Consolidated Financial Results for the Fiscal Year Ended March 31, 2018

May 14, 2018

Listed company name	Funai Electric Co., Ltd.		
Stock exchange listing	Tokyo first section		
Securities code	6839	URL http://www2.funai.co.jp/en/	
Representative	President and CEO	Hideaki Funakoshi	
Inquiries	Officer General Manager	Makoto Ueshima	TEL: +81-72- 870-4395
Annual general shareholders meeting		June 27, 2018	
Filing of securities report		June 27, 2018	
Commencement of annual dividend payments		-	
Financial results supplementation		Yes	
Financial results meeting		Yes	

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 (April 1, 2017 – March 31, 2018)

(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 2017	130,130	(2.8)	(10,885)	—	(11,909)	—	(24,709)	—
Fiscal Year 2016	133,838	(21.3)	(6,775)	—	(7,726)	—	(6,745)	—

(Note) Comprehensive Income (25,467)million yen (—%) for the FY2017, (6,098)million yen (—%) for the FY2016

	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 2017	(724.21)	—	(38.9)	(12.6)	(8.4)
Fiscal Year 2016	(197.70)	—	(8.4)	(5.9)	(5.1)

(Reference) Equity in earnings of affiliates - million yen for the FY2017 (2) million yen for the FY2016

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets Per Share
	Million yen	Million yen	%	Yen
Fiscal Year 2017	80,270	50,717	63.2	1,485.96
Fiscal Year 2016	108,685	76,656	70.4	2,242.38

(Reference) Shareholders' Equity 50,699 million yen for the FY2017 76,507 million yen for the FY2016

(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 2017	(5,369)	(2,174)	(584)	30,650
Fiscal Year 2016	(13,329)	13,266	(11,150)	38,971

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 2016	—	0.00	—	10.00	10.00	341	—	0.4
Fiscal Year 2017	—	0.00	—	0.00	0.00	—	—	—
Fiscal Year 2018 (Forecast)	—	—	—	—	—		—	

(Note) The dividend forecast for FY 2018 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 2018 will be announced as soon as it is determined.

3 Consolidated Financial Forecast for the Fiscal Year Ended March 31, 2019 (April 1, 2018 - March 31, 2019)

(% 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	45,000	(37.6)	(2,400)	—	(2,500)	—	(2,300)	—	(67.41)
Full Year	103,000	(20.8)	400	—	(600)	—	(700)	—	(20.52)

*Note

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

(2) Changes in accounting policies and estimates

1. Changes in accounting policies from revision of accounting standards: No
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, 2017	36,130,796
	As of March 31, 2018	36,130,796
2. Number of shares of treasury stock	As of March 31, 2017	2,011,765
	As of March 31, 2018	2,011,829
3. The Average number of outstanding shares	On March 31, 2017	34,119,089
	On March 31, 2018	34,119,024

(Reference)
Non-consolidated Financial Results for the Fiscal Year ended March 31, 2018 (April 1, 2017– March 31, 2018)

(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 2017	119,197	14.6	(6,594)	—	(8,414)	—	(19,435)	—
Fiscal Year 2016	103,982	(23.1)	(9,084)	—	(5,315)	—	2,138	—

	Net Income(loss) Per Share	Net Income Per Share on a Fully Diluted Basis
	Yen	Yen
Fiscal Year 2017	(569.64)	—
Fiscal Year 2016	62.69	—

(2) Non-consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets Per Share
	Million yen	Million yen	%	Yen
Fiscal Year 2017	73,612	51,362	69.7	1,504.87
Fiscal Year 2016	91,994	71,269	77.3	2,084.46

(Reference) Shareholders' Equity 51,344 million yen for the FY2017 71,119 million yen for the FY2016

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.

1. Business Performance and Financial Position

(1) Overview of Business Performance

1. Business Performance for the Fiscal Year2017

In the United States, the Group's mainstay market, the economy has slowed down moderately. This was because the growth of wages was modest, causing personal consumption to stagnate, although employment in the U.S. continued to be strong, supported by solid business performance. However, corporate sentiment is expected to remain solid. In Europe, the economic expansion has lost momentum due to the shortage of facilities and labor, with a general weakness in production, export and consumer spending. In China, the economy grew steadily, supported by the improvement in employment while consumer spending slowed down moderately.

