FY 2014 FINANCIAL REPORT

From April 1, 2014
To March 31, 2015

FUNAI ELECTRIC CO., LTD.

May 11, 2015
Funai Electric Co., Ltd.

Financial Summary for the Period Ending March 2015

1. Summary of Operating Results (Consolidated)

(Million yen)

	Fiscal Year 2013 (From April 1, 2013 to March 31, 2014)		Fiscal Year 2014 (From April 1, 2014 to March 31, 2015)		Rate of increase or decrease
	Amount	%	Amount	%	
Net Sales	234,042	% 100.0	217,088	% 100.0	% (7.2)
Operating Income (Loss)	(5,465)	(2.3)	564	0.3	—
Ordinary Income (Loss)	(2,253)	(1.0)	1,924	0.9	—
Net Income (Loss) after Tax	(6,745)	(2.9)	1,354	0.6	—
Net Income (Loss) per Share	(197.70)		39.70		

Notes: Includes 22consolidated subsidiaries, 1 equity method non-consolidated subsidiary, 1 equity method affiliate company.

2. Summary of Operating Results (Non-Consolidated)

(Million yen)

	Fiscal Year 2013 (From April 1, 2013 to March 31, 2014)		Fiscal Year 2014 (From April 1, 2014 to March 31, 2015)		Rate of increase or decrease
	Amount	%	Amount	%	
Net Sales	177,848	% 100.0	154,549	% 100.0	(13.1)
Operating Income (Loss)	(2,823)	(1.6)	(1,841)	(1.2)	—
Ordinary Income (Loss)	(991)	(0.6)	(343)	(0.2)	—
Net Income (Loss) after Tax	(5,232)	(2.9)	347	0.2	—
Net Income (Loss) per Share	(153.37)		10.19		

Financial Report for the 12-Month Period ended March 31, 2015

May 11, 2015

Listed company name: Funai Electric Co., Ltd. Securities Code: 6839 Tokyo Stock Exchange, First Section
(URL http://www.funai.jp/)
Representative: President and CEO Tomonori Hayashi
Inquiries: Representative Director, Corporate Planning Dept. Tetsuhiro Maeda TEL: (072) 870-4395
Scheduled date of Annual General Shareholders Meeting; June 25, 2015
Scheduled date of Securities Report to be filed to the Kinki Finance Bureau; June 25, 2015
Scheduled date of Commencement of Annual Dividend Payment; June 8, 2015
Financial Results Supplementation: Yes
Financial Results Seminar: Yes

1. Summary of Consolidated Results for the Fiscal Year ended March 2014 (April 1, 2014 – March 31, 2015)

(1) Operating Results (Consolidated) (% denotes year on year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal Year 2014	217,088	(7.2)	564	―	1,924	―	1,354	―
Fiscal Year 2013	234,042	21.9	(5,465)	―	(2,253)	―	(6,745)	―

(Note) Comprehensive Income Fiscal Year ended March 31, 2015 10,913 million yen (―%)
Fiscal Year ended March 31, 2014 (2,122) million yen (―%)

	Net Income Per Share	Net Income Per Share on a Fully Diluted Basis	Return on Shareholders' Equity	Ordinary Income to Total Assets	Operating Income Ratio
	Yen	Yen	%	%	%
Fiscal Year 2014	39.70	―	1.1	1.0	0.3
Fiscal Year 2013	(197.70)	―	(5.7)	(1.2)	(2.3)

(Reference) Equity in earning of affiliates Fiscal Year ended March 31, 2015 (144) million yen
Fiscal Year ended March 31, 2014 (125) million yen

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets Per Share
	Million yen	Million yen	%	Yen
Fiscal Year 2014	189,695	127,881	66.8	3,712.81
Fiscal Year 2013	181,341	117,684	64.2	3,414.77

(Reference) Shareholders' Equity Fiscal Year ended March 31, 2015 126,677 million yen
Fiscal Year ended March 31, 2014 116,509 million yen

(3) Consolidated Cash Flows

	Net Cash Provided by (Used in) Operating Activities	Net Cash Provided by (Used in) Investing Activities	Net Cash Provided by (Used in) Financing Activities	Cash and Cash Equivalents at the End of Period
	Million yen	Million yen	Million yen	Million yen
Fiscal Year 2014	16,897	(17,360)	(2,725)	42,991
Fiscal Year 2013	(1,251)	(2,730)	(4,676)	43,612

2. Dividends

Corresponding Date	Dividend per Share					Total Dividend Payment	Pay-out Ratio (Consolidated)	Dividend on Equity Ratio (Consolidated)
	1Q End	2Q End	3Q End	Year-End	Annual			
	yen	yen	yen	yen	yen	Million yen	%	%
Fiscal Year 2013	—	0.00	—	35.00	35.00	1,194	—	1.0
Fiscal Year 2014	—	0.00	—	35.00	35.00	1,194	88.2	1.0
Fiscal Year 2015 (Projection)	—	—	—	—	—		—	

(Note) 1. The dividend for FY 2014 is JPY 35.
2. The dividend for FY 2015 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 2016 (April 1, 2015 - March 31, 2016)

(% 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	91,100	(21.3)	(1,400)	—	(1,800)	—	(2,100)	—	(61.55)
Full Year	220,000	1.3	1,600	183.5	1,200	(37.6)	400	(70.5)	11.72

*Note

(1) Changes in Consolidated Subsidiaries (Changes in Scope of Consolidation): No

(2) 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

(3) Number of Shares Outstanding (Ordinary Shares)
1. Number of shares outstanding (including treasury stock) as of March 31, 2015; 36,130,796 shares
as of March 31, 2014; 36,130,796 shares
2. Number of shares of treasury stock as of March 31, 2015; 2,011,665 shares
as of March 31, 2014; 2,011,615 shares
3. The Average number of outstanding shares on March 31, 2015; 34,119,178 shares
on March 31, 2014; 34,119,181 shares

(Reference)
Summary of Non-consolidated Results for the Fiscal Year ended March 2015 (April 1, 2014– March 31, 2015)

(1) Operating Results (Non-consolidated)

(% denotes year on year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal Year 2014	154,549	(13.1)	(1,841)	―	(343)	―	347	―
Fiscal Year 2013	177,848	12.9	(2,823)	―	(991)	―	(5,232)	―

	Net Income Per Share	Net Income Per Share on a Fully Diluted Basis
	Yen	Yen
Fiscal Year 2014	10.19	―
Fiscal Year 2013	(153.37)	―

(2) Financial Position (Non-consolidated)

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets Per Share
	Million yen	Million yen	%	Yen
Fiscal Year 2014	120,763	82,629	68.3	2,417.62
Fiscal Year 2013	123,361	83,167	67.3	2,433.69

(Reference) Shareholders' Equity Fiscal Year ended March 31, 2014 82,487 million yen
Fiscal Year ended March 31, 2013 83,035 million yen

Note:
This document contains forward-looking statements and projections regarding business performance which are not historical facts. Please note that these statements are based on the current expectations, assumptions, estimates and projections of the Funai Group in light of the information currently available to it. Actual performance may materially differ from projections included in this document because of the impacts of uncertainty in various factors. For the assumptions and other related matters concerning consolidated results forecast, please refer to “(1)Analysis of Business Performance”of “1 Business Performance.”

1. Business Performance

(1) Analysis of Business Performance

1. Summary of the consolidated fiscal year under review

(Market environment)

Economic indicators in the United States, which is our main market, generally remained on a recovery trend in the year ended March 2015, apart from a slowdown early in 2015 caused by a labor dispute in West Coast ports, a cold snap and other factors. Despite the effects of economic stagnation in Russia and the rekindling of the Greek debt crisis, the European economies followed a gradual recovery trend led by Germany. There were signs of a slowdown in the Chinese economy, resulting in part from a worsening trend in the housing market. The pace of economic recovery in Japan remained slow because of a reactionary downswing after a demand rush ahead of the consumption tax increase, as well as the effects of abnormal weather conditions.

