FY 2015 FINANCIAL REPORT

From April 1, 2015
To March 31, 2016

FUNAI

FUNAI ELECTRIC CO., LTD.

May 16, 2016
Funai Electric Co., Ltd.

Financial Summary for the Fiscal Year Ended March 31,2016

1. Summary of Operating Results (Consolidated)

(Million yen)

	Fiscal Year 2014 (From April 1, 2014 to March 31, 2015)		Fiscal Year 2015 (From April 1, 2015 to March 31, 2016)		Rate of increase or decrease
	Amount	%	Amount	%	
Net Sales	217,088	% 100.0	168,116	% 100.0	% (22.6)
Operating Income (Loss)	564	0.3	(13,061)	(7.8)	—
Ordinary Income (Loss)	1,924	0.9	(16,146)	(9.6)	—
Net Income (Loss) attributable to owners of parent	1,354	0.6	(36,221)	(21.5)	—
Net Income (Loss) per Share	39.70		(1061.62)		

Notes: Includes 23consolidated subsidiaries, 1 equity method non-consolidated subsidiary,

2. Summary of Operating Results (Non-Consolidated)

(Million yen)

	Fiscal Year 2014 (From April 1, 2014 to March 31, 2015)		Fiscal Year 2015 (From April 1, 2015 to March 31, 2016)		Rate of increase or decrease
	Amount	%	Amount	%	
Net Sales	154,549	% 100.0	133,632	% 100.0	(13.5)
Operating Income (Loss)	(1,841)	(1.2)	(9,132)	(6.8)	—
Ordinary Income (Loss)	(343)	(0.2)	13,704	10.3	—
Net Income (Loss) attributable to owners of parent	347	0.2	(5,866)	(4.4)	—
Net Income (Loss) per Share	10.19		(172.52)		

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Consolidated Financial Results for the Fiscal Year Ended March 31, 2016

May 16, 2016

Listed company name	Funai Electric Co., Ltd.		
Stock exchange listing	Tokyo first section		
Securities code	6839	URL http://www.funai.co.jp	
Representative	President and CEO	Tomonori Hayashi	
Inquiries	General Manager	Keiichi Ikegami	TEL: (072) 870-4395
Annual general shareholders meeting		June 28, 2016	
Filing of securities report		June 28, 2016	
Commencement of annual dividend payments		June 29, 2016	
Financial results supplementation		Yes	
Financial results meeting		Yes	

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2016 (April 1, 2015 – March 31, 2016)

(1) Consolidated Operating Results (% shows year on year rates)

	Net Sales		Operating Income(loss)		Ordinary Income(loss)		Net Income(loss) attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal Year 2015	168,116	(22.6)	(13,061)	—	(16,146)	—	(36,221)	—
Fiscal Year 2014	217,088	(7.2)	564	—	1,924	—	1,354	—

(Note) Comprehensive Income (40,012)million yen (—%) for the FY2015, 10,913million yen (—%) for the FY2014

	Net Income(loss) Per Share	Net Income Per Share on a Fully Diluted Basis	Return on Shareholders' Equity	Ordinary Income(loss) to Total Assets	Operating Income(loss) Ratio
	Yen	Yen	%	%	%
Fiscal Year 2015	(1,061.62)	—	(34.1)	(9.4)	(7.8)
Fiscal Year 2014	39.70	—	1.1	1.0	0.3

(Reference) Equity in earnings of affiliates (4) million yen for the FY2015 (144) million yen for the FY2014

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets Per Share
	Million yen	Million yen	%	Yen
Fiscal Year 2015	154,295	86,569	55.4	2,504.70
Fiscal Year 2014	189,695	127,881	66.8	3,712.81

(Reference) Shareholders' Equity 85,458 million yen for the FY2015 126,677 million yen for the FY2014

(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 2015	(7,549)	11,805	69	47,116
Fiscal Year 2014	16,897	(17,360)	(2,725)	42,991

2. Dividends

	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 2015	―	0.00	―	30.00	30.00	1,023	―	1.0
Fiscal Year 2014	―	0.00	―	35.00	35.00	1,194	88.2	1.0
Fiscal Year 2016 (Forecast)	―	―	―	―	―		―	

(Note) 1. The dividend for FY 2015 is 30.00 yen.
2. The dividend forecast for FY 2016 is undetermined; because the high impact stemmed from the recent fluctuations in exchange rates give to the consolidated net assets. Additionally the company's dividend policy of DOE is unchanged. The dividend forecast for FY 2016 will be announced as soon as it is determined.

3 Consolidated Financial Forecast for the Fiscal Year Ended March 31, 2017 (April 1, 2016 - March 31, 2017)
(% shows year on year rates)

	Net Sales		Operating Income(loss)		Ordinary Income(loss)		Net Income(loss) attributable to owners of parent		Net Income(loss) Per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
The First Half	77,900	(10.4)	1,100	―	400	―	200	―	5.86
Full Year	172,000	2.3	4,300	―	3,500	―	1,400	―	41.03

*Note

(1) Changes in Consolidated Subsidiaries (Changes in Scope of Consolidation): Yes

(2) Changes in accounting policies and estimates
1. Changes in accounting policies from revision of accounting standards: Yes
2. Changes in accounting policies from other reason: 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 March 31, 2016	36,130,796
	As of March 31, 2015	36,130,796
2. Number of shares of treasury stock	As of March 31, 2016	2,011,687
	As of March 31, 2015	2,011,665
3. The Average number of outstanding shares	On March 31, 2016	34,119,119
	On March 31, 2015	34,119,178

(Reference)
Non-consolidated Financial Results for the Fiscal Year ended March 31, 2016 (April 1, 2015– March 31, 2016)

(1) Non-consolidated Operating Results (% shows year on year rates)

	Net Sales		Operating Income(loss)		Ordinary Income(loss)		Net Income(loss)	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal Year 2015	133,632	(13.5)	(9,132)	—	13,704	—	(5,886)	—
Fiscal Year 2014	154,549	(13.1)	(1,841)	—	(343)	—	347	—

	Net Income(loss) Per Share	Net Income Per Share on a Fully Diluted Basis
	Yen	Yen
Fiscal Year 2015	(172.52)	—
Fiscal Year 2014	10.19	—

(2) Non-consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets Per Share
	Million yen	Million yen	%	Yen
Fiscal Year 2015	121,350	75,329	62.0	2,203.58
Fiscal Year 2014	120,763	82,629	68.3	2,417.62

(Reference) Shareholders' Equity 75,184 million yen for the FY2015 82,487 million yen for the FY2014

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" "1 Business Performance for the Fiscal Year 2015."

1. Business Performance and Financial Position

(1) Analysis of Business Performance

1. Business Performance for the Fiscal Year2015

Although in Fiscal Year 2015 business conditions remained firm in the United States, the Funai Group's ("the Group") main market, a few changes have appeared, such as a slight slowdown in consumer spending and weakness in employment in some sectors amid continued improvement overall. Whereas the European economy is showing a trend toward improvement in consumer spending, the slowdown in economic recovery in China that began in the second half of the fiscal year continues. The economic slowdown in emerging economies, centering on China, has likely begun to affect the Japanese economy, particularly exports, as indicated by weakness in machinery orders and a decline in the Index of Industrial Production in some sectors since the start of the year.

