

FY 2014 THIRD QUARTER IN CUMULATIVE FINANCIAL REPORT

〔 From April 1, 2014
To December 31, 2014 〕



FUNAI ELECTRIC CO., LTD.

Third Quarter (April-December) Consolidated Financial Summary
for the Period Ending March 2015

(Million yen)

	Previous Year Third Quarter 〔 From April 1, 2013 to December 31, 2013 〕		Current Year Third Quarter 〔 From April 1, 2014 to December 31, 2014 〕		Rate of increase or decrease
	Amount	%	Amount	%	
Net Sales	185,506	100.0	173,569	100.0	(6.4)
Operating Income (Loss)	437	0.2	1,392	0.8	218.5
Ordinary Income (Loss)	4,800	2.6	4,298	2.5	(10.5)
Net Income (Loss) before Taxes and Other Adjustments	2,120	1.1	4,477	2.6	111.2
Net Income (Loss) after Tax	1,737	0.9	3,940	2.3	126.8
Net Income (Loss) per Share	50.93		115.50		

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



Financial Report for the 9-Month Period ended December 31, 2014

February 2, 2015

Listed company name: Funai Electric Co., Ltd. Securities Code: 6839 Tokyo Stock Exchange
First Section

(URL <http://www.funai.jp/>)

Representative: President and CEO

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Scheduled date of Quarterly Report; February 5, 2015

Scheduled date of Commencement of Annual Dividend Payment; —

Quarterly Financial Results Supplementation: Yes

Quarterly Financial Results Seminar: Yes

1. Third Quarter Consolidated Results for the Period Ending March 2015 (April 1, 2014 – December 31, 2014)

(1) Operating Results (Consolidated)

(% denotes year on year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
3 rd Quarter FY2014	173,569	(6.4)	1,392	218.5	4,298	(10.5)	3,940	126.8
3 rd Quarter FY2013	185,506	26.2	437	—	4,800	—	1,737	—

(Reference) Comprehensive Income 3rd Quarter FY 2014 ended December 31, 2014 13,624 million yen (76.1%)
3rd Quarter FY 2013 ended December 31, 2013 2,614 million yen (827.6%)

	Net Income Per Share		Net Income Per Share on a Fully Diluted Basis	
	Yen		Yen	
3 rd Quarter FY2014	115.50		—	
3 rd Quarter FY2013	50.93		—	

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
3 rd Quarter FY2014	186,974	130,588	69.2
Fiscal Year 2013	181,341	117,684	64.2

(Reference) Equity 3rd Quarter FY 2014 ended December 31, 2014 129,401 million yen
Fiscal Year 2013 ended March 31, 2014 116,509 million yen

2. Dividends

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

(Note) Revision of Annual Dividends Forecast in this 3rd Quarter: No

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

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

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

(% denotes year on year)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income Per Share
Full Year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	203,000	(13.3)	500	—	1,400	—	900	—	26.38

(Note) Revision of Forecast of Consolidated Results for the six month period or the Full Year in this 3rd Quarter: No

*Note

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

(2) Application of simplified accounting procedure and use of unique accounting procedure for preparation of financial statements covering consolidated accounting in this 1st quarter: Yes

(3) Changes in Accounting Practices, Procedures and Presentation Methods for Consolidated Financial Results

1. Changes arising from revision of accounting standards: Yes
2. Changes arising from other factors: No
3. Changes in accounting estimates: No
4. Restatement: No

(4) Number of Shares Outstanding (Ordinary Shares)

1. Number of shares outstanding (including treasury stock) as of December 31, 2014; 36,130,796 shares
as of March 31, 2014; 36,130,796 shares
2. Number of shares of treasury stock as of December 31, 2014; 2,011,615 shares
as of March 31, 2014; 2,011,615 shares
3. The Average number of outstanding shares on December 31, 2014; 34,119,181 shares
on September 30, 2013; 34,119,181 shares

* The Recording of Implementation Conditions Regarding Quarterly Review Procedures

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

Disclaimer;

This document contains forward-looking statements and projections regarding business performance which are not historical facts. Please note that these statements are based on information relating to factors that may impact future business performance that was available for analysis at the time this document was printed. These factors include industry trends relating to the business areas of Funai Electric Co., Ltd. or the Funai Group, such as audio-visual devices and information communication equipment, the economic conditions of both domestic and international markets, and fluctuations in currency exchange rates. Actual performance may greatly differ from projections included in this document because of the impacts of uncertainty in such areas as the competitive conditions of the electronics industry, market trends, currency exchange rate, introduction and success of new products, and various other global conditions that may affect the tax system and other systems.