As a result of the above factors, the Funai Group posted net sales of JPY 217,088 million, a 7.2% decrease compared with the same period last year.

Operating profit was JPY 564 million (the operating loss for the same period last year was JPY 5,465 million); we posted a foreign exchange gain of JPY 1,570 million, and ordinary profit was JPY 1,924 million (the ordinary loss for the same period last year was JPY 2,253 million); and a net profit of JPY 1,354 million (the net loss for the same period last year was JPY 6,745 million).

Income improved despite lower sales of some items, such as DVD/BD-related products and printers. Reasons for this included efforts to improve efficiency through effective inventory management.

Segment conditions by location were as follows:

i) Japan

Sales of DVD/BD-related products, LCD TVs and printers declined.

As a result, net sales were JPY 42,489 million, a decrease of 24.8% year on year. Our segment loss (operating loss) was JPY 938 million (the operating loss for this segment for the same period last year was JPY 1,328 million).

ii) Americas

LCD TV sales were strong, thanks to the shift to large-screen models and good sales during the year-end season. However, net sales basically remained static year on year because of lower sales of TVs with built-in DVD players. Sales of DVD/BD-related products were eroded by market shrinkage, and sales of home theater products were also down.

As a result, net sales amounting to JPY 165,887 million, a decrease of 2.2 % year on year. In the other hand, our segment profit (operating income) was JPY 1,200 million (the operating loss for this segment for the same period last year was JPY 3,786 million) thanks to effective inventory management and other factors.

(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

Higher sales of ink cartridges and other products helped to lift net sales to JPY 4,894 million, an increase of 7.3 % year on year. Our segment loss (operating loss) was JPY 202 million (the operating income for this segment for the same period last year was JPY 408 million).

iv) Europe

Sales of LCD TVs continued to stagnate, but sales of DVD-related products and ink cartridges expanded. As a result, net sales increased 16.1 % year on year, to JPY 3,817 million, and an segment profit (operating income) of JPY 57 million (operating loss for the same period last year was JPY 425 million).

Sales by product segment were as follows:

i) Audiovisual Equipment

In the audiovisual equipment segment, sales of LCD TVs remained static, and there was a decline in sales of DVD/BD-related products because of market shrinkage.

As a result, net sales of this equipment were JPY 172,367 million, a decrease of 5.9 % year on year.

ii) Information Equipment

Despite higher sales of ink cartridges, net sales in the information equipment segment were lower because of reduced sales of printers.

As a result, net sales of JPY 12,634 million, a decrease of 33.1 % year on year.

iii) Other Products

Sales of products other than the items listed above were higher year on year. Sales of electronic reception devices shrank, but there was a moderate increase in sales of audio accessories and other items. Net sales were JPY 32,087 million, an increase of 0.1 % year on year.

2. Outlook for the next consolidated fiscal year

For the fiscal year ending March 31, 2016, the Funai Group expects the operating climate to remain problematic, plagued by ongoing uncertainty in its operating environment. To this end, we will further cultivate the Funai Production System (FPS), entrench cost reductions, promote the use of information technologies, improve operations and reinforce risk management.

The outlook for the next consolidated fiscal year is provided below.

< Consolidated operating results >

Net sales	JPY 220,000 million	(1.3 % increase year-on-year)
Operating income	1,600 million	(183.5 % increase year-on-year)
Ordinary income	1,200 million	(37.6 % decrease year-on-year)
Net income	400 million	(70.5 % decrease year-on-year)

For its earnings estimates, the Funai Group has assumed an exchange rate of JPY 100 = US$1.00. 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) Analysis of Financial Position

1. Condition of total assets, total liabilities and net assets

Total assets were ¥8,354 million above the total as of March 31, 2014. The main changes in assets included an increase of ¥17,652 million in cash and deposits, but a ¥5,266 million decrease in merchandise and finished products, a ¥1,718 million decrease in raw materials and supplies account.

Total liabilities decreased by ¥1,842 million compared with the position as of March 31, 2014. The main items included a ¥1,317 million decrease in notes and accounts payable-trade.

Net assets increased by ¥10,197 million from the level as of March 31, 2014. The main changes included a ¥9,307 million increases in the foreign currency translation adjustment account.

2. Condition of cash flow

An analysis of consolidated cash flows shows that net cash used for operating activities amounted to ¥16,897 million. Net cash used for investing activities was ¥17,360 million, and net cash used for financing activities amounted to ¥2,725 million. The balance of cash and cash equivalent as of March 31, 2015 was ¥42,991 million.

The cash flow indicator trends for the Funai Group are provided below.

	FY ended March 2011	FY ended March 2012	FY ended March 2013	FY ended March 2014	FY ended March 2015
Shareholders' equity ratio	67.1	69.5	61.7	64.2	66.8
Shareholders' equity ratio on a market capitalization basis	43.6	35.8	20.2	19.2	24.9
Ratio of cash flow to interest-bearing debt	―	0.3	―	―	0.6
Interest coverage ratio	―	130.5	―	―	89.6

Shareholders' equity ratio: Equity capital/total assets
Shareholders' equity ratio on a market capitalization basis: Total market capitalization/Total assets
Ratio of cash flow to interest-bearing debt: Interest-bearing debt/Operating cash flow
Interest coverage ratio: Operating cash flow/Interest payments

* All indicators are calculated using financial values on a consolidated basis.

* Total market capitalization is calculated by multiplying the closing share price at the end of the consolidated fiscal year by the number of shares outstanding (after deducting treasury stock) at the end of the consolidated fiscal year.
* Net cash provided by (used in) operating activities shown on the Consolidated Statements of Cash Flows is used as operating cash flow. Interest-bearing liabilities include all liabilities on which the Company pays interest that are accounted for on the Consolidated Balance Sheets. The amounts shown as interest expense on the Consolidated Statements of Cash Flows are used as interest payments.
* The ratio of cash flow to interest-bearing debt and the interest coverage ratio for the fiscal years ended March 2011, March 2013 and March 2014 have been omitted because cash flow from operating activities was negative.

(3) Basic Policy Concerning Distribution of Earnings and Dividends for the Consolidated Fiscal Year under Review and Next Fiscal Year

With regard to the distribution of earnings, the Funai Group recognizes the return of earnings to shareholders is an important management issue, and considers the maintenance of stable dividends while taking steps to strengthen the Company's management base to be a fundamental policy. The Funai Group implements a positive dividend policy, which takes into consideration factors such as the operating environment, based on a dividend ratio of 1.0% of consolidated net assets as a specific standard. The Funai Group plans to implement dividend payments as a year-end dividend (once a year). If the Company pays an interim dividend, it makes a public announcement in advance.

Based on this policy, for the fiscal year ended March 31, 2015, the Company plans to award a year-end dividend of JPY 35 per share. The dividend of the next fiscal year has been undecided.

(4) Business and Other Risks

Risks that may have a significant impact on the Funai Group's financial situation and operating results are outlined below.