As a result of the above factors, Net sales amounted to ¥168,116 million, down 22.6% compared to the same quarter of the last fiscal year (year on year). Because the orders of LCD-TVs for the year-end sales season decreased in the U.S., Sales in regional mass merchandisers were slow, and Mexican market got more competitive and The Group posted the expenses in preparation for termination of sales of Audio accessories business. As a result, operating loss amounted ¥13,061 million (Operating income was ¥564 million in the last fiscal year); Ordinary loss amounted to ¥16,146 million as foreign exchange losses due to the depreciation of the Mexican Peso against yen in accounts receivable and the appreciation of the yen against U.S. dollar.(Ordinary income was ¥1,924 million in the last fiscal year)

The Group received an arbitral award from the ICC International Court of Arbitration on April 26, 2016 with respect to arbitration in the dispute between Funai and Koninklijke Philips N.V. As a result of factors including the recording of ¥18,502 million in compensatory damages and other amounts decided in the arbitral award under extraordinary loss, net loss attributable to owners of the parent amounted to ¥36,221 million (net income attributable to owners of the parent of ¥1,354 million in the last fiscal year).

The Group applied Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013) in the first quarter of this fiscal year has changed "net income or net loss" to "net income attributable to owners of the parent or net loss attributable to owners of the parent."

Results by region

i) Japan

LCD-TVs increased year on year due to a strong sale in large size-screen models for OEM business. But printers, DVD/BD-related products, and electronic reception devices declined.

As a result, net sales amounted to ¥34,139 million, down 19.7% year on year. Segment loss (operating loss) amounted to ¥8,863 million (Segment loss was ¥938 million in the last fiscal year).

ii) Americas

DVD-related products increased thanks to the good sales in DVD/VCR Combo models. Printers increased, because the Group lunched new in-house development ink-jet printers in May 2015. But LCD-TVs decreased due to the reduction of the orders on the year-end sales season in the U.S. The Group tried to make up for this decline by getting the regular business transactions, but we could not. In additions to that, Sales in regional mass merchandisers were slow, Mexican market got more competitive, and Audio accessories decreased.

As a result, net sales amounted to ¥130,291 million, down 21.5% year on year. Segment loss amounted to ¥4,043 million (Segment income was ¥1,200 million in the last fiscal year).

iii) Asia

Net sales amounted to ¥2,426 million, down 50.4 % year on year due to decrease ink cartridges. Segment loss amounted to ¥15 million (Segment loss was ¥202 million in the last fiscal year).

iv) Europe

Printers increased because the Group lunched new in-house development ink-jet printers in this fiscal year. In the other hand LCD TVs were slow, so total sales decreased. As a result, net sales amounted to ¥1,259 million, down 67.0% year on year, segment loss amounted to ¥300 million (Segment income was ¥57million in the last fiscal year).

Results by product segment

i) Audiovisual Equipment

DVD-related products increased because of the good sales in DVD/VCR Combo models. But LCD TV decreased due to the reduction of the orders the year-end sales season in the U.S. The Group tried to make up for this decline by getting the regular business transactions, but we could not. In additions to that, Sales in regional merchandisers were slow, Mexican market got more competitive. Total sales decreased year on year. As a result, net sales of this equipment amounted to ¥146,179 million, down 15.2 % year on year.

ii) Information Equipment

The Group lunched in-house development ink-jet printers, but we could not offset a shortage caused by the closure of OEM business, then Printer and Ink cartridges decreased year on year.

As a result, net sales of this equipment amounted to ¥5,000 million, down 60.4 % year on year.

iii) Other Products

Net sales of other products amounted to ¥16,936 million, down 47.2% year on year, due to the decrease of Audio accessories which sales contract is terminated in this fiscal year.

2. Consolidated Financial Forecast for the Fiscal Year 2016

For the fiscal year ended March 31, 2017, the Group expects the operating climate to remain problematic, but we are committed to these following strategies and improve sales and profit.

i) Sales expansion

Increase sales and obtain orders for LCD-TVs for the year-end sales season in the U.S. market by offering UHD models and multiple models developed for individual customers. Begin selling a multi-model line of inkjet printers and open up new customers.

ii)Securing of profits from the LCD-TVs business

Reduce inventory through rigorous control of purchasing, sales, and inventories (PSI) between production subsidiaries, sales subsidiaries, and corporate divisions and reduce expenses through integration of the United States subsidiaries.

iii) Improvement of the rate of return from the Information Equipment Business

Improve the rate of return by reducing R&D expenses through selection and concentration in product development, improve plant utilization rates through sales expansion, and sell high-value-added products.

< Consolidated Operating Forecast >

Net sales	¥ 172,000 million	(2.3 % increase year-on-year)
Operating income	4,300 million	(Last fiscal year operating loss 13,061 million)
Ordinary income	3,500 million	(Last fiscal year ordinary loss 16,146 million)
Net income attributable to owners of parent	1,400 million	(Last fiscal year net income 36,221 million)

For its earnings estimates, the Group has assumed an exchange rate of JPY 112 = US$1.00.

The operating forecast 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 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 results to differ from this forecast.

(2) Analysis of Financial Position

1. Balance Sheet

Total assets decreased by ¥35,400 million compared to the end of the last fiscal year. The primary components of the change were as follows:

- ✓ Decrease of ¥9,210 million in cash and deposits, ¥14,091 million in notes and accounts receivable – trade, and ¥3,630 million in merchandise and finished goods.

Total liabilities increased by ¥5,911 million compared to the end of the last fiscal year. The primary components of the change were as follows:

- ✓ Decrease of ¥16,020 million in note and accounts payable-trade
- ✓ Increase of ¥21,414 million in accounts payable-other.

Net assets decreased by ¥41,312 million compared to the end of the last fiscal year. The primary components of the change were decrease of ¥37,495 million in retained earnings and ¥3,442 million in the foreign currency translation adjustment.

2. Cash Flow

An analysis of consolidated cash flows shows that net cash used in operating activities amounted to ¥7,549 million. Net cash provided by investing activities was ¥11,805 million, and net cash provided by financing activities was ¥69 million. The balance of cash and cash equivalent as of March 31, 2016 was ¥47,116 million.

Cash flow ratios

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Shareholders' equity ratio (%)	69.5	61.7	64.2	66.8	55.4
Shareholders' equity ratio at market value (%)	35.8	20.2	19.2	24.9	21.8
Ratio of cash flow to interest-bearing debt(year)	0.3	-	-	0.6	-
Interest coverage ratio (%)	130.5	-	-	89.6	-

Shareholders' equity ratio : Equity capital / Total assets
Shareholders' equity ratio at market value : Market capitalization / Total assets
Ratio of cash flow to interest-bearing debt : Interest-bearing debt / Operating cash flow
Interest coverage ratio : Operating cash flows / Interest payments

* All ratios are calculated based on consolidated financial statements.
* Market value is calculated by at price of shares at the end of the consolidated fiscal year × Number of shares outstanding (after deducting treasury stock)
* Operating cash flows represent the cash flows from net cash provided by (used in) operating activities on the Consolidated Statements of Cash Flows. Interest-bearing debt represents debt stated on the Consolidated Balance Sheets for which interest is paid. Interest paid represents corresponding amount stated on the Consolidated Statements of Cash Flows.
* The ratio of cash flow to interest-bearing debt and the interest coverage ratio for the fiscal year 2012, 2013 and 2015 have been omitted because cash flow from operating activities was negative.

