Consolidated Financial Results for the Fiscal Year Ended March 31, 2019

May 13, 2019

Listed company name	Funai Electric Co., Ltd.		
Stock exchange listing	Tokyo first section		
Securities code	6839	URL https://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 26, 2019	
Filing of securities report		June 26, 2019	
Commencement of annual dividend payments		-	
Financial results supplementation		Yes	
Financial results meeting		Yes	

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (April 1, 2018 – March 31, 2019)

(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 2018	105,549	(18.9)	682	—	1,392	—	2,613	—
Fiscal Year 2017	130,130	(2.8)	(10,885)	—	(11,909)	—	(24,709)	—

(Note) Comprehensive Income 3,490million yen (—%) for the FY2018, (25,467)million yen (—%) for the FY2017

	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 2018	76.59	—	5.0	1.7	0.6
Fiscal Year 2017	(724.21)	—	(38.9)	(12.6)	(8.4)

(Reference) Equity in earnings of affiliates - million yen for the FY2018 -million yen for the FY2017

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets Per Share
	Million yen	Million yen	%	Yen
Fiscal Year 2018	83,293	54,057	64.9	1,583.46
Fiscal Year 2017	80,265	50,717	63.2	1,485.96

(Reference) Shareholders' Equity 54,025 million yen for the FY2018 50,699 million yen for the FY2017

(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 2018	3,507	(775)	(239)	33,544
Fiscal Year 2017	(5,369)	(2,174)	(584)	30,650

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 2017	—	0.00	—	0.00	0.00	—	—	—
Fiscal Year 2018	—	0.00	—	0.00	0.00	—	—	—
Fiscal Year 2019 (Forecast)	—	—	—	—	—		—	

(Note) The dividend forecast for FY 2019 is undetermined; because the high impact stemmed from the recent fluctuations in exchange rates give to the consolidated net assets. The dividend forecast for FY 2019 will be announced as soon as it is determined.

3. Consolidated Financial Forecast for the Fiscal Year Ended March 31, 2020 (April 1, 2019 - March 31, 2020)

(% 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	52,000	11.3	(1,200)	—	(1,200)	—	(1,200)	—	(35.17)
Full Year	108,000	2.3	400	(41.4)	200	(85.6)	100	(96.2)	2.93

*Note

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

In (Company name: —) Out (Company name: FUNAI CORPORATION,INC.)

(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, 2018	36,130,796
	As of March 31, 2019	36,130,796
2. Number of shares of treasury stock	As of March 31, 2018	2,011,829
	As of March 31, 2019	2,011,830
3. The Average number of outstanding shares	On March 31, 2018	34,119,024
	On March 31, 2019	34,118,966

(Reference)
Non-consolidated Financial Results for the Fiscal Year ended March 31, 2019 (April 1, 2018– March 31, 2019)

(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 2018	97,910	(17.9)	452	—	1,241	—	970	—
Fiscal Year 2017	119,197	14.6	(6,594)	—	(8,414)	—	(19,435)	—

	Net Income(loss) Per Share	Net Income Per Share on a Fully Diluted Basis
	Yen	Yen
Fiscal Year 2018	28.45	—
Fiscal Year 2017	(569.64)	—

(2) Non-consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets Per Share
	Million yen	Million yen	%	Yen
Fiscal Year 2018	70,691	52,334	74.0	1,532.96
Fiscal Year 2017	73,612	51,362	69.7	1,504.87

(Reference) Shareholders' Equity 52,302 million yen for the FY2018 51,344 million yen for the FY2017

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 Year2018

During the fiscal year under review (April 1, 2018 to March 31, 2019), in the United States, the Group's mainstay market, the economy is trending firmly, reflecting an increase in private consumption and capital investment, and improvement in the employment and income environment. Despite this overall tone, the pace of economic growth slowed at one point due to the government shutdown. Going forward, sufficient consideration should be given to risks stemming from uncertainties related to U.S. government policy, including trade issues, such as U.S.-China trade friction, and a potential change in the Federal Reserve Board's monetary tightening policy.

In Europe, there is a growing risk that rivalry with the EU will reignite, including turmoil triggered by Brexit negotiations and the budget deficit in Italy which is set to breach EU rules. In light of this, the outlook for the EU economy remains murky.