(Funai Group management policy)

The Funai Group has adopted a policy of providing high-quality, low-cost products to consumers based upon optimized production and sales systems on a global scale. We manufacture and sell our principal products, such as audiovisual equipment (DVD-related products, LCD TVs, etc.) and information equipment (printers, etc.), in addition to other products (antennas and related devices, audio accessory-related products, etc.). Price competition in these product areas is intense. Additionally, the life cycle of digital products is short and the competition to develop new technologies and functions is also growing more severe. Accordingly, these factors may affect the Group's financial situation and operating results.

i) Product cost and market prices

The Funai Group's primary target is customers of mass merchandisers such as Walmart and therefore we must deliver low prices. Consequently, the Funai Group is working to cut costs through measures such as establishing production systems in optimal locations, pursuing further application of the Funai Production System (FPS), the unique productivity improvement system developed by Funai, and utilizing internal production of parts and centralized purchasing. However, competition in the home electronic appliance industry is intense and when the cost of parts and raw materials rise, cost pressures may affect the Funai Group's financial situation and operating results regardless of the fact that we have implemented these measures.

ii) New technologies

As the number of digital products in the home electronic appliance industry increases and the needs of the market become more diverse, Funai must improve the quality, volume and speed of its new product development.
The Funai Group must be able to respond to such issues and we will improve our technical capabilities, primarily in the digital product area, by collaborating with other companies, industry and academia, and through personnel training. We also will consider mergers and acquisitions among our options. However, a diversification of market needs or technological innovation beyond our expectations may affect the Funai Group's financial situation and operating results.

iii) Defects relating to products and services

The Funai Group efforts to increase quality are centered on the departments that are responsible for quality management and technologies. In addition, a service platform consisting of service companies in both domestic and international markets has been established. However, if there is a defect in a product that requires the Funai Group to respond by repairing or replacing such product, the impact of the warranty and/or the resultant decrease in corporate reputation may have negative implications for the Funai Group's financial situation and operating results.

iv) Intellectual Property Rights

Recent years have seen an increase in activity by so-called "patent trolls." These are entities that sell no products of their own, but that attempt to generate income from patent royalties by filing lawsuits using intellectual property rights acquired from third parties. This is a worrisome trend for all companies involved in manufacturing and sales. As a result of this trend we could be compelled to make high compensation payments that may affect the Group's financial situation and operating results.

v) Corporate Acquisitions and Business Alliances

The Funai Group pursues corporate acquisitions and business alliances as ways to improve its business portfolio and efficiently bolster sales and profits. However in the event that, for various reasons, the synergies that are achieved fall short of initial expectations, fail to reach agreement on an acquisition and affiliate relationships cannot be maintained, this may affect the Funai Group's financial situation and operating results, as well as growth forecasts.

(Impact of overseas market trends)

i) Dependence on the North American market

A large portion of the Group's net sales originates in overseas markets. The North American market in particular accounted for 70.1% of net sales in the current consolidated fiscal year.

Should the North American economy rapidly enter a recession, this may affect the Group's financial situation and operating results.

ii) Dependence on Chinese production

The Funai Group is working to improve the cost competitiveness of its products by concentrating production in positive cost-benefit regions and purchasing parts in bulk. In the current consolidated fiscal year 99.0% of our products were produced overseas, with 62.1% produced in China (consignment manufacturing and in-house production). Changes in the Chinese government, the outbreak of conflict or natural disasters or other unforeseen circumstances may affect the Group's financial situation and operating results.

iii) Foreign currency risk

The Funai Group selects production sites for its principal products after giving consideration to optimal production sites and sales systems. DVD-related products, LCD TVs, and printers are produced in China, LCD TVs are produced in Thailand, ink cartridges are produced in Philippines.

The Funai Group purchases products from overseas subsidiaries in these countries and sells them in overseas markets, particularly North America, either through Funai's overseas sales subsidiaries or through direct sales to OEM supply partners. Domestic sales are also conducted through direct sales and sales subsidiaries.

Purchases from overseas subsidiaries in these countries accounted for 85.3% of gross purchases during the current consolidated fiscal year. Likewise, overseas net sales accounted for 85.2% of net sales. The majority of our purchasing and sales are conducted in U.S. dollars. We believe this reduces the risks that accompany currency fluctuations.

However, since currency fluctuation risks cannot be completely eliminated and foreign currency-denominated assets and liabilities are converted to yen using the exchange rates on the settlement date, significant currency fluctuations may affect the Group's financial situation and operating results.

(Other Risks)

i) Statutory Regulations

In each country where the Funai Group engages in business activities, it is subject to a variety of local laws and regulations, including antitrust laws and laws concerning commercial transactions, importing and exporting, intellectual property rights, product liability, environmental protection, consumer protection, financial transactions, and corporate taxation. Changes to these laws and regulations, or the ways in which they are interpreted by the authorities, could affect the Group's financial position and business performance.

ii) Litigation

The Funai Group is active in Japan and overseas, and there is a continuing risk of litigation relating to the Group's business activities. A major lawsuit or other legal action could affect the Group's financial position and business performance.

iii) Management of Information

The Funai Group has in place internal systems to prevent information leaks and protect itself against viruses. However, factors such as operational mistakes and the advent of new virus strains may preclude efforts to avoid information leaks and system shutdowns altogether. Such events could affect the Funai Group's financial situation and operating results.

iv) Retirement Benefit Obligations

The Funai Group and its consolidated domestic subsidiaries have in place defined benefit corporate pension systems, and retirement benefit obligations are based on actuarial assumptions on pension assets, such as rates of return and discount rates. The Funai Group's financial situation and operating results could be affected if changes in these assumptions become necessary, if a deterioration in the investment environment results causes pension assets to decrease, or if changes in the pension system cause future retirement benefit expenses to increase.

v) Deferred tax assets

The Funai Group bases its decisions on the recoverability of deferred tax assets on various forecasts and assumptions related to future taxable earnings. If these forecasts and assumptions about future taxable earnings change or if the Group determines that part or all of its deferred tax assets cannot be recovered, subsequent reductions in deferred tax assets could affect the Funai Group's financial situation and operating results.

vi) Access to Finance

If the Funai Group's access to finance is limited due to deteriorating business performance, the cost of finance could increase. This could affect the Group's financial position and business performance.

Some of the Group's debt is subject to financial covenants. The consequences of a covenant violation, such as a higher loan interest rate or the loss of benefits of time, could affect the Group's financial position and business performance.

2. Current Conditions of the Company's Group

The Funai Group has omitted disclosure of this item because there are no material changes from the information reported in "Diagram of Operating Business Relationships (Business Contents)" and "Affiliated Companies" in the most recent financial statements (submitted on June 20, 2014).

3. Management Policies

(1) Basic Management Policy of the Company

As its basic management policy, the Funai Group will pursue its business activities by building strong trust and seeking the mutual prosperity of all parties related to the Company as its basic policy, by creating the most efficient development, manufacturing and sales organization possible and stably supplying high quality and fairly priced products to global markets, based on a corporate creed of continual product improvements, promotion of deeper trust and further harmony and mutual prosperity.

(2) Management Indicators Established as Objectives

As a management indicator for the Funai Group, the Company places the greatest emphasis on operating income margin, and will seek to achieve an operating income margin of at least 5% at all companies over the medium term.

(3) Medium to Long-term Management Strategy and Issues to be addressed

Demand for LCD TVs expanded because of improving resolutions, including 4K technology, and the shift to larger screens. However, the consumer electronics industry continued to face challenging conditions because of an ongoing slump in the market for DVD/BD-related products and signs of a slowdown demand for products hitherto regarded as growth drivers, such as smartphones and tablets.

As outlined below, the Funai Group will need to overcome a number of specific challenges in this industry environment.

i) Increasing net sales and returning to profitability

The Funai Group has positioned the increase of net sales and improvement of earnings as its highest priority issue.

(Product strategy)

Our revenues declined year on year in the year ended March 2015 because of reduced revenues from revenues from LCD TVs and DVD/BD-related products, which have been our main sales drivers. Sales of printers and other items were also lower. However, we were able to achieve income growth by further strengthening our control of purchasing, sales and inventories (PSI), and by creating systems to ensure the supply of cost-competitive products with optimal timing.

We also took steps to expand sales, including the takeover of the North American TV business of Sanyo Electric Co., Ltd., which is a subsidiary of Panasonic Corporation, in October 2014. In February 2015 we concluded a licensing agreement with Eastman Kodak Company covering the global supply, delivery, marketing, sales and servicing of Kodak brand consumer and small office printer products and related consumables.

Previously our involvement with inkjet printer products had been limited to contract manufacturing of hardware. However, we regard expansion into new business areas as an urgent priority, and we used inkjet technology and assets acquired under an agreement with Lexmark International, Inc. to complement our own resources, resulting in the creation of a structure that includes the manufacture and sales of inkjet cartridges on a more profitable basis. In the year ended March 2014 we began to develop and ship our own printers.