(3) Dividend Policy

Funai Electric Co., Ltd. (the "Company") regards returning profits to shareholders as one of its most important key issues, and basically provides stable dividends while strengthening its management base. The dividend policy is based on dividend on equity ratio (DOE) of 1% under the consideration of business conditions. Basically the Company plans to implement dividend payments once a year. When the Company pays an interim dividend, it makes a public announcement in advance.
Based on above policy, the dividend plan for the fiscal year 2015 is expected to be JPY 30 per share. The dividend plan for the fiscal year 2017 is currently undecided.

(4) Business Risks

The following risks may influence the Group's financial condition and business results.

(The Group management policy)
The 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 (LCD TVs, DVD-related products, 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 condition and business results.

i) Product cost and market prices
The Group's primary target is the customers of mass merchandisers such as Walmart and therefore we must deliver low prices. Consequently, the Group is working to reduce 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 the Company, and utilizing internal production of parts and centralized purchasing. However, the consumer electronics business is intensely competitive and when parts and raw materials prices rise, cost pressures may affect the Group's financial condition and business results.

ii) New technologies

In the consumer electronics business, market needs is becoming more diverse; the Group needs to improve the quality, volume and speed of its new product development.
To address these issues, the Group will improve the technical capabilities mainly in the new business field by partnership with other companies and universities, and personnel training. The Company also may consider mergers and acquisitions depending on the situation. However, a diversification of market needs or technological innovation beyond our expectations may affect the Group's financial condition and business results.

iii) Defects relating to products and services

The Group strives to improve and keep quality by mainly the quality management and technology relevant divisions. In addition, service companies in Japan and overseas have been established. However, if there are some troubles with repair and replacement of our products, the impact of the warranty and/or the decrease of social credibility may have negative impacts for the Group's financial condition and business results.

iv) Intellectual property rights

The activities so-called "patent trolls" have been very active these days. They have no products of their own, but 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 in manufacturing and sales industry. As a result of these activities, we need to make high compensation payments that may affect the Group's financial condition and business results.

v) Corporate acquisition and Business alliances

The Group may pursue corporate acquisitions and business alliances to improve its profit and efficiently boost sales. However for various reasons, in the event that the synergies fall short of initial expectations, we fail to reach agreement on an acquisition and affiliate relationships cannot be maintained, this may affect the Group's financial position, business results and growth forecasts.

(Impact of overseas market trends)

i) Dependence on Americas (the United States, Mexico and other) market

The ratio of the Group's net sales is high in overseas markets. In particular, Americas market accounted for 79.7% of net sales in this fiscal year. Among them Walmart group accounted for 53.1% of net sales in this fiscal year.
If Americas' economy rapidly enters a recession, this may affect the Group's financial condition and business results.

ii) Dependence on Chinese production

The Group is working to improve the cost competitiveness of its products by concentrating production in cost-benefit regions and purchasing parts in bulk. In this fiscal year 98.9% of our products were produced overseas, with 55.0% were produced in China (consignment manufacturing and in-house production). Although The Group has undertaken production site decentralization and the production ratio in China is declining. But we continue to engage in production in China, rising labor cost, changes in the government system, the outbreak of conflict, natural disasters and other unforeseen circumstances may affect the Group's financial condition and business results.

iii) Foreign currency risk

The Group determines production sites for its principal products under consideration of optimal production sites and sales systems. DVD-related products, LCD TVs, and printers are produced in China, LCD TVs are produced in Thailand, and Ink cartridges and Ink-jet printers are produced in Philippines.
The Group purchases products from overseas production subsidiaries and sells them to overseas sales subsidiaries or sells directly to OEM supply partners mainly in the North America. Domestic sales are also conducted through direct sales and sales subsidiaries.
Although the majority of the Group's sales are conducted in U.S. dollars, some transactions are conducted in Mexican pesos and yen. In addition, the majority of the Group's purchasing transactions are conducted in U.S. dollars. Although sales and purchase transactions conducted in U.S. dollars are not affected by currency fluctuations, expenses denominated in U.S. dollars relating to sales transactions conducted in Mexican pesos or yen are affected by currency fluctuations. Although the Group uses forward exchange contracts to hedge transactions denominated in Mexican pesos against currency fluctuation risk, it is difficult to completely eliminate the impact of significant currency fluctuations.
Since foreign currency-denominated assets and liabilities are converted to yen using the exchange rates on the settlement date, significant currency fluctuations may affect the Groups financial condition and business results.

(Other Risks)

i) legal Regulations

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

ii) Litigation

There are litigation risks relating to the Group’s business. A major lawsuit or other legal action could affect the Group’s financial position and business performance.

iii) Information control

The Group has internal systems to prevent information leaks and protect itself against viruses. However, factors such as operational mistakes and the new viruses may preclude us avoiding information leaks and system shutdowns completely. Such events could affect the Group’s financial position and business results.

iv) Retirement Benefit Obligations

The Group and its consolidated domestic subsidiaries have defined benefit corporate pension systems, and retirement benefit obligations are based on actuarial assumptions on the pension assets, such as rates of return and discount rates. The Group’s financial position and business results could be affected if there are any changes in these assumptions, if the pension assets decrease due to the deterioration in the investment environment, or if changes in the pension system cause future retirement benefit expenses to increase.

v) Financing

If the Group’s financing 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.

(5) Important Information about Going Concern Assumption

Since the Group recorded a significant operating loss, ordinary loss, net loss attributable to owners of the parent, and negative operating cash flow during the fiscal year 2016, events or circumstances that cast significant doubt on the going concern assumption exist at the present time.

Since the Group’s balance of cash and deposits is sufficient to cover working capital, repayment of borrowings, and other requirements for some time, there is no significant concern about fundraising.

Since the Group is already implementing the following countermeasures in stages, the Group believes that a resolution of the matter can be achieved.

i) Sales expansion

Increase sales and obtain orders for LCD-TVs for the year-end sales season mainly in U.S. market by offering UHD models and multiple models developed for individual customers. Begin selling a multi-model line of inkjet printers and open up new customers.

ii) Securing of profits from the LCD TV business

Reduce inventory through rigorous control of purchasing, sales, and inventories (PSI) between production subsidiaries, sales subsidiaries, and corporate divisions and reduce expenses through integration of U.S. subsidiaries.

iii) Improvement of the rate of return from the Information Equipment Business

Improve the rate of return by reducing R&D expenses through selection and concentration in product development, improve plant utilization rates through sales expansion, and sell high-value-added products.