1. Qualitative Information Regarding Quarterly Financial Results

(1) Explanation of Business Performance

During the first nine months of the fiscal year ending March 31, 2015, the economy of the United States, a key market for the Funai Group, continued to recover as a result of strong consumer spending, a robust housing market, and a stable employment situation. Business conditions in Europe were stagnant, reflecting worsening of the situation in the Ukraine, faltering of the Russian economy caused by a sharp decline in crude oil prices, and rekindling of the debt crisis in Greece due to political instability. China's economy slowed for reasons including deterioration in the housing market. The pace of economic recovery in Japan was sluggish because of factors including a reaction to last-minute demand ahead of the consumption tax increase and the impact of bad weather.

In these circumstances, the Funai Group posted net sales for the first nine months of the fiscal year of JPY 173,569 million, down 6.4% year on year. On the profit front, operating income was JPY 1,392 million, up 218.5%, ordinary income was 4,298 million, down 10.5 %, and net income was JPY 3,940 million, up 126.8%.

The Funai Group saw an improvement trend in profitability as a result of factors including improved efficiency attributable to rigorous inventory control and selective reduction of the range of audio accessories to high-selling items, despite lower sales of LCD TVs, a key product, and DVD-related products.

Segment conditions by location were as follows:

i) Japan

Although revenues from BD-related products increased, sales of printers, DVD - related products, and LCD TVs declined. As a result, net sales were JPY 34,153 million, down 17.2% year on year, and segment loss (operating loss) was JPY 521 million, compared to segment income (operating income) of 1,540 million in the first nine months of the previous year.

ii) Americas

Despite an increase in screen sizes and a strong year-end selling season, revenues from LCD TVs fell on lower sales of TVs with integrated DVD players. Sales of DVD-related and BD-related products fell as a result of market contraction, and sales of audio accessories declined slightly due to selective product range reduction. As a result, net sales were JPY 133,090 million, down 3.7% year on year. However, segment income (operating income) was JPY 2,136 million, compared to segment loss of JPY 723 million in the first nine months of the previous year, thanks to the success of measures such as rigorous inventory control.

(Notes)

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

iii) Asia

Net sales were JPY 3,876 million, up 9.3% year on year, on higher revenues from ink cartridges and other products. However, segment income (operating income) was JPY 43 million, down 92.1% compared to the same period of the previous year.

iv) Europe

Although sales of ink cartridges and DVD-related products increased, the slump in LCD sales continued. As a result, net sales were JPY2,447 million, down 0.3% year on year, and segment loss (operating loss) was JPY 75 million, compared to segment loss of JPY 358 million in the first nine months of the previous year.

Sales by product segment were as follows:

i) Audiovisual Equipment

In the audiovisual equipment sector, revenues from LCD TVs decreased from the first nine months of the previous year, and sales of DVD-related products also declined due to market contraction. As a result, net sales of audiovisual equipment were JPY 138,523 million, down 4.9% year on year.

ii) Information Equipment

In the information equipment sector, although revenues from ink cartridges increased, lower revenues from printers resulted in net sales of JPY 11,304 million, down 23.7% year on year.

iii) Other Products

Net sales of other products were JPY 23,740 million, down 5.1% year on year, on lower revenues from receiver-related electronic equipment, audio accessories, and other products.

(2) Qualitative Information Relating to Consolidated Financial Position

Consolidated total assets increased by JPY 5,633 million compared to the end of the previous fiscal year. The change is mainly attributable to increases of JPY 11,445 million in cash and deposits and JPY 5,483 million in notes and accounts receivable-trade and decreases of JPY 5,178 million in merchandise and finished goods and JPY 6,480 million in raw materials and supplies.

Total liabilities decreased by JPY 7,271 million compared to the end of the previous fiscal year. The change is mainly attributable to a decrease of JPY 1,112 million in notes and accounts payable-trade, despite increases of JPY 3,982 million in short-term loans payable and JPY 12,533 million in accounts payable included in "Other" under current liabilities.