(Market strategy)

We recognize the need to avoid the risks associated with excessive reliance on the U.S. market, to level out production and sales by reducing the effects of seasonal fluctuations, and to expand sales. We are therefore developing our business in emerging growth markets, such as Mexico and other Central and South American countries.

Through the steady implementation of the above-mentioned strategies, we plan to minimize the time lags between product planning, development, material procurement, production and sales. Additionally we are addressing the improvement for provide products that meet market needs precisely in a timely manner.

ii) Reinforcing manufacturing and development systems

Excessive reliance on production in China is a risk factor for the Funai Group. To avoid that risk, we have been working to distribute our production sites to other locations. While this strategy has resulted in a downward trend in the percentage of items manufactured in China, the ratio is still high. We completed construction of a factory in the Philippines for our production subsidiary, Funai Electric Philippines Inc., during the year under review, and we are now making preparations for the early start-up of production.

We are also continuing our efforts to improve development efficiency across the entire Funai Group, including our operations in China and Asia.

iii) Training and appointment of human resources

The Company recognizes that improving each employee’s capabilities and being able to link this to bolstering the strength of the Funai Group will be critical for ensuring the Funai Group stays in the lead in the new era of global competition and implementing the Group’s medium to long-term business strategy. Therefore the Company’s policy is to actively train and assign employees, without regard to whether they are younger employees or mid-career staff, by strengthening and expanding its internal or external training systems.

4. Basic Thinking about the Selection of Accounting Standards

The Funai Group applies Japanese accounting standards. We have not set a definite timetable for the adoption of international accounting standards, but we will consider taking this step if this seems appropriate in light of related developments, such as the adoption of international standards by other Japanese companies in our industry.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets (Million Yen)

	Fiscal year 2013 (As of March 31, 2014)	Fiscal year 2014 (As of March 31, 2015)
ASSETS;		
Current Assets		
Cash and deposits	49,167	66,820
Notes and accounts receivable-trade	37,681	38,183
Merchandise and finished goods	31,665	26,398
Work in process	1,182	1,455
Raw materials and supplies	16,427	14,708
Deferred tax assets	2,504	2,245
Other	5,622	5,352
Allowance for doubtful accounts	(210)	(389)
Total current assets	144,041	154,775
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	18,278	20,314
Accumulated depreciation	(9,251)	(10,258)
Buildings and structures, net	9,026	10,055
Machinery,equipment and vehicles	12,825	13,592
Accumulated depreciation	(9,132)	(10,601)
Machinery,equipment and vehicles, net	3,693	2,900
Tools, furniture and fixtures	23,301	26,156
Accumulated depreciation	(21,247)	(24,433)
Tools, furniture and fixtures, net	2,053	1,722
Lands	6,178	6,343
Lease assets	490	513
Accumulated depreciation	(363)	(340)
Lease assets, net	127	173
Other	825	19
Total property, plant and equipment	21,905	21,306
Intangible assets		
Patent right	4,654	4,020
Other	1,920	2,097
Total intangible fixed assets	6,574	6,117
Investment and other assets		
Investment securities	4,364	2,814
Deferred tax assets	400	339
Net defined benefit asset	335	1,716
Other	4,015	2,900
Allowance for doubtful accounts	(296)	(276)
Total investments and other assets	8,819	7,496
Total noncurrent assets	37,300	34,920
TOTAL ASSETS	181,341	189,695

(Million Yen)

	Fiscal year 2013 (As of March 31, 2014)	Fiscal year 2014 (As of March 31, 2015)
LIABILITIES;		
Current Liabilities		
Notes and accounts payable-trade	32,942	31,625
Short-term loans payable	4,526	4,012
Accounts payable-other	11,571	11,944
lease obligations	88	126
Income taxes payable	414	485
Provision for bonuses	258	212
Provision for product warranties	1,033	1,228
Other	2,857	1,743
Total current liabilities	53,692	51,378
Noncurrent liabilities		
Long-term loans payable	6,121	6,683
lease obligations	64	290
Deferred tax liabilities	1,153	1,345
Deferred tax liabilities for land revaluation	226	226
Provision for directors' retirement benefits	1,088	1,093
Net defined benefit liability	775	548
Other	535	247
Total noncurrent liabilities	9,964	10,435
TOTAL LIABILITIES	63,656	61,813
NET ASSETS;		
Shareholders' equity		
Capital stock	31,307	31,307
Capital surplus	33,272	33,272
Retained earnings	93,196	93,840
Treasury stock	(24,341)	(24,341)
Total shareholders' equity	133,435	134,079
Accumulated other comprehensive income		
Valuation difference on avaiable-for-sale securities	672	421
Foreign currency translation adjustment	(17,495)	(8,188)
Remeasurements of defined benefit plans	(103)	365
Total accumulated other comprehensive income	(16,925)	(7,401)
Subscription right to shares	132	142
Minority interests	1,042	1,061
Total net assets	117,684	127,881
TOTAL LIABILITIES AND NET ASSETS	181,341	189,695

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

(Million Yen)

	Fiscal year 2013 (from April 1, 2013 to March 31, 2014)	Fiscal year 2014 (from April 1, 2014 to March 31, 2015)
Net sales	234,042	217,088
Cost of sales	201,456	179,515
Gross profit	32,586	37,573
Selling, general and administrative expenses	38,052	37,009
Operating income (loss)	(5,465)	564
Non-operating income		
Interest income	134	198
Dividends income	134	112
Foreign exchange gains	3,477	1,570
Other	622	475
Total non-operating income	4,369	2,356
Non-operating expenses		
Interest expenses	193	187
Equity in losses of affiliates	125	144
Loss on disposal of inventories	―	147
Compensation expenses	529	―
Other	308	517
Total non-operating expenses	1,156	996
Ordinary income (loss)	(2,253)	1,924
Extraordinary income		
Gain on sales of noncurrent assets	0	150
Gain on sales of investment securities	0	824
Gain on sales of shares of subsidiaries and associates	―	134
Gain on bargain purchase	8	―
Other	1	―
Total extraordinary income	10	1,110
Extraordinary loss		
Loss on disposal of noncurrent assets	170	25
Impairment loss	※1 266	※1 618
Loss on closing of sales office	―	131
Business structure improvement expenses	※2 1,281	―
Advisory fees	※3 1,165	―
Other	513	14
Total extraordinary loss	3,397	789
Income (loss) before income taxes and minority interests	(5,640)	2,244
Income taxes	518	635
Income tax adjustments	549	238
Total income taxes	1,068	873
Income (loss) before minority interests	(6,708)	1,370
Minority interests in income	37	16
Net income (loss)	(6,745)	1,354

(Consolidated Statement of Comprehensive Income) (Million Yen)

	Fiscal year 2013 (from April 1, 2013 to March 31, 2014)	Fiscal year 2014 (from April 1, 2014 to March 31, 2015)
Income (Loss) before minority interests	(6,708)	1,370
Other comprehensive income		
Valuation difference on avaiable-for-sale securities	223	(246)
Foreign currency translation adjestment	4,169	9,294
Remeasurements of defined benefit plans, net of tax	135	481
Share of other comprehensive income of associates accounted for using equity method	57	12
Total other comprehensive income	※1 4,586	※1 9,542
Comprehensive income	(2,122)	10,913
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the par	(2,161)	10,879
Comprehensive income attributable to minority interests	39	34

(3) Consolidated Statements of Changes in Shareholders' Equity

Fiscal year 2013 (April 1, 2013 - March 31, 2014) (Units: Million Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the end of previous period	31,307	33,272	101,135	(24,341)	141,374
Cumulative effect of changes in accounting policies					
Balance at start of current year adjusted for change in accounting policies	31,307	33,272	101,135	(24,341)	141,374
Changes of items during the period					
Dividends from surplus			(1,194)		(1,194)
Net income (loss)			(6,745)		(6,745)
Purchase of treasury stock					—
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	(7,939)	—	(7,939)
Balance at the end of current period	31,307	33,272	93,196	(24,341)	133,435

