0	(14.5)
Operating Income (Loss)	(17)	(3.4)	—	(54)	(2.3)	—	(21)	(4.9)	—	5	0.3	—
Ordinary Income (Loss)	1	0.2	—	(22)	(1.0)	—	(24)	(5.7)	—	4	0.2	—
Net Income (Loss) after Tax	(0)	(0.0)	—	(67)	(2.9)	—	(23)	(5.4)	—	0	0.0	—
Total Assets	1,978	—	—	1,813	—	—	1,763	—	—	—	—	—
Net Assets	1,224	—	—	1,176	—	—	1,140	—	—	—	—	—

### (※) Yen-Dollars / Exchange rate

(Units : Yen / Dollars)

	FY 2013		FY 2014	
	1Q	Full-Year	1Q	Full-Year (Projections)
Average Rate in each Period	99.23	100.49	101.87	100.00

### (2) Profitability and Per Share Data etc.

	FY 2013		FY 2014	
	1Q	Full-Year	1Q	Full-Year (Projections)
Gross Profit Ratio (%)	14.5	13.9	15.1	16.0
Operating Income Ratio (%)	(3.4)	(2.3)	(4.9)	0.3
Ordinary Income Ratio (%)	0.2	(1.0)	(5.7)	0.2
Shareholders' Equity Ratio (%)	61.3	64.2	64.0	—
Net Assets Per Share (yen)	3,556.38	3,414.77	3,307.73	—
Net Income Per Share (yen)	(0.54)	(197.70)	(68.34)	0.29
Return on Assets (%)	(0.0)	(3.6)	(1.2)	—
Return on Shareholders' Equity (%)	(0.0)	(5.7)	(2.0)	—

### (3) Capital Expenditures, Depreciation, R&D Expenses

(Units : 100 million yen, %)

	FY 2013				FY 2014			
	1Q		Full-Year		1Q		Full-Year (Projections)	
	Amount	Change	Amount	Change	Amount	Change	Amount	Change
Capital Expenditures	72	800.0	109	105.7	11	(84.7)	49	(55.0)

	FY 2013						FY 2014					
	1Q			Full-Year			1Q			Full-Year (Projections)		
	Amount	%	Change	Amount	%	Change	Amount	%	Change	Amount	%	Change
Depreciation Expenses	13	2.6	30.0	52	2.2	30.0	11	2.6	(15.4)	58	2.9	11.5
R&D	22	4.4	(4.3)	84	3.6	(9.7)	10	3.7	(27.3)	84	4.2	—

## (4) CashFlow

(Units : 100 million yen)

	FY 2013			FY 2014		
	1Q	Full-Year		1Q	Full-Year (Projections)	
Cash flows provided by operating activities	(155)	(12)		(37)	—	
Income Before Income Taxes	0	(56)		(22)	—	
Depreciation Expenses	15	64		14	—	
Others	(170)	(20)		(29)	—	
Cash flows used in investing activities	12	(27)		(10)	—	
Free cash flows	(143)	(39)		(47)	—	
Cash flows provided by financing activities	15	(46)		14	—	
Effect of exchange rate changes on cash and cash equivalents	15	20		(3)	—	
Net increase in cash and cash equivalents	(112)	(66)		(35)	—	

## 2. Operating Activities (Consolidated)

## (1) Sales by Equipment

(Units : 100 million yen, %)

	FY 2013						FY 2014					
	1Q			Full-Year			1Q			Full-Year (Projections)		
	Amount	%	Change	Amount	%	Change	Amount	%	Change	Amount	%	Change
Audio Visual Equipment	379	75.2	18.4	1,831	78.2	17.6	296	68.7	(22.1)	1,574	78.7	(14.0)
DVD	43	8.5	13.2	174	7.4	(5.4)	27	6.2	(37.2)	108	5.4	(37.9)
BD	42	8.4	10.5	168	7.2	19.1	22	5.1	(47.6)	136	6.8	(19.0)
LCD TV	286	56.7	19.2	1,436	61.4	19.8	236	54.9	(17.5)	1,278	63.9	(11.0)
Others	8	1.6	60.0	53	2.2	60.6	11	2.5	37.5	52	2.6	(1.9)
Information Equipment	49	9.6	82.9	189	8.1	57.8	57	13.3	17.8	127	6.4	(32.8)
Others	77	15.2	45.4	320	13.7	31.6	77	18.0	0.8	299	14.9	(6.6)
Total	505	100.0	26.2	2,340	100.0	21.9	430	100.0	(14.8)	2,000	100.0	(14.5)