In Japan, the economy continued its modest recovery with strong employment and incomes, while exports and production activities declined.

Under these circumstances, the Group reported net sales of ¥130,130 million, a 2.8% decrease from the previous year. This was attributable to the following reasons: (i) sales of LCD TVs substantially fell short of its initial budget because demand for LCD TVs in the U.S. decreased from the previous year, which resulted in an oversupply causing further cut-throat competition with the decline in sales prices and the sales volume; (ii) sales of DVD-related products fell from the previous year due to the shrinkage of the market; and (iii) sales of the electronic reception devices of DX Antenna Co., Ltd. were not included in the consolidated sales results of the current year as the Group transferred all shares in DX Antenna, which was a consolidated subsidiary of the Group in the previous year, to ELECOM Co., Ltd. The Group reported an operating loss of ¥10,885 million (operating loss of ¥6,775 million in the previous year). This was due to the following reasons: (i) sales of LCD TVs decreased; (ii) sales promotion expenses increased to sell away inventory of LCD panels procured for the year-end sales season before their prices declined and LCD TVs produced by using these LCD panels; (iii) we failed to provide price-competitive products to the market in a timely manner at a time when LCD panel prices were declining; and (iv) component prices, including memory, remained at a high level.

Ordinary loss amounted to ¥11,909 million due to foreign exchange losses in accounts receivable from the appreciation of the Japanese Yen against the U.S. dollar. (an ordinary loss of ¥7,726 million in the previous fiscal year). Net loss attributable to owners of parent ended at ¥24,709 million due to accounting for impairment loss (a net loss attributable to owners of parent of ¥6,745 million in the previous fiscal year).

Results by region

i) Japan

Electronic reception devices decreased due to excluding the DX Antenna Co., Ltd. from the scope of consolidation by transfer of this all shares held by the Company. However, LCD TVs and BD-recorder increased due to good sales. As a result, net sales were ¥36,199 million (up 16.0% year on year) and segment loss (operating loss) resulted in ¥5,634 million (segment loss of ¥8,219 million in the previous fiscal year).

ii) Americas

LCD TVs and DVD related products decreased. As a result, net sales amounted to ¥92,949 million, down 8.7% year on year, and segment loss amounted to ¥965 million (a segment loss of ¥131 million in the same quarter of the last fiscal year).

iii) Asia

Net sales amounted to ¥853 million, up 211.5% year on year due to increase on LCD TVs and other parts. Segment loss (operating loss) amounted to ¥3,948 million (a segment loss of ¥630 million in the same quarter of the last fiscal year).

iv) Europe

Ink-jet printers and ink-cartridge decreased. As a result, net sales dropped to ¥127 million, down 79.3% year on year, while segment loss (operating loss) ended at ¥83 million (a segment profit of ¥45 million in the previous fiscal year).

Results by product segment

i) Audiovisual Equipment

DVD related products decreased. However, LCD TVs and BD-recorder increased due to good sales. As a result, net sales ended at ¥122,569 million, up 6.3% year on year.

ii) Information Equipment

Ink-jet printers and ink-cartridge decreased. As a result, net sales amounted to ¥3,334 million, down 34.3% year on year.

iii) Other Products

Electronic reception devices decreased due to excluding the DX Antenna Co., Ltd. from the scope of consolidation by transfer of this all shares held by the Company. As a result, net sales of other products amounted to ¥4,225 million, down 68.7% year on year.

2. Consolidated Financial Forecast for the Fiscal Year 2018

As environment surrounding the Display business and Digital Media business, especially in the U.S. market, still remain unclear, we forecast net sales of these businesses to decrease by ¥27,100 million owing to the intensification of competition and discontinuation of loss-making products. Shipments of FUNAI brand products to Japan, which the Group started from this fiscal year, have been growing steadily. Management has decided to concentrate the Group's resources on the development of FUNAI brand products including OEM products targeted at the Japanese market, since their sales are expected to grow further in the future. Net sales and operating profit of the Office Solutions business and new businesses have been on the decline because it took long years to develop technology. The Group expects net sales and operating profit of these businesses to increase in the next fiscal year, since it has carried out measures with selection and concentration to turn these businesses into a profit center and steadily cultivated new customers in new business fields.