	Accumulated other comprehensive income				Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the end of previous period	451	(21,722)	—	(21,271)	122	1,173	121,398
Cumulative effect of changes in accounting policies							
Balance at start of current year adjusted for change in accounting policies	451	(21,722)	—	(21,271)	122	1,173	121,398
Changes of items during the period							
Dividends from surplus							(1,194)

Net income (loss)							(6,745)
Purchase of treasury stock							―
Net changes of items other than shareholders' equity	221	4,227	(103)	4,345	10	(130)	4,225
Total changes of items during the period	221	4,227	(103)	4,345	10	(130)	(3,714)
Balance at the end of current period	672	(17,495)	(103)	(16,925)	132	1,042	117,684

Fiscal year 2014 (April 1, 2014 - March 31, 2015) (Units: Million Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the end of previous period	31,307	33,272	93,196	(24,341)	133,435
Cumulative effect of changes in accounting policies			483		483
Balance at start of current year adjusted for change in accounting policies	31,307	33,272	93,679	(24,341)	133,918
Changes of items during the period					
Dividends from surplus			(1,194)		(1,194)
Net income (loss)			1,354		1,354
Purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during the period	―	―	160	(0)	160
Balance at the end of current period	31,307	33,272	93,840	(24,341)	134,079

	Accumulated other comprehensive income				Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the end of previous period	672	(17,495)	(103)	(16,925)	132	1,042	117,684
Cumulative effect of changes in accounting policies						(11)	472
Balance at start of current year adjusted for change in accounting policies	672	(17,495)	(103)	(16,925)	132	1,031	118,156
Changes of items during the period							
Dividends from surplus							(1,194)
Net income (loss)							1,354
Purchase of treasury stock							(0)
Net changes of items other than shareholders' equity	(251)	9,307	468	9,524	10	29	9,564
Total changes of items during the period	(251)	9,307	468	9,524	10	29	9,724
Balance at the end of current period	421	(8,188)	365	(7,401)	142	1,061	127,881

(4) Consolidated quartely statements of cash flows

(Million Yen)

	Fiscal year 2013 (from April 1, 2013 to March 31, 2014)	Fiscal year 2014 (from April 1, 2013 to March 31, 2014)
Cash flows from operating activities		
Income (Loss) before income taxes and minority interests	(5,640)	2,244
Depreciation	6,479	5,855
Impairment loss	266	618
Increase (decrease) in allowance for doubtful accounts	115	123
Increase (decrease) in net defined benefit liability	(16)	(163)
Interest and dividend income	(268)	(311)
Interest expenses	193	187
Share of (profit) loss of entities accounted for using equity method	125	144
Loss (gain) on sales of property, plant and equipment	45	(146)
Loss (gain) on sales of investment securities	(0)	(824)
Loss (gain) on sales of shares of subsidiaries and associates	—	(134)
Loss (gain) on valuation of investment securities	222	—
Loss on valuation of shares of subsidiaries and associates	290	13
Business structure improvement expenses	1,044	—
Decrease (increase) in notes and accounts receivable - trade	(261)	2,289
Decrease (increase) in inventories	11,037	12,597
Increase (decrease) in notes and accounts payable - trade	(12,057)	(5,435)
Other, net	(1,258)	902
Subtotal	319	17,961
Interest and dividend income received	299	298
Interest expenses paid	(195)	(188)
Income taxes paid	(1,221)	(1,205)
Income taxes refund	747	31
Payments for income taxes for prior periods	(1,200)	—
Net cash provided by (used in) operating activities	(1,251)	16,897
Cash flows from investing activities		
Payments into time deposits	(5,500)	(39,069)
Proceeds from withdrawal of time deposits	18,377	22,256
Purchase of property, plant and equipment	(5,174)	(3,164)
Proceeds from sales of property, plant and equipment	68	218
Purchase of intangible assets	(4,320)	(343)
Purchase of investment securities	(362)	(154)
Proceeds from sales of investment securities	220	2,093
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(5,832)	—
Payments of loans receivable	(55)	(68)
Collection of loans receivable	7	684
Other, net	(157)	186
Net cash provided by (used in) investment activities	(2,730)	(17,360)

(Million Yen)

	Fiscal year 2013 (from April 1, 2013 to March 31, 2014)	Fiscal year 2014 (from April 1, 2014 to March 31, 2015)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(9,391)	(1,404)
Proceeds from long-term loans payable	6,607	—
Repayments of long-term loans payable	(525)	—
Purchase of treasury shares	—	(0)
Cash dividends paid	(1,194)	(1,194)
Other, net	(173)	(126)
Net cash provided by (used in) financing activities	(4,676)	(2,725)
Effect of exchange rate change on cash and cash equivalents	2,032	2,567
Net increase (decrease) in cash and cash equivalents	(6,625)	(621)
Cash and cash equivalents at beginning of period	50,238	43,612
Cash and cash equivalents at end of period	43,612	42,991

(5) Notes on Consolidated Financial Statements

(Fundamental important matters for preparation of consolidated financial statements)

1. The matter regarding consolidation scope

The number of consolidated subsidiaries : 22

The major consolidated subsidiaries are FUNAI CORPORATION, INC., FUNAI ELECTRIC (H.K.), LTD. and DX ANTENNA CO., LTD.

The newly-established DX ANTENNA MARKETING, INC. have also been included within the scope of consolidation in the fiscal year.

(Change in Accounting Policy)

Application of Accounting Standard for Retirement Benefits

Starting from the current consolidated accounting year, the Funai Group has modified the method used to calculate retirement benefit obligations and prior service costs by applying the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012, hereinafter referred to as “the Standard”) and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, March 26, 2015, hereinafter referred to as “the Guidance”) with regard to the provisions of Article 35 of the Standard and Article 67 of the Guidance. The method used to attribute estimated retirement benefits to each period has been changed from the straight-line attribution standard to the benefit formula standard. The basis for determining the discount rate has been changed from the average period until the estimated benefit payment date to a single weighted average discount reflecting the amounts for the estimated retirement benefit payment period and the estimated payment period.

In accordance with the provisions of Article 37 of the Accounting Standard for Retirement Benefits concerning the handling of the transition to the Accounting Standard for Retirement Benefits, the income surplus for the current consolidated accounting year has been adjusted to reflect the change in the method used to calculate retirement benefit obligations and past service costs at the start of the accounting year.

As a result, assets and liabilities relating to retirement benefits at the start of the current consolidated accounting year have increased by ¥934million and ¥200million respectively, and the income surplus by ¥483million, while minority interests have decreased by ¥11million.

Consolidated operating income, ordinary income, and net income before income taxes and minority interests for the fiscal year ended March 31, 2015 have each increased by ¥11 million.

In addition, consolidated net assets per share and net income per share for the fiscal year ended March 31, 2015 have increased by ¥14.38 and ¥0.20 , respectively.

(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.

(Consolidated balance sheets)
Fiscal Year 2014 (As of March 31, 2015)
Contingent liabilities

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.

On May 20, 2014 Funai received notice from PHILIPS of the amount of the claim for compensatory damages. Subsequently, on October 1, 2014 the Company filed a statement with the International Court of Arbitration including indication of the amount of compensatory damages claimed against PHILIPS.

On December 24, 2014 Funai received notice from PHILIPS of a revised amount of compensatory damages claimed by PHILIPS.

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 : €189.6 million (amount revised from the amount of €171.8 million filed by PHILIPS on May 20, 2014), 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 : an indication of the amount of compensatory damages claimed in such counterclaim, consisting of €312.3M , the amount of tax payable,contractual interest and arbitration costs.

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%

(Consolidated statement of income)
*1. Impairment loss
Fiscal Year 2013 (From April 1, 2013 to March 31, 2014)
During the fiscal year under review, the Funai Electric Group recorded losses on impairment in the following asset groups.