Accordingly, Funai judges that there is no significant uncertainty related to the going concern assumption as of the end of the fiscal year 2016 and has omitted the Notes on Going Concern Assumption from the consolidated financial statements.

2. Current Conditions of the Company’s Group

The 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 recent financial statements (submitted on June 25, 2015).

3. Management Policies

(1) Management Policy

The Group will pursue its business based on its management policy that is to build strong trust and to seek the mutual prosperity of all parties related to the company, by organizing the most efficient development, manufacturing and sales system and stably supplying high quality and reasonable priced products to global markets.

(2) Management Indicators

As a management indicator, the Group places the greatest emphasis on operating income margin, and will seek to achieve over 5% of operating income margin in the medium term.

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

Demand for LCD TVs has been expanding because of the shift to UHD model and 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.
The issues that the Group needs to address in this situation are as follows.

i) Increasing net sales and improving profitability

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

(Product strategy)

During the fiscal year 2016, sales and profits declined as a result of factors including a decrease in orders for the year-end sales season in U.S., sluggish sales at regional mass merchandisers, delays in inventory clearance, and intensification of competition in the Mexican market.
To increase net sales, the Group aims to increase sales of LCD-TVs and secure orders for the year-end sales season by offering UHD models and multiple models developed for individual customers. The Group is endeavoring to sell inkjet printers by offering a multi-model line and opening up new customers.

(Market strategy)

As a short-term market strategy, the Group is offering high-value-added models such as UHD TVs to secure the competitive advantage of the Group products in U.S. market. As a medium- to long-term strategy, we are actively engaging in sales channel expansion to eliminate in stages excessive concentration on U.S. market: for instance, in Europe (the U.K. and other areas) in the Information Equipment Business and in Mexico and elsewhere in Central and South America in the Audiovisual Equipment Business.

In order to implement the above strategies, the Group minimizes the time lags between product planning, development, material procurement, production and sales. Additionally the Group strives to meet market needs precisely and on a timely basis.

ii) Reinforcing manufacturing and development systems

Excessive reliance on production in China is a risk factor. To avoid that risk, the Group has been working to distribute our production sites to other locations. Consequently the production ratio in China has been in a downward trend. The new factory in Philippines, Funai Electric Philippines Inc. started to work in this fiscal year.
The Group also continues to increase development efficiency among the entire The Group in China and Asia.

iii) Training and appointment of human resources

The Group recognizes that improving each employee’s capabilities and linking this to strengthening the group power will be essential to win the global competition and implement the medium to long-term business strategy. Therefore we actively train and assign employees, without regard to whether they are younger or mid-career staff, by strengthening internal or external training systems.

4. Basic Rationale on Selection of Accounting Standards

The Group applies Japanese accounting standards. We have not set a definite timetable for the adoption of international financial reporting standards (IFRS), but we will consider taking this step based on the situation of another companies in the same business.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets (Million Yen)

	Fiscal year 2014 (As of March 31, 2015)	Fiscal year 2015 (As of March 31, 2016)
ASSETS;		
Current Assets		
Cash and deposits	66,820	57,609
Notes and accounts receivable-trade	38,183	24,092
Merchandise and finished goods	26,398	22,768
Work in process	1,455	1,196
Raw materials and supplies	14,708	13,212
Deferred tax assets	2,245	664
Other	5,352	4,071
Allowance for doubtful accounts	(389)	(400)
Total current assets	154,775	123,214
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	20,314	18,138
Accumulated depreciation	(10,258)	(9,794)
Buildings and structures, net	10,055	8,343
Machinery,equipment and vehicles	13,592	10,746
Accumulated depreciation	(10,601)	(8,964)
Machinery,equipment and vehicles, net	2,900	1,781
Tools, furniture and fixtures	26,156	23,086
Accumulated depreciation	(24,433)	(21,919)
Tools, furniture and fixtures, net	1,722	1,166
Lands	6,343	6,331
Lease assets	513	697
Accumulated depreciation	(340)	(203)
Lease assets, net	173	493
Other	19	87
Total property, plant and equipment	21,306	18,203
Intangible assets		
Patent right	4,020	3,297
Other	2,097	1,666
Total intangible fixed assets	6,117	4,964
Investment and other assets		
Investment securities	2,814	2,418
Deferred tax assets	339	206
Net defined benefit asset	1,716	1,555
Other	2,900	4,003
Allowance for doubtful accounts	(276)	(271)
Total investments and other assets	7,496	7,912
Total noncurrent assets	34,920	31,080
TOTAL ASSETS	189,695	154,295

(Million Yen)

	Fiscal year 2014 (As of March 31, 2015)	Fiscal year 2015 (As of March 31, 2016)
LIABILITIES;		
Current Liabilities		
Notes and accounts payable-trade	31,625	15,604
Short-term loans payable	4,012	5,118
Accounts payable-other	11,944	33,359
lease obligations	126	251
Income taxes payable	485	783
Provision for bonuses	212	236
Provision for product warranties	1,228	689
Foward exchange contracts	-	18
Other	1,743	1,735
Total current liabilities	51,378	57,798
Noncurrent liabilities		
Long-term loans payable	6,683	6,009
lease obligations	290	737
Deferred tax liabilities	1,345	811
Deferred tax liabilities for land revaluation	226	205
Provision for directors' retirement benefits	1,093	1,106
Net defined benefit liability	548	395
Other	247	662
Total noncurrent liabilities	10,435	9,927
TOTAL LIABILITIES	61,813	67,725
NET ASSETS;		
Shareholders' equity		
Capital stock	31,307	31,307
Capital surplus	33,272	33,301
Retained earnings	93,840	56,345
Treasury stock	(24,341)	(24,341)
Total shareholders' equity	134,079	96,613
Accumulated other comprehensive income		
Valuation difference on avaiable-for-sale securities	421	160
Foreign currency translation adjustment	(8,188)	(11,630)
Remeasurements of defined benefit plans	365	314
Total accumulated other comprehensive income	(7,401)	(11,155)
Subscription right to shares	142	145
Non-controlling interests	1,061	965
Total net assets	127,881	86,569
TOTAL LIABILITIES AND NET ASSETS	189,695	154,295

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

(Million Yen)

	Fiscal year 2014 (from April 1, 2014 to March 31, 2015)	Fiscal year 2015 (from April 1, 2015 to March 31, 2016)
Net sales	217,088	168,116
Cost of sales	179,515	145,210
Gross profit	37,573	22,906
Selling, general and administrative expenses	37,009	35,968
Operating income (loss)	564	(13,061)
Non-operating income		
Interest income	198	259
Dividends income	112	28
Foreign exchange gains	1,570	―
Rent income on non-current assets	208	208
Gain on investments in partnership	106	218
Other	160	79
Total non-operating income	2,356	793
Non-operating expenses		
Interest expenses	187	296
Equity in losses of affiliates	144	4
Foreign exchange losses	―	3,277
Loss on disposal of inventories	147	―
Other	517	299
Total non-operating expenses	996	3,878
Ordinary income (loss)	1,924	(16,146)
Extraordinary income		
Gain on sales of noncurrent assets	150	18
Gain on sales of investment securities	824	68
Gain on sales of shares of subsidiaries	134	41
Settlement received	―	Notes1 902
Refund of customs duty	―	Notes2 485
Other	―	46
Total extraordinary income	1,110	1,562
Extraordinary loss		
Loss on disposal of noncurrent assets	25	475
Impairment loss	Notes3 618	Notes3 557
Loss on closing of sales office	131	―
Compensation for damage	―	Notes4 18,502
Other	14	303
Total extraordinary loss	789	19,838
Income (loss) before income taxes and minority interests	2,244	(34,422)
Income taxes	635	514
Income tax adjustments	238	1,322
Total income taxes	873	1,836
Net income (loss)	1,370	(36,258)
Net income (loss) attributable to non-controlling interests	16	(37)
Net income (loss) attributable to owners of parent	1,354	(36,221)