Net assets increased by JPY 12,904 million compared to the end of the previous fiscal year. The change is mainly attributable to increases of JPY 3,230 million in retained earnings and JPY 9,540 million in the foreign currency translation adjustment account.

(3) Qualitative Information Relating to Consolidated Performance Forecasts:

The Company has not revised the consolidated operating performance forecasts released on November 4, 2014.

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

2. Summary Information

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

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

(2) Change in accounting policy

(Application of accounting standard for retirement benefits)

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

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

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

(3) Additional Information

(About anti-tax haven law)

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

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

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

3. Consolidated Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Units : Million Yen)

	Fiscal year 2013 (As of March 31, 2014)	3rd Quarter FY2014 (As of December 31, 2014)
ASSETS;		
Current Assets		
Cash and deposits	49,167	60,613
Notes and accounts receivable - trade	37,681	43,165
Merchandise and finished goods	31,665	26,487
Work in process	1,182	1,355
Raw materials and supplies	16,427	9,946
Other	8,126	8,469
Allowance for doubtful accounts	(210)	(440)
Total current assets	144,041	149,599
Noncurrent Assets		
Property, plant and equipment	21,905	22,875
Intangible assets	6,574	6,256
Investments and other assets		
Net defined benefit asset	335	1,258
Other	8,780	7,260
Allowance for doubtful accounts	(296)	(275)
Total investments and other assets	8,819	8,243
Total noncurrent assets	37,300	37,375
TOTAL ASSETS	181,341	186,974
LIABILITIES;		
Current Liabilities		
Notes and accounts payable - trade	32,942	20,408
Short-term loans payable	4,526	5,639
Income taxes payable	414	366
Provision	1,312	1,207
Other	14,497	17,840
Total current liabilities	53,692	45,462
Noncurrent Liabilities		
Long-term loans payable	6,121	6,777
Provision	1,088	1,085
Net defined benefit liability	775	873
Other	1,979	2,187
Total noncurrent liabilities	9,964	10,923
TOTAL LIABILITIES	63,656	56,385

	Fiscal year 2013 (As of March 31, 2014)	3rd Quarter FY2014 (As of December 31, 2014)
NET ASSETS;		
Shareholders' equity		
Capital stock	31,307	31,307
Capital surplus	33,272	33,272
Retained earnings	93,196	96,426
Treasury shares	(24,341)	(24,341)
Total shareholders' equity	133,435	136,665
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	672	771
Foreign currency translation adjustment	(17,495)	(7,954)
Remeasurements of defined benefit plans	(103)	(80)
Total accumulated other comprehensive income	(16,925)	(7,263)
Subscription rights to shares	132	139
Minority interests	1,042	1,048
Total net asset	117,684	130,588
TOTAL LIABILITIES AND NET ASSETS	181,341	186,974

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

(Units : Million Yen)

	3rd Quarter FY2013 (from April 1, 2013 to December 31, 2013)	3rd Quarter FY2014 (from April 1, 2014 to December 31, 2014)
Net sales	185,506	173,569
Cost of sales	156,884	143,307
Gross profit	28,622	30,262
Selling, general and administrative expenses	28,184	28,869
Operating income	437	1,392
Non-operating income		
Interest income	95	130
Dividends income	39	107
Foreign exchange gains	4,776	2,763
Other	112	409
Total non-operating income	5,023	3,410
Non-operating expenses		
Interest expenses	146	133
Equity in losses of affiliates	89	139
Payment compensation cost	300	—
Other	124	231
Total non-operating expenses	660	504
Ordinary income	4,800	4,298
Extraordinary income		
Gain on disposal of noncurrent assets	0	49
Gain on sales of shares of subsidiaries and associates	—	134
Gain on negative goodwill	8	—
Other	0	12
Total extraordinary income	9	196
Extraordinary loss		
Loss on disposal of noncurrent assets	81	18
Expenses incurred on business restructuring	* ₁ 1,297	-
Advisory fees	* ₂ 1,166	-
Other	142	-
Total extraordinary loss	2,689	18
Income before income taxes	2,120	4,477
Income taxes	356	522
Income before minority interests	1,763	3,955
Minority interests in income	25	14
Net income	1,737	3,940

(Consolidated Quarterly Statement of Comprehensive Income)

(Units : Million Yen)