Meanwhile, in Japan, the economy is modestly recovering, owing to an improvement in employee and incomes, as well as a rebound in private consumption. On top of this, special demand is anticipated owing to the Tokyo Olympic and Paralympic Games, which will be held in July 2020. However, there is a concern that private consumption and investment are brittle due to growing risk of an economic downturn reflecting uncertainties related to overseas economic trends and government policies, including trade issue trends and impact, and the economic outlook for countries in Asia, including China.

Amid this backdrop, the Group worked steadily to achieve its vision—to become a company that creates products that are the choice of people around the world. The vision was promoted in the FY2018 management policy as a measure to shed losses. As its basic strategy, the Group tackled (1) market share expansion in North America, (2) Funai brand penetration in Japan, and (3) new business development.

Consequently, the Group booked net sales of ¥105,549 million (a decrease of 18.9% year on year). The overall decline reflects negative trends in North America, the Group's mainstay sales market. Sales in North America faltered due to ongoing inventory adjustments along distribution channels, especially in the first quarter of the period under review, and sales of surplus inventory took precedence, mainly at large mass merchandisers. In addition, sales were impacted in part by the withdrawal of an OEM partner from consumer electronics. However, sales did increase at large mass merchandisers in the United States and in Canada owing to the development of new business partners. This paves the way for future expansion in market share. In Japan, sales to Yamada Denki Co., Ltd., with which the Group has an exclusive distribution agreement, were in line with plans.

In the profit front, the Group posted operating income of ¥682 million (versus an operating loss of ¥10,885 million a year earlier). Operating income improved sharply year on year reflecting a decline in component costs, including those for LCD panels, the Group's review of its business model and unprofitable product sales, and a certain scale of benefit from a reduction in manufacturing and selling, general and administrative expenses. Ordinary income totaled ¥1,392 million (in contrast with a ¥11,909 million ordinary loss a year earlier). This is attributable to aforementioned factors as well as an increase in foreign exchange translation gains and interest income. Meanwhile, profit attributable to owners of the parent stood at ¥2,613 million (in comparison with a ¥24,709 million loss attributable to owners of the parent). This mainly reflects the posting of income taxes-deferred (profit) associated with the merger of sales companies in North America.

Results by region

i) Japan

Following suit from the previous fiscal year, sales trended mainly in line with plans owing primarily to the market launch of new FUNAI brand products, including high-end organic electroluminescent display (OELD) TVs, through Yamada Denki from July 14, 2018. This absorbed the negative impact from the withdrawal by an OEM partner from consumer electronics. Consequently, the Company posted net sales of ¥36,624 million, an increase of 1.2% year on year, and segment income (operating income) of ¥637 million, versus a segment loss (operating loss) of ¥5,634 million a year earlier.

ii) Americas

In the fiscal year under review, the Company started off the year hindered by surplus inventory issues which inundated the entire market in North America, mirroring trends seen in the previous fiscal year. Sales of new LCD TV sales faltered due to priority placed on the disposal of surplus inventories by large mass merchandisers. In addition, sales also dropped due to a decrease in demand for DVD and BD related equipment reflecting impact of online video distribution services. Consequently, net sales amounted to ¥68,083 million, a drop of 26.8% year on year, and segment income (operating income) was ¥160 million (versus a segment loss (operating loss) of ¥965 million a year earlier).

iii) Asia

Net sales totaled ¥819 million, a decline of 4.0% year on year. This was primarily attributable to a termination of LCD TV sales after a review of unprofitable products and an increase in component sales. Segment income (operating income) was ¥709 million (versus a segment loss (operating loss) of ¥3,948 million a year earlier.)

iv) Europe

Sales of ink-cartridges for ink-jet printers declined owing to a review of hardware (ink-jet printer) sales. Consequently, net sales were ¥22 million, a drop of 82.5% year on year and segment income (operating income) was ¥64 million (versus a segment loss (operating loss) of ¥83 million a year earlier).