(Consolidated Statement of Comprehensive Income) (Million Yen)

	Fiscal year 2014 (from April 1, 2014 to March 31, 2015)	Fiscal year 2015 (from April 1, 2015 to March 31, 2016)
Net income (Loss)	1,370	(36,258)
Other comprehensive income		
Valuation difference on avaiable-for-sale securities	(246)	(264)
Foreign currency translation adjestment	9,294	(3,422)
Remeasurements of defined benefit plans, net of tax	481	(48)
Share of other comprehensive income of associates accounted for using equity method	12	(19)
Total other comprehensive income	9,542	Notes (3,754)
Comprehensive income	10,913	(40,012)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the paren	10,879	(39,975)
Comprehensive income attributable to non-controlling inter	34	(37)

(3) Consolidated Statements of Changes in Shareholders' Equity

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

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	31,307	33,272	93,196	(24,341)	133,435
Cumulative effect of changes in accounting policies			483		483
Restated balance	31,307	33,272	93,679	(24,341)	133,918
Changes of items during the period					
Dividends from surplus			(1,194)		(1,194)
Income (loss) attributable to owners of parent			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
Ending balance	31,307	33,272	93,840	(24,341)	134,079

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Unrealized holding gains/losses on securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Beginning balance	672	(17,495)	(103)	(16,925)	132	1,042	117,684
Cumulative effect of changes in accounting policies						(11)	472
Restated balance	672	(17,495)	(103)	(16,925)	132	1,031	118,156
Changes of items during the period							
Dividends from surplus							(1,194)
Income (loss) attributable to owners of parent							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
Ending balance	421	(8,188)	365	(7,401)	142	1,061	127,881

Fiscal year 2015 (April 1, 2015 - March 31, 2016) (Million Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	31,307	33,272	93,840	(24,341)	134,079
Changes of items during the period					
Dividends from surplus			(1,194)		(1,194)
Income (loss) attributable to owners of parent			(36,221)		(36,221)
Purchase of treasury stock				(0)	(0)
Change of scope of consolidation			(79)		(79)
Change in treasury shares of parent arising from transactions with non-controlling shareholders		29			29
Net changes of items other than shareholders' equity					
Total changes of items during the period	―	29	(37,495)	(0)	(37,465)
Ending balance	31,307	33,301	56,345	(24,341)	96,613

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Unrealized holding gains/losses on securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Beginning balance	421	(8,188)	365	(7,401)	142	1,061	127,881
Changes of items during the period							
Dividends from surplus							(1,194)
Income (loss) attributable to owners of parent							(36,221)
Purchase of treasury stock							(0)
Change of scope of consolidation							(79)
Change in treasury shares of parent arising from transactions with non-controlling share holders							29
Net changes of items other than shareholders' equity	(260)	(3,442)	(51)	(3,753)	2	(95)	(3,846)
Total changes of items during the period	(260)	(3,442)	(51)	(3,753)	2	(95)	(41,312)
Ending balance	160	(11,630)	314	(11,155)	145	965	86,569

(4) Consolidated quartely statements of cash flows

(Million Yen)

	Fiscal year 2014 (from April 1, 2014 to March 31, 2015)	Fiscal year 2015 (from April 1, 2014 to March 31, 2015)
Cash flows from operating activities		
Income (Loss) before income taxes and minority interests	2,244	(34,422)
Depreciation	5,855	4,498
Impairment loss	618	557
Increase (decrease) in allowance for doubtful accounts	123	41
Increase (decrease) in net defined benefit liability	(163)	(125)
Interest and dividend income	(311)	(287)
Interest expenses	187	296
Share of (profit) loss of entities accounted for using equity method	144	4
Loss on retirement of property, plant and equipment	19	357
Loss (gain) on sales of property, plant and equipment	(146)	9
Loss (gain) on sales of investment securities	(824)	(68)
Loss (gain) on sales of shares of subsidiaries and associates	(134)	(41)
Loss (gain) on valuation of investment securities	—	2
Loss on valuation of shares of subsidiaries and associates	13	6
Decrease (increase) in notes and accounts receivable - trade	2,289	12,199
Decrease (increase) in inventories	12,597	2,716
Increase (decrease) in notes and accounts payable - trade	(5,435)	(15,381)
Increase (decrease) in notes and accounts payable - other	(21)	22,400
Other, net	904	111
Subtotal	17,961	(7,141)
Interest and dividend income received	298	295
Interest expenses paid	(188)	(294)
Income taxes paid	(1,205)	(454)
Income taxes refund	31	28
Net cash provided by (used in) operating activities	16,897	(7,549)
Cash flows from investing activities		
Payments into time deposits	(39,069)	(21,227)
Proceeds from withdrawal of time deposits	22,256	34,215
Purchase of property, plant and equipment	(3,164)	(2,113)
Proceeds from sales of property, plant and equipment	218	886
Purchase of intangible assets	(343)	(270)
Purchase of investment securities	(154)	(62)
Proceeds from sales of investment securities	2,093	242
Payments of loans receivable	(68)	(2)
Collection of loans receivable	684	40
Other, net	186	98
Net cash provided by (used in) investment activities	(17,360)	11,805

(Million Yen)

	Fiscal year 2014 (from April 1, 2014 to March 31, 2015)	Fiscal year 2015 (from April 1, 2015 to March 31, 2016)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1,404)	1,124
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(1,194)	(1,194)
Other, net	(126)	139
Net cash provided by (used in) financing activities	(2,725)	69
Effect of exchange rate change on cash and cash equivalents	2,567	(251)
Net increase (decrease) in cash and cash equivalents	(621)	4,074
Cash and cash equivalents at beginning of period	43,612	42,991
Increase in cash and cash equivalents from newly consolidated subsidiary	―	51
Cash and cash equivalents at end of period	42,991	47,116

(5) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumption)
Not Applicable

(Basis of presenting consolidated financial statements)
The matter regarding consolidation scope

The number of consolidated subsidiaries: 23
The major consolidated subsidiaries are FUNAI CORPORATION, INC., FUNAI ELECTRIC (H.K.), LTD. and DX ANTENNA CO., LTD.
In this fiscal year, the Group has included DX ANTENNA PHILIPPINES, INC. in the scope of consolidation, because its importance has increased. And the Group has included Funai North America, Inc. established in this fiscal year. In addition, the Group has excluded FUNAI CMET Optical Electronics Co., Ltd from the scope of consolidation in this fiscal year, as the result of its liquidation.