	3rd Quarter FY2013 (from April 1, 2013 to December 31, 2013)	3rd Quarter FY2014 (from April 1, 2014 to December 31, 2014)
Income (loss) before minority interest adjustment	1,763	3,955
Other comprehensive Income		
Valuation difference on available-for-sale securities	260	101
Foreign currency translation adjustment	5,525	9,541
Retirement benefits adjustment	-	26
Post retirement liability adjustment for foreign companies	148	-
Share of other comprehensive income of associates accounted for using equity method	39	0
Total other comprehensive Income	5,974	9,668
Comprehensive income	7,737	13,624
(Breakdown)		
Comprehensive income attributable to owners of parent	7,709	13,603
Comprehensive income attributable to minority interest:	28	21

(4) Consolidated Quarterly Statements of Income

(Notes for Continuing Enterprises)

Not Applicable

(Notes of remarkable changes in Shareholders Equity)

Not Applicable

(Consolidated balance sheets)

Third Quarter Consolidated Fiscal Period – Year to Date (As of December 31, 2014)

Contingent liabilities

(Arbitration)

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

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

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

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

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

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

1. Outline of arbitration filed against Funai

(1) Institution and date of arbitration

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

(2) Petitioner of arbitration

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

(3) Details of petition and claimed amount for damages

- i) Details of petition : A claim for damages on the grounds of breach of the agreement by Funai
- ii) Claimed amount : €189.6 million (amount revised from the amount of €171.8 million filed by PHILIPS on May 20, 2014), statutory interest and arbitration costs

2. Outline of counterclaim filed by Funai

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

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

(2) Other party to counterclaim filing

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

(3) Details of petition and claimed amount for damages

- i) Details of petition : Claim for damages on the grounds of breach of the agreement and undue action by PHILIPS
- ii) Claimed amount : an indication of the amount of compensatory damages claimed in such counterclaim, consisting of €312.3M , the amount of tax payable, contractual interest and arbitration costs.

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

1. Name of other company and content of acquired businesses

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

(2) Content of acquired businesses : Lifestyle Entertainment Business

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

2. Reasons for Acquiring the Shares

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

3. Acquisition price and percentage of shares held after acquisition

Acquisition price : €150 million

Percentage of shares held after acquisition : 100%

(Consolidated quarterly statements of income)

Third Quarter Consolidated Fiscal Period – Year to Date (April 1, 2013 to December 31, 2013)

*1 Expenses incurred on business restructuring stem mainly from costs incurred due to the shrinking of the overseas LED business, principally including an inventory valuation loss of JPY 238 million, an impairment loss on investment in subsidiaries and associated companies of JPY 646 million and impairment losses of JPY 389 million.

*2 Advisory fees

Previous Third Quarter Consolidated Fiscal Period – Year to Date (April 1, 2013 to December 31, 2013)

Advisory fees were paid as specified compensation and fees to third-party advisors to determine an acquisition price for the intended acquisition of all shares in a company to succeed the Lifestyle Entertainment Business of Koninklijke Philips N.V. (hereafter "PHILIPS"). These fees have been charged to expenses as PHILIPS terminated the share purchase agreement and filed a petition for arbitration with the International Chamber of Commerce and the Company filed a counterclaim.

(Information by Segment)

[Segment Information]

I. Third Quarter Consolidated Fiscal Period – Year to Date (April 1, 2013 to December 31, 2013)
Information Regarding Net Sales and Profit/Loss Conditions by Reporting Segment

(Units: Million Yen)

	Japan	Americas	Asia	Europe	Total	Adjustments (Note 1)	Consolidated (Note 2)
Net Sales							
(1) Outside customers	41,238	138,263	3,548	2,456	185,506	—	185,506
(2) Inter-segment sales	109,376	0	116,927	0	226,304	(226,304)	—
Total	150,615	138,263	120,475	2,456	411,811	(226,304)	185,506
Segment Income (Loss)	1,540	(723)	551	(358)	1,010	(573)	437

Note:

1. JPY -573 million adjustment amount under segment income includes items such as the JPY 15 million relating to the cancellation of inter-segment transactions, JPY -612 million of overall Group expenses that are not apportioned to each reporting segment, and the JPY 24 million adjustment relating to inventory assets. Overall Group expenses are comprised of general administrative expenses that do not belong to a specific reporting segment.
2. Segment income has been adjusted to operating income noted on the third quarter consolidated income statement.