To increase operating profit, the Group will not only strive to promote sales of higher gross profit margin products but also meticulously procure materials according to customers' actual sales with the aim to restrain valuation loss on inventory of products and raw materials including components. The Group estimates that gross profit margin will improve by 11%. This is because: (i) the Group recorded impairment loss for business assets of ¥12,500 million by the Display business, Digital Media business and Office Solutions business as extraordinary loss in fiscal year 2017. This has resulted in a decline in depreciation of non-current assets that is included in the cost of sales for fiscal year 2018; and (ii) prices of LCD panels have stabilized. Meanwhile, the Group plans to reduce selling, general and administrative expenses to less than ¥17,900 million yen by cutting back on fixed costs, such as personnel cost, and slashing royalty, etc. by ¥1,400 million. The Group will focus on the basic policy mentioned below to improve net sales and operating profit.

(a) Display business (LCD-TV business): Sales forecast of ¥81,000 million (down 22.2% from the previous year)
- Expect sales to decrease by US$207 million due to intensifying competition and reduction of unprofitable products in the U.S. market
- Project sales to existing customers (large mass merchandisers) in the U.S. market to increase by US$13 million due to the acquisition of SKU
- Expect sales to increase by ¥500 million by concentrating management resources on the development of FUNAI brand products and OEM products in the Japanese market

(b) Digital Media business (DVD and BD businesses): Sales forecast of ¥15,000 million (down 18.9% from the previous year)
- Expect sales to decrease by US$31 million due to intensifying competition and reduction of unprofitable products in the U.S. market
- Acquire market share by implementing a niche strategy focusing on products (DVD players, etc.) from which competitors withdraw in the U.S. market

(c) Office Solutions business (information equipment-related business): Sales forecast of ¥5,000 million (up 51.5% from the previous year)
- Improve profitability by expanding sales of high value-added printers
- Implement a derivative business by making use of microfluidics (micro fluid control technology)

(d) New businesses: Sales forecast of ¥2,000 million (down 52.4% from the previous year)
- Project sales to decrease by US$20 million due to the shrinkage of markets of existing products
- Expand sales by developing and releasing new products related to healthcare, medical and in-vehicle devices

The forecast of business results for the year ending March 2019 is as follows:

< Consolidated Operating Forecast >

Net sales	¥ 103,000 million	(20.8 % decrease year-on-year)
Operating income	400 million	(Last fiscal year operating loss 10,885 million)
Ordinary loss	600 million	(Last fiscal year ordinary loss 11,909 million)
Net loss attributable to owners of parent	700 million	(Last fiscal year net loss 24,709 million)

For the forecast of business results, the Group's assumed exchange rate (average during the period) is ¥105 per US$. The year-end exchange rate is ¥100 per US$.

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 U.S. market, and severe price fluctuations may cause actual results to differ from this forecast.

(2) Overview of Financial Position

1. Balance Sheet

Total assets decreased by ¥28,414 million compared to the end of the last fiscal year. The primary components of the change were as follows:

- ✓ Decrease of ¥7,745 million in cash and deposits, ¥5,617 million in notes and accounts receivable - trade, ¥2,208 million in merchandise and finished goods, ¥4,770 million in property, plant and equipment, ¥3,248 million in intangible assets and ¥2,117 million in long-term prepaid expenses included in others in investment and other assets.

Total liabilities decreased by ¥2,475 million compared to the end of the last fiscal year. The primary components of the change were as follows:

- ✓ Increase of ¥3,091 million in accounts payable-other.
- ✓ Decrease of ¥6,794 million in notes and accounts payable-trade.

Net assets decreased by ¥25,939 million compared to the end of the last fiscal year. The primary components of the change were decrease of ¥25,050 million in retained earnings and ¥1,099 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 ¥5,369 million. Net cash provided by investing activities was ¥2,174 million, and net cash provided by financing activities was ¥584 million. The balance of cash and cash equivalent as of March 31, 2018 was ¥30,650 million. The trends of the cash flow indicators of the Group are as follows.

