

Presentation of FY2012 Operating Results

May 8, 2013

FUNAI ELECTRIC CO., LTD.

TSE 6839

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I . Message from the President

1. Business Environment Overview
2. FY2012 Operating Results
3. FY2013 Forecast
- 4.-1 Growth Strategy - Summary
- 4.-2 Growth Strategy - Accelerated Development of M&As and Alliances
- 4.-3 Growth Strategy - Accelerated Development of M&As and Alliances
- 4.-4 Growth Strategy - Wrap Up

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Economic Trends

- **US** : Sustained, gradual growth supported by improvements in the housing and labor markets, as well as a recovery in personal consumption
- **Europe** : Remains sluggish as the European Central Bank's responses to the debt crisis have failed to dispel economic concerns
- **Emerging Markets** : Slow growth in emerging markets - especially China; China's new administration has shown initial support of economic policies to aid growth
- **Japan** : The economic outlook has brightened since the Abe administration came into office; the prospect of monetary easing has weakened the yen and bolstered stock prices

Industry Trends

- TVs experience continuing commoditization - although the average screen size has increased in the US and China
- Rapid growth of the smartphone and tablet markets, accompanied by an accelerated fusion of AV, home appliance, auto vehicle, and Internet products
- Developed countries are mature, but emerging countries are tentatively expected to grow
- TV and BD recorder markets in Japan have shrunk drastically year-over-year

2. FY2012 Operating Results (April 2012 to March 2013)

(100 million yen)

	Original Forecast	Revised Projection (November 2, 2012)	Results
Net Sales	2,290	2,050	1,920
Operating Income	40	(25)	(52)
Margin	1.7%	(1.2%)	(2.7%)
Average USD-JPY Exchange Rate	80.00	78.48	83.32

Summary

Minus Factor

- FY2012 was a challenging year in terms of sales and profits

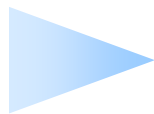
Plus Factor

- The preliminary foundation has been laid for a more successful FY2014 and FY2015

2. Summary of FY2012 Operating Results (April 2012 to March 2013)

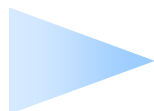


Display Segment (LCD TVs)



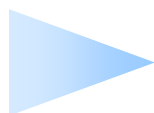
Net Sales : Less than projected (90%)
 Operating Income: Net loss and profit deterioration due to lower utilization rates and panel price increases in the second half

Digital Media Segment (DVDs, Blu-ray Discs, Home Theaters)



Net Sales : More than projected (110%)
 Operating Income: Approx. break even profit in the second half

Office Solutions Segment (Laser/Ink-Jet Printers)



Net Sales : More than projected (114%)
 Operating Income: Net loss due to R&D cost increases for the original printer development

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3. FY2013 Forecast (April 2013 to March 2014)



(100 million yen)

	FY2011 Results	FY2012 Results	FY2013 Projection
Net Sales	2,461	1,920	2,020
Operating Income	4	(52)	2
Margin	0.2%	(2.7%)	0.1%
Average USD-JPY Exchange Rate	78.81	83.32	96.00