Use	Location	Type
Business Assets	Zhong Shan Funai Electron Co. (Guangdong, China)	Machinery, equipment and vehicles, etc.
Business Assets	Zhong Yue Funai Electron Co. (Guangdong, China)	Machinery, equipment and vehicles, etc.

In principle, the Funai Group groups business assets on the basis of legal units that strive to maintain an ongoing understanding of income and expenses. The idle assets are grouped by individual asset.
Since the prospects for future profitability are expected to worsen due to factors including a decrease in orders for information equipment, during the fiscal year under review, the Company reduced the book value of manufacturing facilities, etc. to their recoverable amount and recorded the decrease in value (JPY 266 million) under extraordinary losses. Details of the loss are JPY 149 million for machinery, equipment and vehicles, JPY 51 million for tools, furniture and fixtures, and JPY 65 million for long-term prepaid expenses.
The recoverable amount of the assets has been determined using net realizable value, taking the net realizable value of long-term prepaid expenses as zero and calculating the net realizable value of assets other than long-term prepaid expenses using reasonable estimates taking into account the market value.

Use	Location	Type
Business Assets	FUNAI ELECTRIC EUROPE Sp.z o.o. (, Poland)	Buildings, Constructions and Land.

In principle, the Funai Group groups business assets on the basis of legal units that strive to maintain an ongoing understanding of income and expenses. The idle assets are grouped by individual asset.

The book values of assets used for business activities affected by significant declines in profitability in the current consolidated accounting year have been reduced to the recoverable amounts. This reduction (¥618 million) is shown in the accounts as an extraordinary loss. The total consists of ¥596 million for buildings and ¥22 million for land.
Recoverable amounts are based on the net amounts that can be realized through sales, which are calculated on the basis of real estate valuations.

*2. Business structure improvement expenses
Fiscal Year 2013 (From April 1, 2013 to March 31, 2014)
Expenses incurred on business restructuring stem mainly from costs incurred due to the shrinking of the overseas LED business, principally including an inventory valuation loss of JPY 205 million, an impairment loss on investment in subsidiaries and associated companies of JPY 651 million and impairment losses of JPY 393 million.

(Impairment loss)
During the fiscal year under review, the Funai Electric Group recorded losses on impairment in the following asset groups.

Use	Location	Type
Business Assets	Zhong Shan Funai Electron Co. (Guangdong, China)	Machinery, equipment and vehicles, etc.
Business Assets	Zhong Yue Funai Electron Co. (Guangdong, China)	Machinery, equipment and vehicles, etc.

Business Assets	Funai Optical Electronics Co., Ltd. (Guangdong, China)	Machinery, equipment and vehicles, etc.

In principle, the Funai Group groups business assets on the basis of legal units that strive to maintain an ongoing understanding of income and expenses. The idle assets are grouped by individual asset.

Mainly as a result of the decision to downsize the overseas LED business, during the fiscal year under review, the Company reduced the book value of manufacturing facilities, etc. with no prospects of future use to their recoverable amount, and recorded the decrease in value (JPY 393 million) in business structure improvement expenses under extraordinary loss. Details of the loss are JPY 238 million for machinery, equipment and vehicles, JPY 99 million for tools, furniture and fixtures, and JPY 55 million for long-term prepaid expenses.

The recoverable amount of the assets has been determined using net realizable value, taking the net realizable value of long-term prepaid expenses as zero and calculating the net realizable value of assets other than long-term prepaid expenses using reasonable estimates taking into account the market value.

*3. Advisory fees

Fiscal Year 2013 (From April 1, 2013 to March 31, 2014)

Advisory fees were paid as specified compensation and fees to third-party advisors to determine an acquisition price for the intended acquisition of all shares in a company handling the Lifestyle business of Koninklijke Philips N.V. (hereinafter, “PHILIPS”). However, we are treating these fees as expenses, as PHILIPS has terminated the share purchase agreement and submitted a request for arbitration with the International Chamber of Commerce, and we have filed a counterclaim in this regard.

(Consolidated statement of comprehensive income)

* 1. Reclassification adjustment and tax effect amount involved in other comprehensive income

(Million Yen)

	Fiscal year 2013 (from April 1, 2013 to March 31, 2014)	Fiscal year 2014 (from April 1, 2014 to March 31, 2015)
Valuation difference on available-for-sale securities:		
Accrued amount on the current term	262	409
Reclassification adjustment amount	87	(824)
Pre-adjustment of tax effect	349	(415)
Tax effect amount	(125)	169
Valuation difference on available-for-sale securities	223	(246)
Foreign currency translation adjustment:		
Accrued amount on the current term	4,163	9,324
Reclassification adjustment amount	—	—
Pre-adjustment of tax effect	4,163	9,324
Tax effect amount	5	(30)
Valuation difference on available-for-sale securities	4,169	9,294
Remeasurements of defined benefit plans:		
Accrued amount on the current term	142	657
Reclassification adjustment amount	—	88
Pre-adjustment of tax effect	142	746
Tax effect amount	(7)	(264)
Foreign currency translation adjustment	135	481
Share of other comprehensive income of entities accounted for using equity method:		
Accrued amount on the current term	57	12
Total other comprehensive income	4,586	9,562

[Segment Information]

1. Summary of Reporting Segments

The Group's reporting segments are based on those units within the Group where separate financial information is available and where the Chief Executive Officer (Representative Director, President and Executive Officer) of the Group periodically deliberates over matters such as the distribution of management resources and financial performance of such segments.

The Group's main business is to manufacture and sell electrical equipment and devices. Within Japan, such functions are the responsibility of DX Antenna Co., Ltd. Overseas, the areas of the United States, Asia and Europe are managed by Funai Corporation, Inc. (Americas), P&F USA, Inc. (Americas), Funai Electric (H.K.) Ltd. (Asia), FUNAI ELECTRIC EUROPE Sp.z o.o (Europe), and other locally domiciled entities. Each locally domiciled entity is an independently managed unit that engages in business activities after formulating comprehensive strategies on the products to carry in the region.

Consequently, the Group is comprised of location-specific segments that are based on its manufacturing and sales structure and have established "Japan", "Americas", "Asia" and "Europe" as its four reporting segments.

2. Measurement of the amount of sales, income/loss, assets and liabilities and other in each reporting segment

The accounting policies of the reporting segment are the same as "Basis of presenting consolidated financial statements". Net sales of intersegment are based on sales price to outside customers.

(Application of Accounting Standard for Retirement Benefits)

Effective from the first quarter of the fiscal this 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 this 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 third quarter is presented using the revised segment name.

3. Information of the amount of sales, income/loss, assets, liabilities and other in each reporting segment

Fiscal year 2013 (April 1, 2013 - March 31, 2014) (Units: Million Yen)

	Japan	Americas	Asia	Europe	Total	Adjustments (Note 1)	Consolidated (Note 2)
Net Sales							
(1) Sales to outside customers	56,493	169,698	4,563	3,286	234,042	—	234,042
(2) Inter-segment sales	135,566	0	148,674	0	284,241	(284,241)	—
Total	192,059	169,698	153,237	3,287	518,284	(284,241)	234,042
Segment Income (Loss)	(1,328)	(3,786)	408	(425)	(5,130)	(335)	(5,465)
Segment Assets	129,869	61,921	70,795	3,392	265,978	(84,637)	181,341
Other							
Depreciation and amortization	2,032	47	4,317	83	6,480	(0)	6,479
Amortization of goodwill	3	—	—	—	3	—	3
Investment amount to equity method affiliate	30	—	195	—	225	—	225
Increase in tangible fixed assets and intangible assets	5,466	254	4,178	15	9,914	(54)	9,860

Fiscal year 2014 (April 1, 2014 - March 31, 2015) (Units: Million Yen)

	Japan	Americas	Asia	Europe	Total	Adjustments (Note 1)	Consolidated (Note 2)
Net Sales							
(1) Sales to outside customers	42,489	165,887	4,894	3,817	217,088	—	217,088
(2) Inter-segment sales	124,248	969	130,273	0	255,491	(255,491)	—
Total	166,738	166,856	135,167	3,817	472,579	(255,491)	217,088
Segment Income (Loss)	(938)	1,200	(202)	57	117	446	564
Segment Assets	121,725	62,605	69,025	3,057	256,413	(66,717)	189,695
Other							
Depreciation and amortization	1,606	44	4,152	52	5,855	—	5,855
Amortization of goodwill	0	—	—	—	0	—	0
Investment amount to equity method affiliate	4	—	175	—	180	—	180
Increase in tangible fixed assets and intangible assets	332	562	2,939	6	3,840	(0)	3,840

(Note) 1. Adjustments were as follows.