Cash flow ratios

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Shareholders’ equity ratio (%)	62.8	64.6	54.0	70.4	63.2
Shareholders’ equity ratio at market value (%)	19.3	25.0	21.8	29.7	32.3
Ratio of cash flow to interest-bearing debt(year)	-	0.6	-	-	-
Interest coverage ratio (%)	-	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 2013, 2015, 2016 and 2017 have been omitted because cash flow from operating activities was negative.

(3) Dividend Policy

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.

Management intends to cancel payment of dividends on common stock for the fiscal year ended March 31, 2018 following the previous fiscal year, considering the posting of loss attributable to owners of parent of ¥24,709 million (loss attributable to owners of parent of ¥6,745 million in the previous year) and business environment surrounding the Group. The dividend plan for the fiscal year 2018 is currently undecided.

(4) 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 in the previous consolidated fiscal year and the fiscal year 2017, events or circumstances that cast significant doubt on the going concern assumption exist now.

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.

(a) Display Business (LCD-TV business)

- Increase sales at existing customers in the North American market and develop new customers.
- Concentration of management resources in developing FUNAI brand products and OEM products in the Japanese market.

(b) Digital Media Business (DVD, BD business)

- Development of product-focused niche strategy in the North American market.
- Enhancement of FUNAI brand products and development of new OEMs in the Japanese market.

(c) Office Solution Business (information equipment-related business)

- Improve profit margin by increasing sales of high value-added printer products.
- Development of derivative business utilizing of microfluidic control technology.

(d) New Business

- Increase sales by developing and launching new products related to health care, medical, and the automotive market.

Accordingly, Funai judges that there is no significant uncertainty related to the going concern assumption as of March 31, 2018 and has omitted the Notes on Going Concern Assumption from the consolidated financial statements.

2. 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.

3. Consolidated Financial Statements and Notes

(1) Consolidated Statement of Financial Position

(Units : Million Yen)

	Fiscal year 2016 (As of March 31, 2017)	Fiscal year 2017 (As of March 31, 2018)
ASSETS;		
Current Assets		
Cash and deposits	40,136	32,390
Notes and accounts receivable - trade	15,571	9,953
Merchandise and finished goods	15,459	13,251
Work in process	1,149	516
Raw materials and supplies	9,644	9,841
Deferred tax assets	489	468
Other	3,900	2,379
Allowance for doubtful accounts	(847)	(1,021)
Total current assets	85,503	67,779
Noncurrent Assets		
Property, plant and equipment		
Buildings and structures	14,832	13,012
Accumulated depreciation	(8,691)	(8,606)
Buildings and structures, net	6,140	4,406
Machinery, equipment and vehicles	8,748	7,132
Accumulated depreciation	(7,354)	(7,130)
Machinery, equipment and vehicles, net	1,394	1
Tools, furniture and fixtures	19,455	14,860
Accumulated depreciation	(18,173)	(14,835)
Tools, furniture and fixtures, net	1,281	25
Land	3,592	3,479
Lease assets	597	595
Accumulated depreciation	(230)	(331)
Lease assets, net	367	263
Other, net	187	17
Total Property, plant and equipment	12,963	8,193
Intangible assets		
Patent right	2,576	–
Other	765	93
Total Intangible assets	3,342	93
Investments and other assets		
Investment securities	1,425	1,285
Deferred tax assets	454	225
Net defined benefit asset	1,543	1,840
Other	3,703	1,090
Allowance for doubtful accounts	(252)	(239)
Total investments and other assets	6,875	4,203
Total noncurrent assets	23,181	12,491
TOTAL ASSETS	108,685	80,270

(Units : Million Yen)