Strategic Initiatives

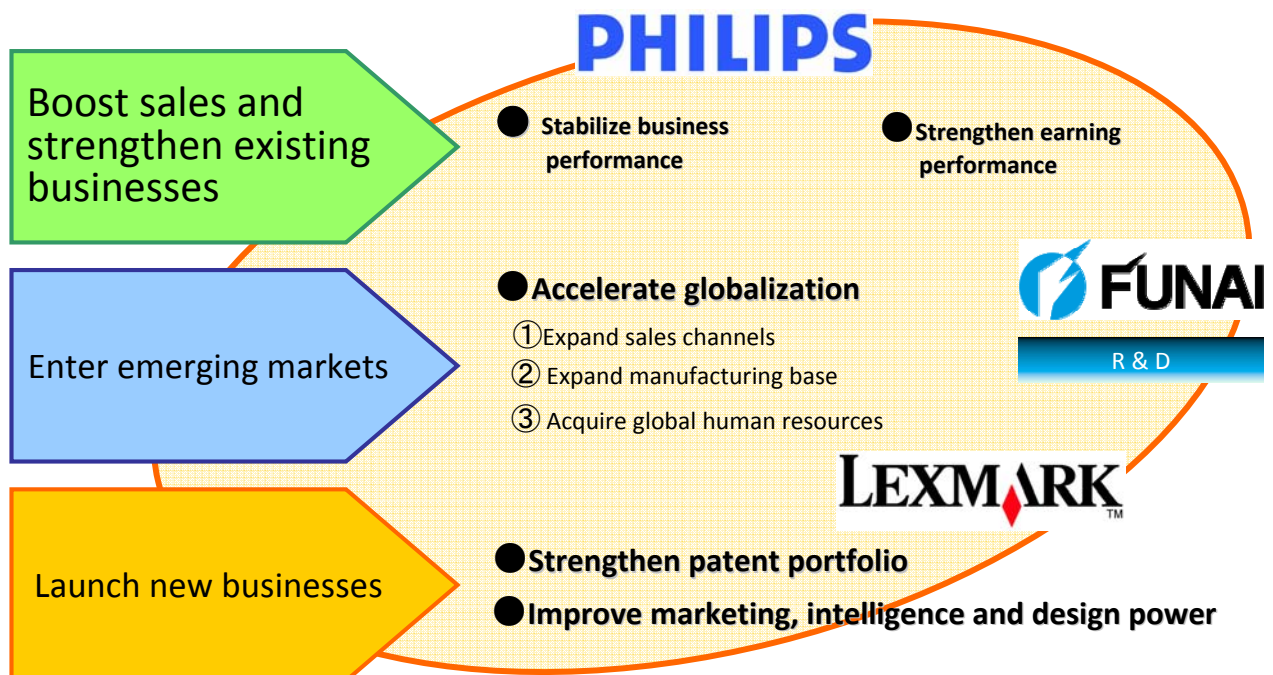
- Reinforce existing businesses
- Transfer and manage the acquired PHILIPS and LEXMARK businesses
- Start production at the Thailand (2nd) and new Philippines factories

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- a. Improve profit ratios and strengthen the competitive power of the existing businesses
- b. Deploy newly acquired businesses
- c. Quickly create business for newly developed products

Creating synergies and growth strategies through business acquisitions







New businesses and assets acquired from PHILIPS and LEXMARK




PHILIPS

Acquired the Lifestyle Entertainment business

Peripherals for Smartphones, Wireless Audio Products



Traditional Audio Products, Other



LEXMARK

Inkjet-related technology and assets

Inkjet Printers (Mid-range)

Inkjet Printers (High-End)

} Plus
Ink Cartridges

Expanding business with diversity, through active growth strategies



II . Outline of Operating Results

1. Summary of 4th Quarter (Jan.-Mar.)
2. Summary of Fiscal 2012 ending March 2013
3. Breakdown of Sales by Equipment
4. Sales of DVD related Equipment
5. Sales of Television related Equipment
6. Geographic Breakdown of Sales
7. Factor of Changes of Operating Income
8. Financial Conditions
9. Changes of Inventories
10. Projection of Fiscal 2013 ending March 2014
11. Projection of Sales by Equipment in Fiscal 2013 ending March 2014
12. Projection of Sales by Geography in Fiscal 2013 ending March 2014
13. Capital Expenditures, Depreciation Expense and R&D Expenditures

1. Summary of 4th Quarter (Jan.-Mar.)

(100 million yen)

	FY 2011	FY 2012	Y / Y
Net Sales	427	450	+23 (+5.4%)
Operating Income	-24	-34	-10
(M a r g i n)	(-5.8%)	(-7.6%)	+30 (※1) +18 (※3)
Ordinary Income	-12	-4	+8
(M a r g i n)	(-2.9%)	(-1.1%)	-58 (※2) -60 (※4)
Net Income after tax	-10	-62	-52
(M a r g i n)	(-2.4%)	(-13.9%)	

Average USD-JPY Exchange Rate	79. ⁷⁵	92. ⁵⁶
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(※1) interest received +1, forex gain +29	(※3) forex gain and loss +17, other +1
(※2) extraordinary loss -8, income taxes -50	(※4) increase of extraordinary loss -5, increase of income taxes -55