II. Third Quarter Consolidated Fiscal Period – Year to Date (April 1, 2014 to December 31, 2014)
Information Regarding Net Sales and Profit/Loss Conditions by Reporting Segment

(Units: Million Yen)

	Japan	Americas	Asia	Europe	Total	Adjustments (Note 1)	Consolidated (Note 2)
Net Sales							
(1) Outside customers	34,153	133,090	3,876	2,447	173,569	—	173,569
(2) Inter-segment sales	99,832	703	106,746	-	207,282	(207,282)	—
Total	133,986	133,794	110,623	2,477	380,852	(207,282)	173,569
Segment Income (Loss)	(521)	2,136	43	(75)	1,583	(190)	1,392

Note:

1. JPY -190 million adjustment amount under segment income includes items such as the JPY -5 million relating to the cancellation of inter-segment transactions, JPY -556 million of overall Group expenses that are not apportioned to each reporting segment, and the JPY 371 million adjustment relating to inventory assets. Overall Group expenses are comprised of general administrative expenses that do not belong to a specific reporting segment.
2. Segment income has been adjusted to operating income noted on the third quarter consolidated income statement.

2. Change a Reportable Segment

(Application of Accounting Standard for Retirement Benefits)

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

(Change the Name of a Reportable Segment)

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



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(Company)

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THIRD QUARTER IN CUMULATIVE FINANCIAL RESULTS -APPENDIX

FY 2014

(from 2014.4.1
to 2014.12.31)

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FUNAI ELECTRIC CO., LTD.

1. Summary of 3Q (April to December) Financial Statements (Consolidated)

(1) Operating Results, Financial Conditions

(Units : 100 million yen, %)

	FY 2013						FY 2014					
	3Q (Apr. - Dec.)			Full-Year			3Q (Apr. - Dec.)			Full-Year (Projections)		
	Amount	%	Change	Amount	%	Change	Amount	%	Change	Amount	%	Change
Net Sales	1,855	100.0	26.2	2,340	100.0	21.9	1,735	100.0	(6.4)	2,030	100.0	(13.3)
Operating Income (Loss)	4	0.2	—	(54)	(2.3)	—	13	0.8	218.5	5	0.2	—
Ordinary Income (Loss)	48	2.6	—	(22)	(1.0)	—	42	2.5	(10.5)	14	0.7	—
Net Income (Loss) after Tax	17	0.9	—	(67)	(2.9)	—	39	2.3	126.8	9	0.4	—
Total Assets	1,844	—	—	1,813	—	—	1,869	—	—	—	—	—
Net Assets	1,277	—	—	1,176	—	—	1,305	—	—	—	—	—

(※) Yen-Dollars / Exchange rate

(Units : Yen / Dollars)

	FY 2013		FY 2014	
	3Q (Apr. - Dec.)	Full-Year	3Q (Apr. - Dec.)	Full-Year (Projections)
Average Rate in each Period	99.80	100.49	107.75	102.80

(2) Profitability and Per Share Data etc.

	FY 2013		FY 2014	
	3Q (Apr. - Dec.)	Full-Year	3Q (Apr. - Dec.)	Full-Year (Projections)
Gross Profit Ratio (%)	15.4	13.9	17.4	17.5
Operating Income Ratio (%)	0.2	(2.3)	0.8	0.2
Ordinary Income Ratio (%)	2.6	(1.0)	2.5	0.7
Shareholders' Equity Ratio (%)	68.7	64.2	69.2	—
Net Assets Per Share (yen)	3,711.08	3,414.77	3,792.64	—
Net Income Per Share (yen)	50.93	(197.70)	115.50	26.38
Return on Assets (%)	1.0	(3.6)	2.1	—
Return on Shareholders' Equity (%)	1.4	(5.7)	3.2	—

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

(Units : 100 million yen, %)

	FY 2013				FY 2014			
	3Q (Apr. - Dec.)		Full-Year		3Q (Apr. - Dec.)		Full-Year (Projections)	
	Amount	Change	Amount	Change	Amount	Change	Amount	Change
Capital Expenditures	99	253.6	109	105.7	28	(71.7)	37	(66.1)