Results by product segment

i) Audiovisual Equipment

In the audiovisual equipment segment, sales decreased in comparison with the previous year, due to a reduction in LCD-TV sales due to impact from inventory adjustments along distribution channels in North America, and particularly due to a fall in sales of DVD and BD related products due to lower demand for DVD players and the emergence of low-priced products sold by Chinese manufacturers, and impact from a withdrawal from consumer electronics by an OEM partner in Japan. As a result, net sales amounted to ¥97,059 million, down 20.8% year on year.

ii) Information Equipment

In the information equipment segment, net sales amounted to ¥3,306 million, down 0.8% year on year. This reflects a sales decrease of roughly ¥1.7 billion, due to the curtailment of unprofitable ink jet printers in North America, and a shift to FY2019 of the launch of new product sales—CISS (large-capacity cartridge ink-jet printers) to China and multi-functional printers. Meanwhile, sales rose for commercial-use ink cartridges owing to continued marketing of ink cartridges for ink jet printers and an expansion in sales of label and nail art printers.

iii) Other Products

In other equipment segment, automotive backlight unit sales expanded, LCD module sales grew, and sales increased for medical and healthcare-related products, such as CT for dental clinics and bed modules for the nursing care field. As a result, net sales amounted to ¥5,183 million, a growth of 22.7% year on year.

2. Consolidated Financial Forecast for the Fiscal Year 2019

In the market environment in which Funai operates its Display business and Digital Media Business, competition is expected to further intensify due to ongoing uncertainties in the North America market, in particular the accelerated commoditization of large-size LCD TVs. In addition, the market for DVD and BD related products is shrinking faster than forecast due to the spread of online video streaming services. Meanwhile, the Company aims to further expand its market share by increasing sales in Mexico, where it has completed a revision of its business model, and by fortifying measures for the Christmas season in the market in North America. In Japan, sales of FUNAI brand products, which were launched in 2017, are trending steadily. Given anticipation for replacement demand for audio-visual equipment, including televisions, mainly ahead of the 2020 Tokyo Olympic and Paralympic Games, the Company aims to achieve further brand penetration, and focus management resources into the development of products for the Japanese market.

In the Office Solutions business, the Company is planning to achieve sales and profit growth by expanding sales of OEM and in-house brand CISS (large-capacity cartridge ink-jet printers), label printers, and nail art printers to China.

In new businesses, Funai plans to cultivate new fields and deploy new products, including automotive products and specialty printers that apply technologies that were fostered over many years. In addition, the Company aims to secure an earnings base in markets that it has full-filled market entry. Also, the Company aims to actively introduce to market new products including automotive backlights, for which technological development was completed, and products in the commercial signage business, and the medical and healthcare-related fields. The Company also plans to launch sales of jointly-developed derivative products that utilize microfluidics (micro fluid control technology), and existing developed items for the world's largest general consumer products manufacturer.

In the operating income front, Funai aims to pursue economies of scale on one hand while pouring energies into sales promotions of high-margin products. On top of this, the Company aims to curb valuation losses on product, component and raw material inventories by deploying a purchasing strategy that corresponds to actual sales at retailers to thoroughly implement PSI management. Funai aims to become a company that creates products that are chosen by people around the world. The Company plans to focus on reducing the product return rate as well as minimize losses in tandem with the disposal of returned products. Through these measures, the Company aims to build a system that will consistently secure profits.

(a) Display Business (LDC-TV business): Sales forecast of ¥86,000 million (a rise of 2.4% year on year)

・Further expansion in market share of new large mass merchandisers and total fortification of competitive strength, including quality and cost

・Strengthen measures for the Christmas shopping season in North America and reduce returns and product disposal by improving the service operation process in Japan and abroad

・Recoup share with high-spec BS-compatible TV sales in Japan and by rebuilding the business model for the market in Mexico

(b) Digital Media Business (DVD, BD business): Sales forecast of ¥12,000 million (a drop of 8.7% year on year)

・In North America, capture market share by deploying a niche strategy for BD players, a market from which rivals have exited

・In Japan, fortify ties with OEM partners and enhance lineup of FUNAI brand products

(c) Office Solution Business (Information equipment-related business): Sales forecast of ¥6,000 million (a growth of 81.4% year on year)

・Improve profit margins with nail art printer OEM and expansion of in-house brand sales

・Expand sales of label printers and CISS (high capacity cartridge ink-jet printers)

・Expand sales by launching derivative products that utilize microfluidics (micro fluid control technology)

(d) New businesses: Sales forecast of ¥4,000 million (a fall of 22.9% year on year)

・Expand sales channels for automotive backlights (existing edge types and new direct types)

・Secure earnings base and expand sales of medical and healthcare-related module products and also CT for dental clinics