(Change in Accounting Policy)
(Application of “Accounting Standard for Business Combinations”)
The Group has applied the accounting standard for business combination in this fiscal year. The details are as follows.

1. “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013),
2. “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013),and
3. “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013).

This change had no effect on the consolidated statements of income.

(Additional Information)
About Anti-Tax Haven Law
The Group received a reassessment 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 exemption under the anti-tax haven rules. In addition, they imposed a tax on us adding up with the Hong Kong subsidiary’s income for the three fiscal years ended March 31, 2008 through 2010, which deems as our income.
We objected to this reassessment of income taxes, and filed a request for examination to the Osaka National Tax Tribunal on August 25, 2011. However, we received written verdicts that reject our petition on July18, 2012. The Group filed a suit for cancellation of reassessment to the Tokyo District Court on January 17, 2013.
The additional tax amount is totally ¥825 million including corporate, enterprise and residence taxes (¥935 million including incidental taxes). We recorded this additional tax as “prior year’s taxes” in the fiscal year ended March 31, 2012. Also, the financial impact, when applying this tax rules has been recorded in the fiscal year ended March 31, 2011 when tax investigation was completed.

(Consolidated statement of income)
*1. Settlement received
Fiscal year 2015 (April 1, 2015 - March 31, 2016)
The Group filed a lawsuit for a compensatory damage against Olympus Corporation due to Olympus’s misstatements in its securities registration statement, etc. The Group recorded 902 million as settlement received after deducting necessary expenses from the settlement money in connection with this settlement.

*2. Refund of customs duty
Fiscal year 2015 (April 1, 2015 - March 31, 2016)
This amount consists of refunded customs duties, legal costs, and associated interest received after consolidated subsidiary FUNAI EUROPE GmbH won a lawsuit claiming a refund of assessed additional customs duties brought against the German tax authorities in the District Court of Hamburg.

*3. Impairment loss

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

The Group recorded losses on impairment in the following asset groups for fiscal year 2014.

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

In principle, the 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 for this fiscal year have been reduced to the recoverable amounts. This reduction (¥618 million) is recorded in 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.

Fiscal Year 2015 (April 1, 2015 - March 31, 2016)

The Group recorded losses on impairment in the following asset groups for fiscal year 2015.

Use	Location	Type
Business Assets	Funai Electric Co., Ltd. (Osaka Daito city)	Long-term prepaid expenses
Business Assets	Funai Electric (H.K.)LTD (Hong Kong)	Machinery, equipment and vehicles Tools, furniture and fixtures
Business Assets	Zhongshan Funai Electron Co. (China Guangdong)	Tools, furniture and fixtures

In principle, the 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.

In the fiscal year 2015, as a result of the decision to withdraw from the laser printer business to concentrate information equipment enterprise resources on the inkjet printer business, Funai wrote down the book value of manufacturing facilities, development assets, and other assets not expected to be used in the future to the recoverable amount and recorded the reduction (¥431 million) in extraordinary loss. The total consists of ¥87 million for Funai Electric Co.,Ltd.(Long-term prepaid expenses), ¥10 million for Funai Electric(H.K.)LTD (¥6 million of Machinery, equipment and vehicles and ¥4 million of Tools, furniture and fixtures) and ¥333 million for Zhongshan Funai Electron Co.(Tools, furniture and fixtures).

The recoverable amount of the assets has been determined based on net selling price and calculated with the net selling price as zero.

Use	Location	Type
Retirement Assets	Funai Electric Cebu, Inc. (Philippine Cebu)	Machinery, equipment and vehicles

In principle, the 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 acquiring the shares of a manufacturing subsidiary of Lexmark International, Inc. (now Funai Electric Cebu, Inc.), the Group has engaged in contract production of inkjet cartridges through the acquired company. Although we previously grouped assets scheduled for retirement in connection with the end of production of some models as business assets, since the assets are now scheduled for retirement, we wrote down the book value to the recoverable amount and recorded the reduction (¥125 million) in extraordinary loss.

The recoverable amount of the assets has been calculated using net selling price based on disposal value.

*4. Compensation for damage

Funai resolved to acquire all shares in a company taking over PHILIPS' Lifestyle Entertainment Business from Koninklijke PHILIPS N.V. ("PHILIPS"). However, PHILIPS filed against Funai a petition for arbitration to recover damages caused by breach of agreement of Funai as of October 25, 2013.

With regard to this matter, Funai recognizes there has been no breach of agreement on its behalf. Therefore, Funai filed a counterclaim for damages caused by breach of the agreement and unlawful actions by PHILIPS to the International Chamber of Commerce on December 6, 2013.

On April 26, 2016 the arbitral tribunal has ordered Funai to pay compensatory damages to Philips in the sum of EUR 134.8M, arbitration costs in the sum of USD 1.35M,and Philips's legal fees in the sum of EUR 2.5M plus interest (2%) for them and the arbitral tribunal has dismissed the counterclaim by Funai. Funai posted ¥18,502 million as compensatory damages etc. in extraordinary loss in this fiscal year.

(Consolidated statement of comprehensive income)

* 1. Reclassification adjustment and tax effect amount involved in other comprehensive income (Million Yen)

	Fiscal year 2014 (from April 1, 2014 to March 31, 2015)	Fiscal year 2015 (from April 1, 2015 to March 31, 2016)
Valuation difference on available-for-sale securities:		
Accrued amount on the current term	409	323
Reclassification adjustment amount	(824)	(66)
Pre-adjustment of tax effect	(415)	(389)
Tax effect amount	169	125
Valuation difference on available-for-sale securities	(246)	(264)
Foreign currency translation adjustment:		
Accrued amount on the current term	9,324	(3,353)
Reclassification adjustment amount	—	(92)
Pre-adjustment of tax effect	9,324	(3,446)
Tax effect amount	(30)	24
Valuation difference on available-for-sale securities	9,294	(3,422)
Remeasurements of defined benefit plans:		
Accrued amount on the current term	657	(153)
Reclassification adjustment amount	88	69
Pre-adjustment of tax effect	746	(83)
Tax effect amount	(264)	35
Foreign currency translation adjustment	481	(48)
Share of other comprehensive income of entities accounted for using equity method:		
Accrued amount on the current term	12	0
Reclassification adjustment amount	—	(19)
Pre-adjustment of tax effect	12	(19)
Tax effect amount	—	—
Share of other comprehensive income of entities accounted for using equity method:	12	(19)
Total other comprehensive income	9,542	(3,754)

(Business combination)
Fiscal Year 2015 (April 1, 2015 - March 31, 2016)
The Group established a regional head subsidiary "Funai North America, Inc." on October 1, 2015 in accordance with the resolution of the board of directors held on May 11, 2015. After that the Group executed contribution in kind of all shares of 2 consolidated subsidiaries held by the Group and acquired its shares.