## (2) Sales by Areas in Equipment

(Units : 100 million yen, %)

	FY 2013						FY 2014					
	1Q			Full-Year			1Q			Full-Year (Projections)		
	Amount	%	Change	Amount	%	Change	Amount	%	Change	Amount	%	Change
Audio Visual Equipment	379	75.2	18.4	1,831	78.2	17.6	296	68.7	(22.1)	1,574	78.7	(14.0)
Americas	319	63.2	19.5	1,570	67.1	18.5	258	59.9	(19.1)	1,339	67.0	(14.7)
Europe	8	1.7	(42.9)	32	1.3	(25.6)	6	1.4	(25.0)	38	1.9	18.8
Asia and Others	1	0.2	—	12	0.5	140.0	1	0.2	—	15	0.7	25.0
Japan	51	10.3	27.5	217	9.3	17.9	31	7.2	(39.2)	182	9.1	(16.1)
Information Equipment	49	9.6	82.9	189	8.1	57.8	57	13.3	17.8	127	6.4	(32.8)
Americas	32	6.3	190.9	126	5.3	96.9	42	9.8	31.3	89	4.5	(29.4)
Europe	11	2.1	1000.0	45	2.0	136.8	11	2.6	—	30	1.5	(33.3)
Asia and Others	4	0.8	(71.4)	16	0.7	(48.4)	4	0.9	—	8	0.4	(50.0)
Japan	2	0.4	—	2	0.1	(60.0)	0	0.0	—	0	0.0	—
Others	77	15.2	45.4	320	13.7	31.6	77	18.0	0.8	299	14.9	(6.6)
Total	505	100.0	26.2	2,340	100.0	21.9	430	100.0	(14.8)	2,000	100.0	(14.5)

(Note)

Effective from FY 2014, sales to Central and South America, which were previously included in the Asia and others, have been included in Americas. The segment name North America has been changed to Americas.

Figures for FY 2013 have been restated accordingly.

## (3) Sales by Equipment in Areas

(Units : 100 million yen, %)

	FY 2013						FY 2014					
	1Q			Full-Year			1Q			Full-Year (Projections)		
	Amount	%	Change	Amount	%	Change	Amount	%	Change	Amount	%	Change
Americas	385	76.2	37.5	1,850	79.0	26.7	336	78.1	(12.7)	1,564	78.2	(15.5)
Audio Visual Equipment	319	63.2	19.5	1,570	67.1	18.5	258	59.9	(19.1)	1,339	67.0	(14.7)
Information Equipment	32	6.3	190.9	126	5.3	96.9	42	9.8	31.3	89	4.5	(29.4)
Others	34	6.7	1600.0	154	6.6	116.9	36	8.4	5.9	136	6.7	(11.7)
Europe	19	3.8	26.7	77	3.3	24.2	17	4.0	(10.5)	68	3.4	(11.7)
Audio Visual Equipment	8	1.7	(42.9)	32	1.3	(25.6)	6	1.4	(25.0)	38	1.9	18.8
Information Equipment	11	2.1	1000.0	45	2.0	136.8	11	2.6	—	30	1.5	(33.3)
Others	0	0.0	—	0	0.0	—	0	0.0	—	0	0.0	—
Asia and Others	6	1.2	(60.0)	32	1.4	(17.9)	6	1.4	—	23	1.1	(28.1)
Audio Visual Equipment	1	0.2	—	12	0.5	140.0	1	0.2	—	15	0.7	25.0
Information Equipment	4	0.8	(71.4)	16	0.7	(48.4)	4	0.9	—	8	0.4	(50.0)
Others	1	0.2	—	4	0.2	33.3	1	0.3	—	0	0.0	—
Japan	95	18.8	5.6	381	16.3	6.1	71	16.5	(25.3)	345	17.3	(9.4)
Audio Visual Equipment	51	10.1	27.5	217	9.3	17.9	31	7.2	(39.2)	182	9.1	(16.1)
Information Equipment	2	0.4	—	2	0.1	(60.0)	0	0.0	—	0	0.0	—
Others	42	8.3	(16.0)	162	6.9	(4.7)	40	9.3	(4.8)	163	8.2	0.6
Total	505	100.0	26.2	2,340	100.0	21.9	430	100.0	(14.8)	2,000	100.0	(14.5)

(Note)

Effective from FY 2014, sales to Central and South America, which were previously included in the Asia and others, have been included in Americas. The segment name North America has been changed to Americas.

Figures for FY 2013 have been restated accordingly.



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