・Fortify alliance strategy through EV business and launch mass production and sales of commercial-use new products related to audio-visual equipment

The forecast of business results for the year ending March 2020 is as follows:

< Consolidated Operating Forecast >

Net sales	¥ 108,000 million	(2.3 % increase year-on-year)
Operating income	400 million	(41.4 % decrease year-on-year)
Ordinary loss	200 million	(85.6 % decrease year-on-year)
Net loss attributable to owners of parent	100 million	(96.2 % decrease year-on-year)

For the forecast of business results, the Group's assumed exchange rate (average during the period) is ¥109 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 increased by ¥3,028 million compared to the end of the last fiscal year. The primary components of the change were as follows:

- ✓ Increase of ¥3,026 million in cash and deposits, ¥1,217 million in Raw materials and supplies
- ✓ Decrease of ¥2,229 million in notes and accounts receivable - trade.

Total liabilities decreased by ¥311 million compared to the end of the last fiscal year. The primary components of the change were as follows:

- ✓ Increase of ¥3,810 million in notes and accounts payable-trade.
- ✓ Decrease of ¥2,084 million in accrued expenses, ¥537 million in income taxes payable and ¥997 provision for director's retirement benefits.

Net assets increased by ¥3,340 million compared to the end of the last fiscal year. The primary components of the change were increase of ¥2,613 million in retained earnings and ¥696 million in the foreign currency translation adjustment.

2. Cash Flow

An analysis of consolidated cash flows shows that net cash provided in operating activities amounted to ¥3,507 million. Net cash used by investing activities was ¥775 million, and net cash used by financing activities was ¥239 million. The balance of cash and cash equivalent as of March 31, 2019 was ¥33,544 million. The trends of the cash flow indicators of the Group are as follows.

Cash flow ratios

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Shareholders' equity ratio (%)	64.6	54.0	70.4	63.2	64.9
Shareholders' equity ratio at market value (%)	25.0	21.8	29.7	32.3	30.6
Ratio of cash flow to interest-bearing debt(year)	0.6	-	-	-	-
Interest coverage ratio (%)	89.6	-	-	-	261.2

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 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 priorities. The basic policy is to provide stable dividend payments while strengthening its management base. As a specific standard, the dividend policy is based on a dividend on equity ratio (DOE) of 1% taking into account the business environment and other factors. As its basic policy, the Company aims to implement dividend payments once a year. The Company shall make an announcement in advance of plans to pay out an interim dividend.

However, the Company recognizes that it is currently in the process of transitioning from the rebuilding its business operations to sustainable growth. Going forward, the Company acknowledges that sufficient internal reserves are essential to further improve corporate value. In light of this, while it is regrettable, the Company has decided it will not pay a dividend in the fiscal year under review.

A decision on the dividend payout for the next fiscal year is pending.

(4) Important Information about Going Concern Assumption

Given the Group recorded a significant operating loss, ordinary loss, loss attributable to owners of the parent and negative operating cash flow in the previous consolidated fiscal year, at this stage there are events and circumstances that cast significant doubt on the Company's viability as a going concern.

There are no significant concerns about fundraising as the current balance of cash and deposits will sufficiently satisfy working capital needs for the time being.

In addition, the Group formulated a medium-term management policy, for which FY2018 is the first year of implementation. In line with the basic policy, the Group posted operating cash flow of ¥3,507 million. Moreover, the Company aims to gradually implement measures in line with the aforementioned policies for each of its businesses going forward. In light of this, the Group believes that a resolution of the matter can be achieved.

Consequently, as of the final business day of the fiscal year under review, Funai assessed there is no significant uncertainty related to the going concern assumption and has omitted the Notes on Going Concern Assumptions 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.