Month End Exchange Rate	11/12	12/3	12/12	13/3
(USD/JPY)	77. ⁷⁴	82. ¹⁹	86. ⁵⁸	94. ⁰⁵

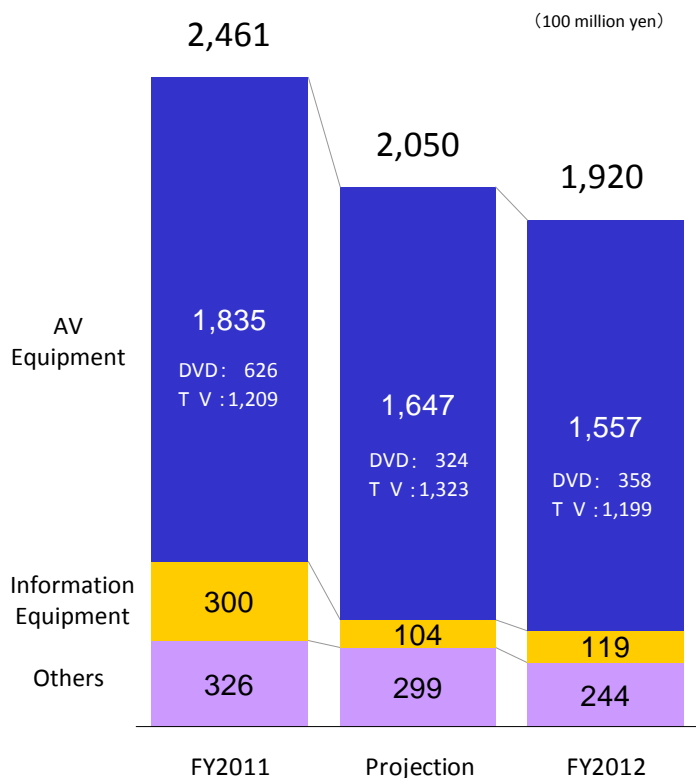
2. Summary of Fiscal 2012 ending March 2013

(100 million yen)

	FY2011	Projection	FY2012	Y/Y (Actual base)	Y/Y (Projection base)
Net Sales	2,461	2,050	1,920	-541 (-22.0%)	-130 (93.7%)
Operating Income (M a r g i n)	4 (0.2%)	-25 (-1.2%)	-52 (-2.7%)	-56 +49 (※1)	-27 +52 (※3)
Ordinary Income (M a r g i n)	1 (0.1%)	-41 (-2.0%)	-3 (-0.2%)	-4 -82 (※2)	+38 -35 (※4)
Net Income after tax (M a r g i n)	-46 (-1.9%)	-58 (-2.8%)	-85 (-4.5%)	-39	-27 -65 (※6)
Average USD-JPY Exchange Rate	78. ⁸¹	78. ⁴⁸	83. ³²		
<p>(※1) interest received +3, interest expense -1, forex gain +47 (※2) extraordinary gain +4, extraordinary loss -26, income taxes -51, income taxes for prior periods -9 (※3) increase of interest received +1, forex gain and loss +51 (※4) increase of extraordinary gain +4, increase of extraordinary loss -19, increase of income taxes -20 (※5) increase of interest received +1, forex gain and loss +64 (※6) increase of extraordinary gain +4, increase of extraordinary loss -8, increase of income taxes -52, increase of income taxes for prior periods -9</p>					
Month End Exchange Rate (USD/JPY)	12/3 82. ¹⁹	13/3 94. ⁰⁵			

3. Breakdown of Sales by Equipment

(100 million yen)