	Fiscal year 2016 (As of March 31, 2017)	Fiscal year 2017 (As of March 31, 2018)
LIABILITIES;		
Current Liabilities		
Notes and accounts payable - trade	18,603	11,808
Accounts payable included in other	7,280	10,372
Lease obligations	242	236
Income taxes payable	813	664
Provision for product warranties	481	981
Other	2,154	2,780
Total current liabilities	29,575	26,842
Noncurrent Liabilities		
Lease obligations	514	282
Deferred tax liabilities	595	655
Provision for directors' retirement benefits	1,047	1,025
Net defined benefit liability	15	3
Other	281	744
Total noncurrent liabilities	2,453	2,711
TOTAL LIABILITIES	32,028	29,553
NET ASSETS;		
Shareholders' equity		
Capital stock	31,307	31,307
Capital surplus	33,603	33,603
Retained earnings	47,020	21,970
Treasury shares	(24,341)	(24,341)
Total shareholders' equity	87,590	62,539
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11	13
Foreign currency translation adjustment	(11,206)	(12,305)
Remeasurements of defined benefit plans	111	451
Total accumulated other comprehensive income	(11,082)	(11,840)
Subscription rights to shares	149	17
Total net asset	76,656	50,717
TOTAL LIABILITIES AND NET ASSETS	108,685	80,270

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income)

(Units : Million Yen)

		Fiscal year 2016 (from April 1, 2016 to March 31, 2017)		Fiscal year 2017 (from April 1, 2017 to March 31, 2018)
Net sales		133,838		130,130
Cost of sales		114,795		121,529
Gross profit		19,043		8,600
Selling, general and administrative expenses		25,818		19,485
Operating income (loss)		(6,775)		(10,885)
Non-operating income				
Interest income		230		245
Dividends income		23		2
Rent income on noncurrent assets		119		62
Other		146		196
Total non-operating income		519		506
Non-operating expenses				
Interest expenses		152		67
Equity in losses of affiliates		2		－
Foreign exchange losses		1,122		1,107
Compensation expenses		－		225
Other		193		130
Total non-operating expenses		1,470		1,530
Ordinary income (loss)		(7,726)		(11,909)
Extraordinary income				
Gain on sales of non-current assets		1,436		2
Gain on sales of subsidiaries and affiliates' stocks		127		29
Gain on reversal of subscription rights to shares		0		146
Other		13		－
Total extraordinary income		1,578		178
Extraordinary loss				
Loss on disposal of noncurrent assets		57		17
Impairment loss	Notes.1	339	Notes.1	12,586
Loss on sales of stocks of subsidiaries and affiliates		704		—
Other		57		—
Total extraordinary loss		1,158		12,604
Income (loss) before income taxes		(7,307)		(24,335)
Income taxes-current		67		257
Income taxes-deferred		(632)		116
Income taxes		(565)		373
Income (loss) before minority interests		(6,742)		(24,709)
Minority interests in income (loss)		3		－
Net income (loss) attributable to owners of parent		(6,745)		(24,709)

(Consolidated Statement of Comprehensive Income)

(Units : Million Yen)

	Fiscal year 2016 (from April 1, 2016 to March 31, 2017)	Fiscal year 2017 (from April 1, 2017 to March 31, 2018)
Income (loss) before minority interest adjustment	(6,742)	(24,709)
Other comprehensive Income		
Valuation difference on avaiable-for-sale securities	(148)	1
Foreign currency translation adjustment	954	(1,099)
Remeasurements of defined benefit plans, net of tax	(207)	340
Share of other comprehensive income of entities accounted for using equity method	44	–
Total other comprehensive Income	Notes.1 643	Notes.1 (757)
Comprehensive income	(6,098)	(25,467)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	(6,098)	(25,467)
Comprehensive income attributable to minority interests	(0)	–

(3) Consolidated Statements of Changes in Shareholders' Equity

Fiscal year 2016 (April 1, 2016 - March 31, 2017) (Million Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	31,307	33,301	54,789	(24,341)	95,058
Changes of items during the period					
Dividends from surplus			(1,023)		(1,023)
Income (loss) attributable to owners of parent			(6,745)		(6,745)
Purchase of treasury stock				(0)	(0)
Change in treasury shares of parent arising from transactions with non-controlling shareholders		301			301
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	301	(7,768)	(0)	(7,467)
Ending balance	31,307	33,603	47,020	(24,341)	87,590