2. Consolidated Financial Statements and Notes

(1) Consolidated Statement of Financial Position (Units : Million Yen)

	Fiscal year 2017 (As of March 31, 2018)	Fiscal Year 2018 (As of March 31, 2019)
ASSETS;		
Current Assets		
Cash and deposits	32,390	35,417
Notes and accounts receivable - trade	9,953	7,724
Merchandise and finished goods	13,251	13,517
Work in process	516	681
Raw materials and supplies	9,841	11,059
Other	2,379	2,276
Allowance for doubtful accounts	(1,021)	(718)
Total current assets	67,310	69,958
Noncurrent Assets		
Property, plant and equipment	8,193	8,159
Intangible assets	93	68
Investments and other assets		
Investment securities	1,285	1,273
Deferred tax assets	689	1,201
Net defined benefit asset	1,840	1,881
Other	1,090	819
Allowance for doubtful accounts	(239)	(68)
Total investments and other assets	4,667	5,107
Total noncurrent assets	12,954	13,335
TOTAL ASSETS	80,265	83,293
LIABILITIES;		
Current Liabilities		
Notes and accounts payable - trade	11,808	15,618
Accounts payable included in other	10,372	8,287
Lease obligations	236	217
Income taxes payable	664	126
Provision for product warranties	981	1,056
Other	2,780	2,815
Total current liabilities	26,842	28,121
Noncurrent Liabilities		
Lease obligations	282	102
Deferred tax liabilities	650	617
Provision for directors' retirement benefits	1,025	27
Net defined benefit liability	3	33
Other	744	333
Total noncurrent liabilities	2,705	1,114
TOTAL LIABILITIES	29,548	29,236

	Fiscal year 2017 (As of March 31, 2018)	Fiscal Year 2018 (As of March 31, 2019)
NET ASSETS;		
Shareholders' equity		
Capital stock	31,307	31,307
Capital surplus	33,603	33,603
Retained earnings	21,970	24,583
Treasury shares	(24,341)	(24,341)
Total shareholders' equity	62,539	65,153
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13	1
Foreign currency translation adjustment	(12,305)	(11,609)
Remeasurements of defined benefit plans	451	480
Total accumulated other comprehensive income	(11,840)	(11,127)
Subscription rights to shares	17	31
Total net asset	50,717	54,057
TOTAL LIABILITIES AND NET ASSETS	80,265	83,293

(2) Consolidated Quarterly Statements of Income and Comprehensive Income

(Consolidated Quarterly Statements of Income)

(Units : Million Yen)

		Fiscal Year 2017 (from April 1, 2017 to March 31, 2018)	Fiscal Year 2018 (from April 1, 2018 to March 31, 2019)
Net sales		130,130	105,549
Cost of sales		121,529	91,849
Gross profit		8,600	13,700
Selling, general and administrative expenses		19,485	13,018
Operating income (loss)		(10,885)	682
Non-operating income			
Interest income		245	394
Dividends income		2	7
Foreign exchange gains		-	539
Other		258	201
Total non-operating income		506	1,142
Non-operating expenses			
Interest expenses		67	10
Foreign exchange losses		1,107	-
Compensation expenses		225	320
Compensation for damage		-	51
Other		130	51
Total non-operating expenses		1,530	433
Ordinary income (loss)		(11,909)	1,392
Extraordinary income			
Gain on sales of non-current assets		2	48
Gain on sales of subsidiaries and affiliates' stocks		29	-
Gain on liquidation of subsidiaries and affiliates		-	163
Other		146	4
Total extraordinary income		178	215
Extraordinary loss			
Loss on disposal of noncurrent assets		17	48
Impairment loss	Notes.1	12,586	177
Total extraordinary loss		12,604	226
Income (loss) before income taxes		(24,335)	1,381
Income taxes		373	(1,231)
Income (loss) before minority interests		(24,709)	2,613
Net income (loss) attributable to owners of parent		(24,709)	2,613

(Consolidated Quarterly Statement of Comprehensive Income)

(Units : Million Yen)

	Fiscal Year 2017 (from April 1, 2017 to March 31, 2018)	Fiscal Year 2018 (from April 1, 2018 to March 31, 2019)
Income (loss) before minority interest adjustment	(24,709)	2,613
Other comprehensive Income		
Valuation difference on avaiable-for-sale securities	1	(12)
Foreign currency translation adjustment	(1,099)	859
Remeasurements of defined benefit plans, net of tax	340	29
Total other comprehensive Income	(757)	876
Comprehensive income	(25,467)	3,490
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	(25,467)	3,490

(3) Consolidated Statements of Changes in Shareholders' Equity

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

Fiscal year 2018 (April 1, 2018 - March 31, 2019) (Million Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	31,307	33,603	21,970	(24,341)	62,539
Changes of items during the period					
Income (loss) attributable to owners of parent			2,613		2,613
Purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during the period	―	―	2,613	(0)	2,613
Ending balance	31,307	33,603	24,583	(24,341)	65,153