1. Outline of business combination
(1) Name and business of combine company
Combine company
Name: Funai North America, Inc.
Business: Management of subsidiaries in the North America
Combined company
Name: FUNAI CORPORATION, INC.
Business: Sales of electrical equipment
Name: P&F USA, Inc.
Business: Sales of electrical equipment

(2) Date of business combination
November 5, 2015

(3) Legal form of business combination
The Group executed contribution in kind of all shares of its subsidiaries to Funai North America, Inc.

(4) Other information
The Group aimed the strengthening of sales system and the improvement of efficiency in the North America. The Group executed contribution in kind of all shares of FUNAI CORPORATION, INC. and P&F USA, Inc. held by the Group to Funai North America, Inc.

2. Outline of accounting policy
The Group treated this transaction as "a transaction under common control" in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013) and the "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, December 26, 2008).

(Segment Information)
[Segment Information]
1. Summary of Reporting Segments
The reporting segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the board of directors to make decision about resource allocation and to assess their performance.
Businesses of the Group are to manufacture and sell electrical equipment and devices. In Japan, such functions are the responsibility of DX Antenna Co., Ltd. In the areas of the United States, Asia and Europe such functions 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 local corporations. They are independent each other and plan comprehensive strategies on the products to carry in the region on their own.
Consequently, the Group is comprised of location-specific segments that are based on its manufacturing and sales structure and has “Japan”, “Americas”, “Asia” and “Europe” as its four reporting segments.

2. Measurement of the amount of net 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.

3. Net sales, income/loss, assets, liabilities and other by reporting segments

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

Fiscal year 2015 (April 1, 2015 - March 31, 2016) (Million Yen)

	Japan	Americas	Asia	Europe	Total	Adjustments (Note 1)	Consolidated (Note 2)
Net Sales							
(1) Sales to outside customers	34,139	130,291	2,426	1,259	168,116	—	168,116
(2) Inter-segment sales	110,558	1,159	96,794	—	208,512	(208,512)	—
Total	144,697	131,451	99,220	1,259	376,629	(208,512)	168,116
Segment Income (Loss)	(8,863)	(4,043)	(15)	(300)	(13,223)	161	(13,061)
Segment Assets	119,694	45,162	52,612	2,119	219,588	(65,293)	154,295
Other							
Depreciation and amortization	1,633	180	2,660	23	4,498	—	4,498
Investment amount to equity method affiliate	—	—	166	—	166	—	166
Increase in tangible fixed assets and intangible assets	752	510	1,863	—	3,127	(0)	3,127

(Note) 1. Adjustments were as follows.

Segment Income(loss) (Million Yen)

	Fiscal year 2014	Fiscal year 2015
Eliminations	899	453
Corporate expenses *	(726)	(761)
Inventories	274	469
Total	446	161

* Corporate expenses are general & administration expenses that do not correspond to the reporting Segments

Segment Assets (Million Yen)

	Fiscal year 2014	Fiscal year 2015
Total assets *	26,306	27,677
Adjustments of inventories	(1,990)	(1,520)
Eliminations	(91,032)	(91,450)
Total	(66,717)	(65,293)

*Total assets are mainly excess cash/deposits and 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 2014 (April 1, 2014- March 31, 2015)

1. Information every product and service (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 (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.

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

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

3. Information every main customer (Million Yen)

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

Fiscal year 2015 (April 1, 2015- March 31, 2016)

1. Information every product and service (Million Yen)

	Audiovisual Equipment	Information Equipment	Other Equipment	Total
Sales to outside customers	146,179	5,000	16,936	168,116

2. Information every area

(1) Sales (Million Yen)

Japan	Americas			Asia	Europe	Other	Total
	U.S.	Mexico	Other				
31,477	117,266	14,467	2,223	1,022	1,659	―	168,116

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

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

Japan	Americas	Asia			Europe	Total
		Philippines	Thailand	Other		
9,521	77	6,405	1,784	411	2	18,203

3. Information every main customer (Million Yen)

Name of the customer	Sales	Associated segment
WAL-MART STORES, INC.	89,251	Americas

[Information of impairment loss in each reporting segments]

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

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

Fiscal year 2015 (April 1, 2015 - March 31, 2016) (Million Yen)

	Japan	Americas	Asia	Europe	All of the companies Elimination	Total
Impairment loss	87	―	469	―	―	557

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

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

Fiscal year 2015 (April 1, 2015 - March 31, 2016)

No Applicable

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

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

Fiscal year 2015(April 1, 2015-March 31, 2016) No Applicable

(Information per share)

Fiscal year 2014 （April l,2014 – March 31,2015）		Fiscal year 2015 （April l,2015 – March 31,2016）	
Book Value per share	3,712.81	Book Value per share	2,504.70
Net income per share	39.70	Net loss per share	1,061.62

(Note)

1. In the fiscal year 2015, net income per share after dilution is not shown because there are no issuable shares with a dilutive effect. In the fiscal year 2014, 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 2014 （April 1, 2014 – March 31,2015）	Fiscal year 2015 （April 1, 2015 – March 31,2016）
Net income (loss) per share		
Net income (loss) attributable to owners of parent	1,354	(36,221)
Amount not attributable to owners of the parent (million yen)	―	―
Net income (loss) attributable to owners of parent available to common shares (million yen)	1,354	(36,221)
The average number of outstanding shares for the period（Thousands of shares）	34,119	34,119
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: 3,835) have been excluded.	Two types of stock acquisition rights (number of stock acquisition rights: 2,837) have been excluded.

(Events after the reporting period)

Not applicable

FINANCIAL RESULTS -appendix

FY 2015

from 2015.4.1
to 2016.3.31

Page

FUNAI

FUNAI ELECTRIC CO., LTD.

1. Summary of Full Year Financial Statements (Consolidated)

(1) Operating Results, Financial Conditions

（Units : 100 million yen, %）

	FY2014			FY2015			FY2016 (Projection)		
	Amount	%	Change	Amount	%	Change	Amount	%	Change
Net Sales	2,340	100.0	21.9	1,681	100.0	(22.6)	1,720	100.0	2.4
Operating Income (Loss)	(54)	(2.3)	—	(130)	(7.8)	—	43	2.5	—
Ordinary Income (Loss)	(22)	(1.0)	—	(161)	(9.6)	—	35	2.0	—
Net Income (Loss) after Tax	(67)	(2.9)	—	(362)	(21.5)	—	14	0.8	—
Total Assets	1,813	—	—	1,542	—	—	—	—	—
Net Assets	1,176	—	—	865	—	—	—	—	—

（※）Yen-Dollars / Exchange rate

（Units : Yen / Dollars）

	FY2014	FY2015	FY2016 (Projection)
Average Rate in each Period	100.49	119.98	112.00

(2) Profitability and Per Share Data etc.