	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	160	(12,204)	314	(11,729)	145	965	84,439
Changes of items during the period							
Dividends from surplus							(1,023)
Income (loss) attributable to owners of parent							(6,745)
Purchase of treasury stock							(0)
Change in treasury shares of parent arising from transactions with non-controlling share holders							301
Net changes of items other than shareholders' equity	(149)	998	(202)	647	3	(965)	(314)
Total changes of items during the period	(149)	998	(202)	647	3	(965)	(7,782)
Ending balance	11	(11,206)	111	(11,082)	149	-	76,656

Fiscal year 2017 (April 1, 2017 - March 31, 2018) (Million Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	31,307	33,603	47,020	(24,341)	87,590
Changes of items during the period					
Dividends from surplus			(341)		(341)
Income (loss) attributable to owners of parent			(24,709)		(24,709)
Purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	(25,050)	(0)	(25,050)
Ending balance	31,307	33,603	21,970	(24,341)	62,539

	Accumulated other comprehensive income				Subscription rights to shares	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	11	(11,206)	111	(11,082)	149	76,656
Changes of items during the period						
Dividends from surplus						(341)
Income (loss) attributable to owners of parent						(24,709)
Purchase of treasury stock						(0)
Net changes of items other than shareholders' equity	1	(1,099)	340	(757)	(131)	(889)
Total changes of items during the period	1	(1,099)	340	(757)	(131)	(25,939)
Ending balance	13	(12,305)	451	(11,840)	17	50,717

(4) Consolidated statements of cash flows

(Million Yen)

	Fiscal year 2016 (from April 1, 2016 to March 31, 2017)	Fiscal year 2017 (from April 1, 2017 to March 31, 2018)
Cash flows from operating activities		
Income (Loss) before income taxes and minority interests	(7,307)	(24,335)
Depreciation	4,098	2,258
Impairment loss	339	12,586
Increase (decrease) in allowance for doubtful accounts	451	212
Increase (decrease) in net defined benefit liability	(117)	18
Interest and dividend income	(253)	(248)
Interest expenses	152	67
Share of (profit) loss of entities accounted for using equity method	2	-
Loss on retirement of property, plant and equipment	57	5
Loss (gain) on sales of property, plant and equipment	(1,382)	3
Loss (gain) on sales of investment securities	(127)	(29)
Loss (gain) on sale of shares of affiliates	704	-
Decrease (increase) in notes and accounts receivable - trade	4,601	5,386
Decrease (increase) in inventories	8,379	1,421
Increase (decrease) in notes and accounts payable - trade	3,470	(6,214)
Increase (decrease) in notes and accounts payable - other	(25,539)	3,368
Other, net	(944)	(143)
Subtotal	(13,414)	(5,640)
Interest and dividend income received	256	245
Interest expenses paid	(151)	(65)
Income taxes paid	(69)	(320)
Income taxes refund	49	411
Net cash provided by (used in) operating activities	(13,329)	(5,369)
Cash flows from investing activities		
Payments into time deposits	(6,205)	(1,364)
Proceeds from withdrawal of time deposits	10,392	737
Purchase of property, plant and equipment	(3,042)	(2,100)
Proceeds from sales of property, plant and equipment	3,977	167
Purchase of intangible assets	(117)	(299)
Purchase of investment securities	(10)	(210)
Proceeds from sales of investment securities	178	389
Proceeds from sales of shares of subsidiaries with change in scope of consolidation	7,899	-
Payment for loans	(4)	(0)
Proceeds from collection of loans	25	568
Other, net	174	(61)
Net cash provided by (used in) investment activities	13,266	(2,174)

(Million Yen)

	Fiscal year 2016 (from April 1, 2016 to March 31, 2017)	Fiscal year 2017 (from April 1, 2017 to March 31, 2018)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(6,510)	-
Repayment of long-term loans payable	(3,192)	-
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(1,023)	(341)
Other, net	(424)	(243)
Net cash provided by (used in) financing activities	(11,150)	(584)
Effect of exchange rate change on cash and cash equivalents	3,069	(192)
Net increase (decrease) in cash and cash equivalents	(8,145)	(8,320)
Cash and cash equivalents at beginning of period	47,116	38,971
Cash and cash equivalents at end of period	38,971	30,650

(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: 20

Principal consolidated subsidiaries are FUNAI CORPORATION, INC., Funai Electric (H.K.), Ltd., and FUNAI (THAILAND) CO., LTD.