Segment Income (Units: Million Yen)

	Fiscal year 2013	Fiscal year 2014
Eliminations	1,071	899
Corporate expenses *	(839)	(726)
Inventories	(567)	274
Total	(335)	446

* Corporate expenses that are categorized under adjustments are within segment income mainly comprise general & administration expenses that do not correspond to the reporting segments

Segment Assets (Units: Million Yen)

	Fiscal year 2013	Fiscal year 2014
Total assets *	21,077	26,306
Adjustments of inventories	(2,265)	(1,990)
Eliminations	(103,765)	(92,713)
Adjustment of net defined benefit asset	315	1,680
Total	(84,637)	(66,717)

*Total assets that are categorized under adjustments within segment assets mainly comprise excess cash/deposits, long term securities for investment that do not correspond to the reporting segments.

2. Segment income and loss are adjusted with the operating income reported in the consolidated statements of income and loss.

[Related Information]

Fiscal year 2013 (April 1, 2013- March 31, 2014)

1. Information every product and service (Units: Million Yen)

	Audiovisual Equipment	Information Equipment	Other Equipment	Total
Sales to outside customers	183,108	18,876	32,058	234,042

2. Information every area

(1) Sales (Units: Million Yen)

Japan	Americas			Asia	Europe	Other	Total
	U.S.	Mexico	Other				
38,109	154,736	20,409	9,824	2,635	7,735	24,320	234,042

(Note) Geographical sales are groupings of nations and regions based on geographical location of customers.

(2) Property, plant and equipment (Units: Million Yen)

Japan	Americas	Asia			Europe	Total
		China	Thailand	Other		
9,787	115	6,668	2,663	1,076	1,593	21,905

3. Information every main customer (Units: Million Yen)

Name of the customer	Sales	Associated segment
WAL-MART STORES, INC.	121,529	Americas

Fiscal year 2014 (April 1, 2014- March 31, 2015)

1. Information every product and service (Units: Million Yen)

	Audiovisual Equipment	Information Equipment	Other Equipment	Total
Sales to outside customers	172,367	12,634	32,087	217,088

2. Information every area

(1) Sales (Units: Million Yen)

Japan	Americas			Asia	Europe	Other	Total
	U.S.	Mexico	Other				
32,211	147,332	22,460	6,851	1,870	6,122	239	217,088

(Note) Geographical sales are groupings of nations and regions based on geographical location of customers.

(Changes Geographical Area Namings)

In the previous consolidated accounting year, sales in Central and South American markets, such as Mexico, were shown in the accounts under “Others.” In the current consolidated accounting year, the increasing importance of these markets has resulted in their inclusion in the “Americas” category, which replaces the “North America” category. To reflect this change in the presentation method, the regional sales information for the previous consolidated accounting year has been reallocated from ¥24,320 million under “Others” to ¥20,409 million under “Mexico” within the “Americas” category, and ¥3,319 million , ¥591 million under “Others.” , respectively.

(2) Property, plant and equipment (Units: Million Yen)

Japan	Americas	Asia			Europe	Total
		Philippines	Thailand	Other		
9,469	135	7,448	2,409	1,007	836	21,306

3. Information every main customer (Units: Million Yen)

Name of the customer	Sales	Associated segment
WAL-MART STORES, INC.	113,349	Americas

[Information of impairment loss in each reporting segments]

Fiscal year 2013 (April 1, 2013 - March 31, 2014) (Units: Million Yen)

	Japan	Americas	Asia	Europe	All of the companies Elimination	Total
Impairment loss	—	—	659	—	—	659

Fiscal year 2014 (April 1, 2014 - March 31, 2015) (Units: Million Yen)

	Japan	Americas	Asia	Europe	All of the companies Elimination	Total
Impairment loss	—	—	—	618	—	618

[Information of amortization of goodwill and unamortized balance in each reporting segments]

Fiscal year 2013 (April 1, 2013 - March 31, 2014) (Units: Million Yen)

	Japan	Americas	Asia	Europe	All of the companies Elimination	Total
Amortization of current year	3	—	—	—	—	3
Balance at the end of current year	0	—	—	—	—	0

Fiscal year 2014 (April 1, 2014 - March 31, 2015) (Units: Million Yen)

	Japan	Americas	Asia	Europe	All of the companies Elimination	Total
Amortization of current year	0	—	—	—	—	0
Balance at the end of current year	—	—	—	—	—	—

[Information of amortization of negative goodwill in each reporting segments]

Fiscal year 2013(April 1,2013-March 31,2014) No Applicable

Fiscal year 2014(April 1,2014-March 31,2015) No Applicable

(Information per share)

Fiscal year 2013 (April l,2013 – March 31,2014)		Fiscal year 2014 (April l,2014 – March 31,2015)	
Book Value per share	3,414.77	Book Value per share	3712.81
Net loss per share	197.70	Net income per share	39.70

(note)

1. In the current consolidated accounting year, net income per share after dilution is not shown because there are no issuable shares with a dilutive effect. In the previous consolidated accounting year, the net loss per share after adjustment for dilution was not shown, since there were no issuable shares with a dilutive effect.

2. The basis for the calculation of net income or net loss per share is as follows.

	Fiscal year 2013 (April l, 2013 – March 31,2014)	Fiscal year 2014 (April l, 2014 – March 31,2015)
Net income (loss) per share		
Net income (loss)	(6,745)	1,354
Amount not attributable to owners of the parent (million yen)	—	—
Net income (loss) available to common shareholders (million yen)	(6,745)	1,354
Average number of common shares outstanding for	34,119	34,119

	Fiscal year 2013 （April l, 2013 – March 31,2014）	Fiscal year 2014 （April l, 2014 – March 31,2015）
the period（000 shares）		
Overview of potentially dilutive common shares not included in computation of net income per share after dilution because of their anti-dilutive effect	Two types of stock acquisition rights (number of stock acquisition rights: 6,572) have been excluded.	Two types of stock acquisition rights (number of stock acquisition rights: 3,835) have been excluded.

(Events after the reporting period)
Not appreciable.

FINANCIAL RESULTS -appendix

FY 2014

from 2014.4.1
to 2015.3.31

Page

FUNAI

FUNAI ELECTRIC CO., LTD.

1. Summary of Full Year Financial Statements (Consolidated)

(1) Operating Results, Financial Conditions

(Units : 100 million yen, %)

	FY2013			FY2014			FY2015 (Projection)		
	Amount	%	Change	Amount	%	Change	Amount	%	Change
Net Sales	2,340	100.0	21.9	2,170	100.0	(7.2)	2,200	100.0	1.3
Operating Income (Loss)	(54)	(2.3)	―	5	0.3	―	16	0.7	183.5
Ordinary Income (Loss)	(22)	(1.0)	―	19	0.9	―	12	0.5	(37.6)
Net Income (Loss) after Tax	(67)	(2.9)	―	13	0.6	―	4	0.2	(70.5)
Total Assets	1,813	―	―	1,896	―	―	―	―	―
Net Assets	1,176	―	―	1,278	―	―	―	―	―

(※) Yen-Dollars / Exchange rate

(Units : Yen / Dollars)

	FY2013	FY2014	FY2015 (Projection)
Average Rate in each Period	100.49	110.62	118.00

(2) Profitability and Per Share Data etc.