	FY 2013						FY 2014					
	3Q (Apr. - Dec.)			Full-Year			3Q (Apr. - Dec.)			Full-Year (Projections)		
	Amount	%	Change	Amount	%	Change	Amount	%	Change	Amount	%	Change
Depreciation Expenses	39	2.1	34.5	52	2.2	30.0	35	2.0	(10.3)	48	2.4	(7.7)
R&D	64	3.5	(7.2)	84	3.6	(9.7)	57	3.3	(10.9)	79	3.9	(6.0)

(4) CashFlow

(Units : 100 million yen)

	FY 2013		FY 2014	
	3Q (Apr. - Dec.)	Full-Year	3Q (Apr. - Dec.)	Full-Year (Projections)
Cash flows provided by operating activities	(49)	(12)	93	—
Income Before Income Taxes	21	(56)	44	—
Depreciation Expenses	48	64	43	—
Others	(118)	(20)	6	—
Cash flows used in investing activities	(13)	(27)	(196)	—
Free cash flows	(62)	(39)	(103)	—
Cash flows provided by financing activities	(76)	(46)	(11)	—
Effect of exchange rate changes on cash and cash equivalents	34	20	29	—
Net increase in cash and cash equivalents	(105)	(66)	(85)	—

2. Operating Activities (Consolidated)

(1) Sales by Equipment

(Units : 100 million yen, %)

	FY 2013						FY 2014					
	3Q (Apr. - Dec.)			Full-Year			3Q (Apr. - Dec.)			Full-Year (Projections)		
	Amount	%	Change	Amount	%	Change	Amount	%	Change	Amount	%	Change
Audio Visual Equipment	1,457	78.5	20.3	1,831	78.2	17.6	1,385	79.8	(4.9)	1,632	80.4	(10.9)
DVD	137	7.4	(4.2)	174	7.4	(5.4)	95	5.5	(30.7)	113	5.6	(35.1)
BD	119	6.4	11.2	168	7.2	19.1	109	6.3	(8.4)	140	6.9	(16.7)
LCD TV	1,164	62.7	24.6	1,436	61.4	19.8	1,142	65.8	(1.9)	1,332	65.6	(7.2)
Others	37	2.0	37.0	53	2.2	60.6	39	2.2	5.4	47	2.3	(11.3)
Information Equipment	148	8.0	96.1	189	8.1	57.8	113	6.5	(23.7)	118	5.8	(37.5)
Others	250	13.5	35.8	320	13.7	31.6	237	13.7	(5.1)	280	13.8	(12.6)
Total	1,855	100.0	26.2	2,340	100.0	21.9	1,735	100.0	(6.4)	2,030	100.0	(13.3)

(2) Sales by Areas in Equipment

(Units : 100 million yen, %)

	FY 2013						FY 2014					
	3Q (Apr. - Dec.)			Full-Year			3Q (Apr. - Dec.)			Full-Year (Projections)		
	Amount	%	Change	Amount	%	Change	Amount	%	Change	Amount	%	Change
Audio Visual Equipment	1,457	78.5	20.3	1,831	78.2	17.6	1,385	79.8	(4.9)	1,632	80.4	(10.9)
Americas	1,282	69.1	24.0	1,570	67.1	18.5	1,222	70.4	(4.7)	1,412	69.6	(10.1)
Europe	25	1.3	(34.2)	32	1.3	(25.6)	23	1.3	(8.0)	35	1.7	9.4
Asia and Others	10	0.5	150.0	12	0.5	140.0	5	0.3	(50.0)	9	0.4	25.0
Japan	140	7.6	3.7	217	9.3	17.9	135	7.8	(3.6)	176	8.7	(18.9)
Information Equipment	148	8.0	96.1	189	8.1	57.8	113	6.5	(23.7)	118	5.8	(37.5)
Americas	99	5.3	135.7	126	5.3	96.9	82	4.7	(17.2)	87	4.3	(31.0)
Europe	35	1.9	337.5	45	2.0	136.8	24	1.4	(31.4)	24	1.2	(46.7)
Asia and Others	12	0.7	(52.0)	16	0.7	(48.4)	7	0.4	(41.7)	7	0.3	(56.3)
Japan	2	0.1	—	2	0.1	(60.0)	0	0.0	—	0	0.0	—
Others	250	13.5	35.8	320	13.7	31.6	237	13.7	(5.1)	280	13.8	(12.6)
Total	1,855	100.0	26.2	2,340	100.0	21.9	1,735	100.0	(6.4)	2,030	100.0	(13.3)