	FY2014	FY2015	FY2016 (Projection)
Gross Profit Ratio （%）	13.9	13.7	19.3
Operating Income Ratio （%）	(2.3)	(7.8)	2.5
Ordinary Income Ratio （%）	(1.0)	(9.6)	2.0
Shareholders' Equity Ratio （%）	64.2	55.4	—
Net Assets Per Share （yen）	3,414.77	2,504.70	—
Net Income Per Share （yen）	(197.70)	(1061.62)	41.03
Return on Assets （%）	(3.6)	(21.1)	—
Return on Shareholders' Equity （%）	(5.7)	(34.1)	—
Number of Total Employees	5,112	3,318	—

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

（Units : 100 million yen, %）

	FY2014		FY2015		FY2016 (Projection)	
	Amount	Change	Amount	Change	Amount	Change
Capital Expenditures	109	105.7	24	(25.0)	23	(4.2)

	FY2013			FY2014			FY2015 (Projection)		
	Amount	%	Change	Amount	%	Change	Amount	%	Change
Depreciation Expenses	52	2.2	30.0	35	2.1	(24.7)	27	1.6	(22.2)
R&D	84	3.6	(9.7)	77	4.6	4.1	72	4.5	(6.5)

(4) CashFlow

（Units : 100 million yen）

	FY2014	FY2015	FY2016 (Projection)
Cash flows from operating activities	(12)	(75)	―
Income Before Income Taxes	(56)	(344)	―
Depreciation Expenses	64	44	―
Others	(20)	225	―
Cash flows from investing activities	(27)	118	―
Free cash flows	(39)	43	―
Cash flows from financing activities	(46)	1	―
Effect of exchange rate changes on cash and cash equivalents	20	(2)	―
Net increase (decrease) in cash and cash equivalents	(66)	40	―

2. Operating Activities (Consolidated)

(1) Sales by Equipment

（Units : 100 million yen, %）

	FY2014			FY2015			FY2016 (Projection)		
	Amount	%	Change	Amount	%	Change	Amount	%	Change
Audio Visual Equipment	1,831	78.2	17.6	1,462	86.9	(15.2)	1,518	88.2	3.8
DVD	174	7.4	(5.4)	131	7.8	5.0	67	3.9	(48.9)
BD	168	7.2	19.1	103	6.1	(23.9)	131	7.6	27.2
LCD TV	1,436	61.4	19.8	1,203	71.5	(15.3)	1,289	74.9	7.1
Others	53	2.2	60.6	25	1.5	(43.2)	31	1.8	24.0
Information Equipment	189	8.1	57.8	50	3.0	(60.4)	65	3.8	30.0
Others	320	13.7	31.6	169	10.1	(47.2)	137	8.0	(18.9)
Total	2,340	100.0	21.9	1,681	100.0	(22.6)	1,720	100.0	2.3

(2) Sales by Areas in Equipment

（Units : 100 million yen, %）

	FY2014			FY2015			FY2016 (Projection)		
	Amount	%	Change	Amount	%	Change	Amount	%	Change
Audio Visual Equipment	1,831	78.2	17.6	1,462	86.9	(15.3)	1,518	88.2	3.8
Americas	1,570	67.1	18.5	1,269	75.5	(15.9)	1,335	77.6	5.4
Europe	32	1.3	(25.6)	6	0.4	(82.9)	0	0.0	(100.0)
Asia and Others	12	0.5	140.0	2	0.1	(60.0)	6	0.3	200.0
Japan	217	9.3	17.9	185	10.9	3.9	177	10.3	(4.3)
Information Equipment	189	8.1	57.8	50	3.0	(60.4)	65	3.8	30.0
Americas	126	5.3	96.9	38	2.2	(58.7)	46	2.7	21.1
Europe	45	2.0	136.8	10	0.6	(61.5)	17	1.0	70.0
Asia and Others	16	0.7	(48.4)	2	0.2	(75.0)	2	0.1	-
Japan	2	0.1	(60.0)	0	-	-	0	-	-
Others	320	13.7	31.6	169	10.1	(47.2)	137	8.0	(18.9)
Total	2,340	100.0	21.9	1,681	100.0	(22.6)	1,720	100.0	2.3

(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) Sales by Equipment in Areas

（Units : 100 million yen, %）

	FY2014			FY2015			FY2016 (Projection)		
	Amount	%	Change	Amount	%	Change	Amount	%	Change
Americas	1,850	79.0	26.7	1,340	79.7	(24.2)	1,384	80.5	3.4
Audio Visual Equipment	1,570	67.1	18.5	1,269	75.5	(15.9)	1,335	77.6	5.2
Information Equipment	126	5.3	96.9	38	2.2	(58.7)	46	2.7	21.1
Others	154	6.6	116.9	33	2.0	(80.4)	3	0.2	(90.9)
Europe	77	3.3	24.2	16	1.0	(72.9)	17	1.0	6.3
Audio Visual Equipment	32	1.3	(25.6)	6	0.4	(82.9)	0	0.0	-
Information Equipment	45	2.0	136.8	10	0.6	(61.5)	17	1.0	70.0
Others	0	0.0	―	0	0.0	-	-	-	-
Asia and Others	32	1.4	(17.9)	10	0.6	(51.6)	8	0.4	(20.0)
Audio Visual Equipment	12	0.5	140.0	2	0.1	(60.0)	6	0.3	200.0
Information Equipment	16	0.7	(48.4)	2	0.2	(75.0)	2	0.1	0.0
Others	4	0.2	33.3	6	0.3	(25.0)	-	-	-
Japan	381	16.3	6.1	315	18.7	(2.3)	311	18.1	(1.2)
Audio Visual Equipment	217	9.3	17.9	185	10.9	3.9	177	10.3	(4.3)
Information Equipment	2	0.1	(60.0)	0	-	-	0	0.0	-
Others	162	6.9	(4.7)	130	7.8	(9.7)	134	7.8	3.1
Total	2,340	100.0	21.9	1,681	100.0	(22.6)	1,720	100.0	2.3

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

(1) Operating Results

（Units : 100 million yen, %）

	FY2014			FY2015		
	4Q (Jan.-Mar.)			4Q (Jan.-Mar.)		
	Amount	%	Change	Amount	%	Change
Net Sales	485	100.0	7.9	351	100.0	(19.5)
Operating Loss	(59)	(12.2)	―	(51)	(14.6)	―
Ordinary Loss	(70)	(14.5)	―	(69)	(19.7)	―
Net Loss after Tax	(84)	(17.5)	―	(264)	(75.4)	―

（※）Yen-Dollars / Exchange rate

（Units : Yen / Dollars）

	FY2014	FY2015
	4Q (Jan.-Mar.)	4Q (Jan.-Mar.)
Average Rate in each Period	102.57	115.05

(2) Sales by Equipment

（Units : 100 million yen, %）

	FY2014			FY2015		
	4Q (Jan.-Mar.)			4Q (Jan.-Mar.)		
	Amount	%	Change	Amount	%	Change
Audio Visual Equipment	374	77.1	8.1	310	88.3	(8.5)
DVD	37	7.6	(9.8)	25	7.1	(13.8)
BD	49	10.1	44.1	26	7.4	0.0
LCD TV	272	56.1	2.6	259	73.8	(7.2)
Others	16	3.3	166.7	0	0.0	-
Information Equipment	41	8.5	(6.8)	8	2.3	(38.5)
Others	70	14.4	16.7	33	9.4	(60.2)
Total	485	100.0	7.9	351	100.0	(19.3)

（Company）
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