	FY2013	FY2014	FY2015 (Projection)
Gross Profit Ratio (%)	13.9	17.3	16.2
Operating Income Ratio (%)	(2.3)	0.3	0.7
Ordinary Income Ratio (%)	(1.0)	0.9	0.5
Shareholders' Equity Ratio (%)	64.2	66.8	―
Net Assets Per Share (yen)	3,414.77	3,712.81	―
Net Income Per Share (yen)	(197.70)	39.70	11.72
Return on Assets (%)	(3.6)	0.7	―
Return on Shareholders' Equity (%)	(5.7)	1.1	―
Number of Total Employees	5,112	3,604	―

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

(Units : 100 million yen, %)

	FY2013		FY2014		FY2015 (Projection)	
	Amount	Change	Amount	Change	Amount	Change
Capital Expenditures	109	105.7	32	(70.6)	30	(6.3)

	FY2013			FY2014			FY2015 (Projection)		
	Amount	%	Change	Amount	%	Change	Amount	%	Change
Depreciation Expenses	52	2.2	30.0	47	2.2	(9.6)	47	2.1	0.0
R&D	84	3.6	(9.7)	74	3.4	(11.9)	96	4.4	29.7

(4) CashFlow

（Units : 100 million yen）

	FY2013	FY2014	FY2015 (Projection)
Cash flows from operating activities	(12)	168	―
Income Before Income Taxes	(56)	22	―
Depreciation Expenses	64	58	―
Others	(20)	88	―
Cash flows from investing activities	(27)	(173)	―
Free cash flows	(39)	(5)	―
Cash flows from financing activities	(46)	(27)	―
Effect of exchange rate changes on cash and cash equivalents	20	25	―
Net increase (decrease) in cash and cash equivalents	(66)	(6)	―

2. Operating Activities (Consolidated)

(1) Sales by Equipment

（Units : 100 million yen, %）

	FY2013			FY2014			FY2015 (Projection)		
	Amount	%	Change	Amount	%	Change	Amount	%	Change
Audio Visual Equipment	1,831	78.2	17.6	1,724	79.4	(5.9)	1,913	87.0	11.0
DVD	174	7.4	(5.4)	124	5.7	(28.7)	84	3.8	(32.3)
BD	168	7.2	19.1	135	6.2	(20.1)	130	5.9	(3.7)
LCD TV	1,436	61.4	19.8	1,421	65.5	(1.1)	1,649	75.0	16.0
Others	53	2.2	60.6	44	2.0	(17.0)	50	2.3	13.6
Information　Equipment	189	8.1	57.8	126	5.8	(33.1)	100	4.5	(21.0)
Others	320	13.7	31.6	320	14.8	0.1	187	8.5	(41.7)
Total	2,340	100.0	21.9	2,170	100.0	(7.2)	2,200	100.0	1.3

(2) Sales by Areas in Equipment

（Units : 100 million yen, %）

	FY2013			FY2014			FY2015 (Projection)		
	Amount	%	Change	Amount	%	Change	Amount	%	Change
Audio Visual Equipment	1,831	78.2	17.6	金額	百分比	前年比	金額	百分比	前年比
Americas	1,570	67.1	18.5	1,724	79.4	(5.9)	1,913	87.0	11.0
Europe	32	1.3	(25.6)	1,506	69.4	(4.1)	1,685	76.6	11.9
Asia and Others	12	0.5	140.0	35	1.6	9.4	25	1.1	(28.6)
Japan	217	9.3	17.9	5	0.2	(58.3)	12	0.6	140.0
Information Equipment	189	8.1	57.8	178	8.2	(18.0)	191	8.7	7.3
Americas	126	5.3	96.9	126	5.8	(33.1)	100	4.5	(21.0)
Europe	45	2.0	136.8	92	4.2	(27.0)	72	3.3	(21.7)
Asia and Others	16	0.7	(48.4)	26	1.2	(42.2)	11	0.5	(57.7)
Japan	2	0.1	(60.0)	8	0.4	(50.0)	16	0.7	100.0
Others	320	13.7	31.6	0	0.0	-	1	0.0	-
Total	2,340	100.0	21.9	320	14.8	0.1	187	8.5	(41.7)

(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, %）

	FY2013			FY2014			FY2015 (Projection)		
	Amount	%	Change	Amount	%	Change	Amount	%	Change
Americas	1,850	79.0	26.7	1,766	81.4	(4.5)	1,794	81.5	1.6
Audio Visual Equipment	1,570	67.1	18.5	1,506	69.4	(4.1)	1,685	76.6	11.9
Information Equipment	126	5.3	96.9	92	4.2	(27.0)	72	3.3	(21.7)
Others	154	6.6	116.9	168	7.8	9.1	37	1.6	(78.0)
Europe	77	3.3	24.2	61	2.8	(20.9)	36	1.6	(41.5)
Audio Visual Equipment	32	1.3	(25.6)	35	1.6	9.4	25	1.1	(28.6)
Information Equipment	45	2.0	136.8	26	1.2	(42.2)	11	0.5	(57.7)
Others	0	0.0	—	0	0.0	-	-	-	-
Asia and Others	32	1.4	(17.9)	21	1.0	(34.6)	28	1.3	32.7
Audio Visual Equipment	12	0.5	140.0	5	0.2	(58.3)	12	0.6	140.0
Information Equipment	16	0.7	(48.4)	8	0.4	(50.0)	16	0.7	100.0
Others	4	0.2	33.3	8	0.4	100.0	-	-	-
Japan	381	16.3	6.1	322	14.8	(15.5)	342	15.6	6.3
Audio Visual Equipment	217	9.3	17.9	178	8.2	(18.0)	191	8.7	7.3
Information Equipment	2	0.1	(60.0)	0	0.0	-	1	0.0	-
Others	162	6.9	(4.7)	144	6.6	(11.1)	150	6.9	4.2
Total	2,340	100.0	21.9	2,170	100.0	(7.2)	2,200	100.0	1.3

(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. Summary of 4Q (January to March) Financial Statements (Consolidated)

(1) Operating Results

（Units : 100 million yen, %）

	FY2013			FY2014		
	4Q (Jan.-Mar.)			4Q (Jan.-Mar.)		
	Amount	%	Change	Amount	%	Change
Net Sales	485	100.0	7.9	435	100.0	(10.3)
Operating Loss	(59)	(12.2)	—	(8)	(1.9)	—
Ordinary Loss	(70)	(14.5)	—	(23)	(5.5)	—
Net Loss after Tax	(84)	(17.5)	—	(25)	(5.9)	—

（※）Yen-Dollars / Exchange rate

（Units : Yen / Dollars）

	FY2013	FY2014
	4Q (Jan.-Mar.)	4Q (Jan.-Mar.)
Average Rate in each Period	102.57	119.23

(2) Sales by Equipment

（Units : 100 million yen, %）

	FY2013			FY2014		
	4Q (Jan.-Mar.)			4Q (Jan.-Mar.)		
	Amount	%	Change	Amount	%	Change
Audio Visual Equipment	374	77.1	8.1	339	77.9	(9.4)
DVD	37	7.6	(9.8)	29	6.7	(21.6)
BD	49	10.1	44.1	26	6.0	(46.9)
LCD TV	272	56.1	2.6	279	64.1	2.6
Others	16	3.3	166.7	5	1.1	(68.8)
Information Equipment	41	8.5	(6.8)	13	3.0	(68.3)
Others	70	14.4	16.7	83	19.1	18.6
Total	485	100.0	7.9	435	100.0	(10.3)

（Company）
FUNAI ELECTRIC CO., LTD.
INVESTOR RELATIONS OFFICE
7-7-1 Nakagaito Daito-city, Osaka 574-0013, Japan
TEL 81-72-870-4395・FAX 81-72-870-4613