	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	13	(12,305)	451	(11,840)	17	50,717
Changes of items during the period						
Income (loss) attributable to owners of parent						2,613
Purchase of treasury stock						(0)
Net changes of items other than shareholders' equity	(12)	696	29	713	13	726
Total changes of items during the period	(12)	696	29	713	13	3,340
Ending balance	1	(11,609)	480	(11,127)	31	54,057

(3) Consolidated quartely statements of cash flows

(Million Yen)

	Fiscal Year 2017 (from April 1, 2017 to March 31, 2018)	Fiscal Year 2018 (from April 1, 2018 to March 31, 2019)
Cash flows from operating activities		
Income (Loss) before income taxes and minority interests	(24,335)	1,381
Depreciation	2,258	974
Impairment loss	12,586	177
Increase (decrease) in allowance for doubtful accounts	212	(641)
Increase (decrease) in provision for directors' retirement benefits	-	(997)
Increase (decrease) in net defined benefit liability	18	0
Interest and dividend income	(248)	(402)
Interest expenses	67	10
Loss on retirement of property, plant and equipment	5	-
Loss (gain) on sales of property, plant and equipment	3	0
Gain on sales of subsidiaries and affiliates' stocks	(29)	-
Decrease (increase) in notes and accounts receivable - trade	5,386	2,419
Decrease (increase) in inventories	1,421	(685)
Increase (decrease) in notes and accounts payable - trade	(6,214)	3,589
Increase (decrease) in notes and accounts payable - other	3,368	(2,291)
Other, net	(143)	(275)
Subtotal	(5,640)	3,259
Interest and dividend income received	245	407
Interest expenses paid	(65)	(13)
Income taxes paid	(320)	(381)
Income taxes refund	411	235
Net cash provided by (used in) operating activities	(5,369)	3,507
Cash flows from investing activities		
Payments into time deposits	(1,364)	(1,025)
Proceeds from withdrawal of time deposits	737	942
Purchase of property, plant and equipment	(2,100)	(1,360)
Proceeds from sales of property, plant and equipment	167	606
Purchase of intangible assets	(299)	(13)
Purchase of investment securities	(157)	-
Proceeds from sales of investment securities	336	-
Payments of loans receivable	0	(2)
Collection of loans receivable	568	19
Other, net	(61)	59
Net cash provided by (used in) investment activities	(2,174)	(775)
Cash flows from financing activities		
Repayments of lease obligations	(243)	(239)
Purchase of treasury shares	0	0
Cash dividends paid	(341)	-
Net cash provided by (used in) financing activities	(584)	(239)
Effect of exchange rate change on cash and cash equivalents	(192)	400
Net increase (decrease) in cash and cash equivalents	(8,320)	2,893
Cash and cash equivalents at beginning of period	38,971	30,650
Cash and cash equivalents at end of period	30,650	33,544

(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: 18

Principal consolidated subsidiaries are FUNAI CORPORATION, INC., FUNAI (THAILAND) CO., LTD and Funai Electric Philippines Inc.

From the current consolidated fiscal year, FUNAI CORPORATION, INC. which was a consolidated subsidiary, disappeared due to an absorption-type merger with P & F USA, Inc. a consolidated subsidiary, as the surviving company, and is excluded from the scope of consolidation. The verification of P & F USA, Inc. has been changed to FUNAI Corporation.

Zhong Shan Funai Electron Co. has been excluded from the scope of consolidation from the current consolidated fiscal year as production has been completed.

(Changes in accounting policies)
Overseas consolidated subsidiaries except Americas apply IFRS No. 15 (Revenue from Contracts with Customers) since the first quarter consolidated accounting period.
The impact of application of the accounting standards on consolidated financial statements is slight.

(Additional Information)
[Application of Partial Amendments etc. to "Accounting standard for tax effect accounting"]
The company apply to Partial Amendments etc. to "Accounting standard for tax effect accounting" (Corporate Accounting Standards No. 28, 16 February 2018) since beginning of the year of the first quarter consolidated accounting period. Therefore, Deferred Tax Assets is presented division of Investments and other assets and Deferred Tax Liabilities is presented division of Noncurrent liabilities.