(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, but on September 28, 2016 a ruling to dismiss our request was made. The Group appealed to the Tokyo High Court on October 12, 2016, because we cannot accept the decision, but we received a ruling to dismiss our request on October 26, 2017. In response to this decision, the Group did not file a final appeal and a petition for accepting the final appeal, so the appeal trial judgment was finalized on November 10, 2017.
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 statements of income)
*Notes.1 Impairment loss
The Group recorded losses on impairment in the following asset groups.
In principle, the Group group's 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.
Fiscal year 2016 (April 1, 2016 to March 31, 2017)

Use	Location	Type
Assets scheduled for retirement	Funai Electric Cebu, Inc.	Machinery, equipment and vehicles

Since acquiring the shares of the manufacturing subsidiary (now Funai Electric Cebu, Inc.) from Lexmark International, Inc., the company has undertaken the production of ink cartridges from the company. However, as production ends for some models, the Group reduced the carrying amount to the recoverable value of assets scheduled for retirement, which were previously grouped as assets for business use, and recorded such reduction (339 million yen) as impairment loss.
The recoverable value of the asset is calculated based on the net selling price based on the disposal price.

The Group group's business assets on the basis in management accounting of consolidated group. The idle assets are grouped by individual asset.

Fiscal year 2017 (April 1, 2017 to March 31, 2018)

Use	Location	Type	Impairment loss (million yen)
Business Assets	Funai Electric Co., Ltd.	Tools, furniture and fixtures	148
		Lease assets (fixed)	4
		Patent right	2,451
		Software	75
		Long-term prepaid expenses	4,883
Business Assets	FUNAI ELECTRIC (H.K.), LTD.	Buildings and structures	42
		Machinery, equipment and vehicles	37
		Tools, furniture and fixtures	613
Business Assets	FUNAI (THAILAND) CO., LTD.	Buildings and structures	596
		Machinery, equipment and vehicles	181
		Tools, furniture and fixtures	413
		Land	56
		Software	1
Business Assets	Funai Electric Philippines Inc.	Buildings and structures	474
		Machinery, equipment and vehicles	331
		Tools, furniture and fixtures	218
		Software	34
Business Assets	Funai Electric Cebu, Inc.	Buildings and structures	539
		Machinery, equipment and vehicles	594
		Tools, furniture and fixtures	67
		Software	33
Business Assets	FEP REAL ESTATE, INC.	Land	42
Business Assets	FUNAI CORPORATION, INC.	Buildings and structures	8
		Machinery, equipment and vehicles	2
		Tools, furniture and fixtures	3
		Lease assets (tangible)	293
Business Assets	Funai Trading Corp.	Buildings and structures	5
		Machinery, equipment and vehicles	27
		Tools, furniture and fixtures	33
		Software	55
Business Assets	Funai Lexington Technology Corporation	Buildings and structures	59
		Machinery, equipment and vehicles	136
		Tools, furniture and fixtures	66
		Software	3

Use	Location	Type	Impairment loss (million yen)
Business Assets	Funai Manufacturing, S.A. DE C.V.	Buildings and structures	13
		Machinery, equipment and vehicles	5
		Tools, furniture and fixtures	4
		Software	8
Business Assets	P&F MEXICANA, S.A. DE C.V.	Machinery, equipment and vehicles	3
		Tools, furniture and fixtures	1
		Software	13
Total			12,586

The Group reduced the carrying amount to the recoverable value of business assets whose profitability has markedly decreased, and recorded such reduction (12,586 million yen) as impairment loss for fiscal year 2017. The recoverable value of the asset is measured based on the net selling price for buildings and structures and land, and the net selling price based on the valuation calculated rationally by a real estate appraiser etc. is used, assets other than those mentioned above are measured based on the net selling price and the net selling price is calculated as zero.