(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, %)

	FY 2013						FY 2014					
	3Q (Apr. - Dec.)			Full-Year			3Q (Apr. - Dec.)			Full-Year (Projections)		
	Amount	%	Change	Amount	%	Change	Amount	%	Change	Amount	%	Change
Americas	1,505	81.1	33.5	1,850	79.0	26.7	1,428	82.3	(5.1)	1,634	80.5	(11.7)
Audio Visual Equipment	1,282	69.1	24.0	1,570	67.1	18.5	1,222	70.4	(4.7)	1,412	69.6	(10.1)
Information Equipment	99	5.3	135.7	126	5.3	96.9	82	4.7	(17.2)	87	4.3	(31.0)
Others	124	6.7	143.1	154	6.6	116.9	124	7.2	0.0	135	6.7	(12.3)
Europe	60	3.2	29.1	77	3.3	24.2	47	2.7	(21.2)	59	2.9	(23.4)
Audio Visual Equipment	25	1.3	(34.2)	32	1.3	(25.6)	23	1.3	(8.0)	35	1.7	9.4
Information Equipment	35	1.9	337.5	45	2.0	136.8	24	1.4	(31.4)	24	1.2	(46.7)
Others	0	0.0	—	0	0.0	—	0	0.0	—	0	0.0	—
Asia and Others	26	1.4	(16.3)	32	1.4	(17.9)	17	1.0	(33.3)	19	0.9	(40.4)
Audio Visual Equipment	10	0.5	150.0	12	0.5	140.0	5	0.3	(50.0)	9	0.4	25.0
Information Equipment	12	0.7	(50.0)	16	0.7	(48.4)	7	0.4	(41.7)	7	0.3	(56.3)
Others	4	0.2	100.0	4	0.2	33.3	5	0.3	25.0	3	0.2	(25.0)
Japan	264	14.3	(0.6)	381	16.3	6.1	243	14.0	(7.9)	318	15.7	(16.5)
Audio Visual Equipment	140	7.6	3.7	217	9.3	17.9	135	7.8	(3.6)	176	8.7	(18.9)
Information Equipment	2	0.1	—	2	0.1	(60.0)	0	0.0	—	0	0.0	—
Others	122	6.6	(6.9)	162	6.9	(4.7)	108	6.2	(11.5)	142	7.0	(12.3)
Total	1,855	100.0	26.2	2,340	100.0	21.9	1,735	100.0	△ 6.4	2,030	100.0	(13.3)

(Note)

Effective from FY 2014, sales to Central and South America, which were previously included in the Asia and others, have been included in Americas. The segment name North America has been changed to Americas. Figures for FY 2013 have been restated accordingly.

3. Summary of 3Q (October to December) Financial Statements (Consolidated)

(1) Operating Results

(Units : 100 million yen, %)

	FY 2013			FY 2014		
	3Q (Oct. - Dec.)			3Q (Oct. - Dec.)		
	Amount	%	Change	Amount	%	Change
Net Sales	650	100.0	12.1	577	100.0	(11.2)
Operating Income (Loss)	(1)	(0.2)	—	0	0.1	—
Ordinary Income (Loss)	26	4.1	(18.8)	15	2.6	(42.6)
Net Income (Loss) after Tax	11	1.7	83.3	13	2.3	17.0

(※) Yen-Dollars / Exchange rate

(Units : Yen / Dollars)

	FY 2013		FY 2014	
	3Q (Oct. - Dec.)		3Q (Oct. - Dec.)	
Average Rate in each Period		102.10		116.04

(2) Sales by Equipment

(Units : 100 million yen, %)

	FY 2013			FY 2014		
	3Q (Oct. - Dec.)			3Q (Oct. - Dec.)		
	Amount	%	Change	Amount	%	Change
Audio Visual Equipment	518	79.7	11.2	475	82.3	(8.3)
DVD	56	8.6	(6.7)	42	7.3	(25.0)
BD	44	6.8	(12.0)	40	6.9	(9.1)
LCD TV	397	61.1	16.8	378	65.5	(4.8)
Others	21	3.2	31.3	15	2.6	(28.6)
Information Equipment	41	6.3	20.6	17	3.0	(58.5)
Others	91	14.0	13.8	85	14.7	(6.6)
Total	650	100.0	12.1	577	100.0	(11.2)



(Company)

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