(Consolidated statements of income)

*Notes.1 Impairment loss

The Group recorded losses on impairment in the following asset groups.

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 group's business assets on the basis in management accounting, the idle assets are grouped by individual asset. 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.

Fiscal year 2018 (April 1, 2018 to March 31, 2019)

Use	Location	Type	Impairment loss (million yen)
Business Assets	Funai Electric Co., Ltd.	Long-term prepaid expenses	37
Business Assets	Funai Electric Philippines Inc.	Tools, furniture and fixtures	88
Business Assets	Funai Electric Cebu, Inc.	Buildings and structures	3
		Machinery, equipment and vehicles	5
		Tools, furniture and fixtures	27
		Software	3
Business Assets	Funai Lexington Technology Corporation	Machinery, equipment and vehicles	10
Total			177

The Group group's business assets on the basis in management accounting, the idle assets are grouped by individual asset. The Group reduced the carrying amount to the recoverable value of business assets whose profitability has markedly decreased, and recorded such reduction (177 million yen) as impairment loss for fiscal year 2018.
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 2017 (from April 1, 2017 to March 31, 2018)	Fiscal year 2018 (from April 1, 2018 to March 31, 2019)
Valuation difference on available-for-sale securities:		
Accrued amount on the current term	1	(12)
Reclassification adjustment amount	-	-
Pre-adjustment of tax effect	1	(12)
Tax effect amount	-	-
Valuation difference on available-for-sale securities	1	(12)
Foreign currency translation adjustment:		
Accrued amount on the current term	(1,099)	1,023
Reclassification adjustment amount	-	(163)
Pre-adjustment of tax effect	(1,099)	859
Tax effect amount	-	-
Foreign currency translation adjustment	(1,099)	859
Adjustment for Retirement Benefits		
Accrued amount on the current term	334	43
Reclassification adjustment amount	162	14
Pre-adjustment of tax effect	496	58
Tax effect amount	(156)	(29)
Adjustment for Retirement Benefits	340	29
Total other comprehensive income	(757)	876

(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 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	76,258	24,892	28,038	1,407	130,595	(50,330)	80,265
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

Fiscal year 2018 (April 1, 2018 - March 31, 2019) (Million Yen)

	Japan	Americas	Asia	Europe	Total	Adjustments (Note 1)	Consolidated (Note 2)
Net Sales							
(1) Sales to outside customers	36,624	68,083	819	22	105,549	―	105,549
(2) Inter-segment sales	61,580	6,424	62,850	―	130,856	(130,856)	―
Total	98,205	74,508	63,670	22	236,406	(130,856)	105,549
Segment Income (Loss)	637	160	709	64	1,571	(889)	682
Segment Assets	69,613	25,640	28,395	1,414	125,064	(41,770)	83,293
Other							
Depreciation and amortization	340	26	615	―	982	(8)	974
Increase in tangible fixed assets and intangible assets	170	173	1,152	―	1,495	(46)	1,449

(Note) 1. Adjustments were as follows.

Segment Income(loss) (Million Yen)

	Fiscal year 2017	Fiscal year 2018
Eliminations	(735)	(34)
Corporate expenses *	(772)	(128)
Inventories	1,254	(726)
Total	(253)	(889)

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

Segment Assets (Million Yen)

	Fiscal year 2017	Fiscal year 2018
Total assets *	20,635	24,771
Adjustments of inventories	(44)	(770)
Eliminations	(70,921)	(65,771)
Total	(50,330)	(41,770)

*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 2017 (April l,2017 – March 31,2018)		Fiscal year 2018 (April l,2018 – March 31,2019)	
Book Value per share	1,485.96	Book Value per share	1,583.46
Net loss per share	724.21	Net income per share	76.59

(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 2017 (April 1, 2017 – March 31,2018)	Fiscal year 2018 (April 1, 2018 – March 31,2019)
Net income (loss) per share		
Net income (loss) attributable to owners of parent	(24,709)	2,613
Amount not attributable to owners of the parent (million yen)	—	—
Net income (loss) attributable to owners of parent available to common shares (million yen)	(24,709)	2,613
The average number of outstanding shares for the period（Thousands of shares）	34,119	34,118
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: 3,091) have been excluded.	Three types of stock acquisition rights (number of stock acquisition rights: 2,721) have been excluded.

(Events after the reporting period)

Not applicable