(Consolidated statement of comprehensive income)

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

	Fiscal year 2016 (from April 1, 2016 to March 31, 2017)	Fiscal year 2017 (from April 1, 2017 to March 31, 2018)
Valuation difference on available-for-sale securities:		
Accrued amount on the current term	93	1
Reclassification adjustment amount	(255)	-
Pre-adjustment of tax effect	(162)	1
Tax effect amount	13	-
Valuation difference on available-for-sale securities	(148)	1
Foreign currency translation adjustment:		
Accrued amount on the current term	971	(1,099)
Reclassification adjustment amount	(16)	-
Pre-adjustment of tax effect	954	(1,099)
Tax effect amount	-	-
Valuation difference on available-for-sale securities	954	(1,099)
Remeasurements of defined benefit plans:		
Accrued amount on the current term	(50)	334
Reclassification adjustment amount	(290)	162
Pre-adjustment of tax effect	(340)	496
Tax effect amount	133	(156)
Foreign currency translation adjustment	(207)	340
Share of other comprehensive income of entities accounted for using equity method:		
Accrued amount on the current term	(6)	-
Reclassification adjustment amount	50	-
Share of other comprehensive income of entities accounted for using equity method:	44	-
Total other comprehensive income	643	(757)

(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 the Company. 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 (THAILAND) CO.,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 2016 (April 1, 2016 - March 31, 2017) (Million Yen)

	Japan	Americas	Asia	Europe	Total	Adjustments (Note 1)	Consolidated (Note 2)
Net Sales							
(1) Sales to outside customers	31,200	101,751	274	612	133,838	-	133,838
(2) Inter-segment sales	83,776	1,194	87,607	-	172,577	(172,577)	-
Total	114,977	102,945	87,881	612	306,416	(172,577)	133,838
Segment Income (Loss)	(8,219)	(131)	(630)	45	(8,935)	2,160	(6,775)
Segment Assets	88,400	34,976	42,110	1,868	167,355	(58,669)	108,685
Other							
Depreciation and amortization	1,589	171	2,337	0	4,098	-	4,098
Increase in tangible fixed assets and intangible assets	654	332	2,250	-	3,237	(0)	3,237

Fiscal year 2017 (April 1, 2017 - March 31, 2018) (Million Yen)

	Japan	Americas	Asia	Europe	Total	Adjustments (Note 1)	Consolidated (Note 2)
Net Sales							
(1) Sales to outside customers	36,199	92,949	853	127	130,130	—	130,130
(2) Inter-segment sales	83,389	2,293	98,355	—	184,038	(184,038)	—
Total	119,589	95,243	99,209	127	314,169	(184,038)	130,130
Segment Income (Loss)	(5,634)	(965)	(3,948)	(83)	(10,631)	(253)	(10,885)
Segment Assets	76,263	24,892	28,038	1,407	130,600	(50,330)	80,270
Other							
Depreciation and amortization	706	110	1,442	—	2,258	—	2,258
Increase in tangible fixed assets and intangible assets	815	164	1,445	—	2,425	(16)	2,408

(Note) 1. Adjustments were as follows.

Segment Income(loss) (Million Yen)

	Fiscal year 2016	Fiscal year 2017
Eliminations	2,705	(735)
Corporate expenses *	(767)	(772)
Inventories	222	1,254
Total	2,160	(253)

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

Segment Assets (Million Yen)

	Fiscal year 2016	Fiscal year 2017
Total assets *	22,762	20,635
Adjustments of inventories	(1,298)	(44)
Eliminations	(80,133)	(70,921)
Total	(58,669)	(50,330)

*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.

(Information per share)

Fiscal year 2016 (April l,2016 – March 31,2017)		Fiscal year 2017 (April l,2017 – March 31,2018)	
Book Value per share	2,242.38	Book Value per share	1,485.96
Net loss per share	197.70	Net loss per share	724.21

(Note)

1. Net loss per share after dilution is not shown because there are 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 2016 (April 1, 2016 – March 31,2017)	Fiscal year 2017 (April 1, 2017 – March 31,2018)
Net income (loss) per share		
Net income (loss) attributable to owners of parent	(6,745)	(24,709)
Amount not attributable to owners of the parent (million yen)	—	—
Net income (loss) attributable to owners of parent available to common shares (million yen)	(6,745)	(24,709)
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	Three types of stock acquisition rights (number of stock acquisition rights: 4,290) have been excluded.	Three types of stock acquisition rights (number of stock acquisition rights: 3,091) have been excluded.

(Events after the reporting period)

Not applicable