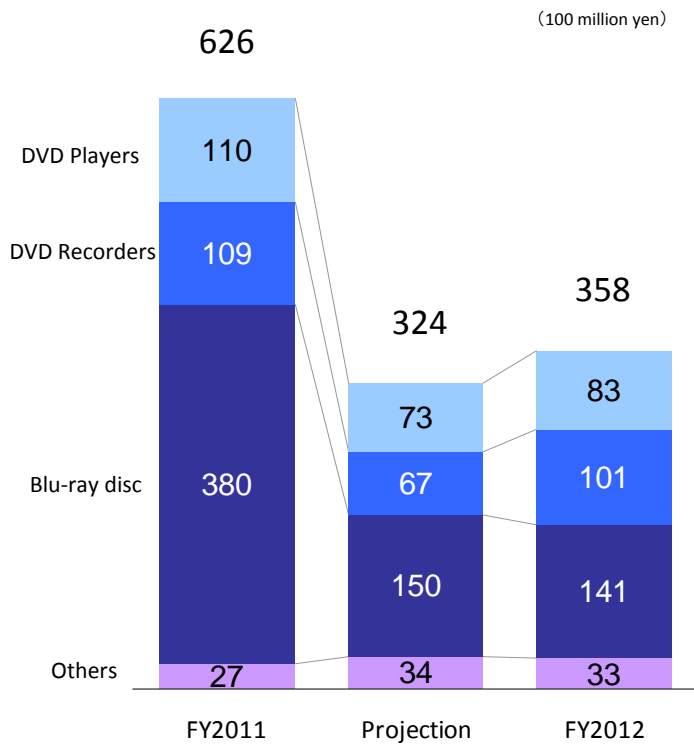


Y / Y (Actual base)	
AV Equipment	: -278 (-15.2%)
DVD Equip.	: -268 (-42.8%)
TV Equip.	: -10 (-0.8%)
Information Equipment	: -181 (-60.1%)
Others	: -82 (-25.3%)
Total	: -541 (-22.0%)

Y / Y (Projection base)	
AV Equipment	: -90 (94.5%)
DVD Equip.	: +34 (110.5%)
TV Equip.	: -124 (90.6%)
Information Equipment	: +15 (114.4%)
Others	: -55 (81.6%)
Total	: -130 (93.7%)

4. Sales of DVD related Equipment

(100 million yen)

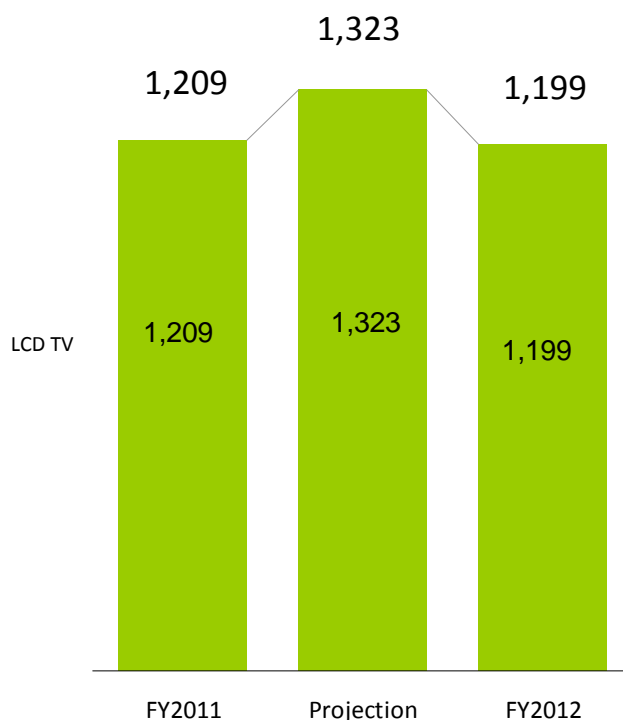


Y / Y (Actual base)	
• Blu-ray Disc(BD) Players sales increased, but BD Recorders sales significant decreased due to slow demand in Japan	
DVD Players	: - 27 (-24.5%)
DVD Recorders	: - 8 (- 7.3%)
Blu-ray disc	: -239 (-62.9%)
Others	: + 6 (+22.2%)
Total	: -268 (-42.8%)

Y / Y (Projection base)	
• Favorable sales for DVD players and recorders	
DVD Players	: + 10 (113.7%)
DVD Recorders	: + 34 (150.7%)
Blu-ray disc	: - 9 (94.0%)
Others	: - 1 (97.1%)
Total	: + 34 (110.5%)

5. Sales of Television related Equipment

(100 million yen)

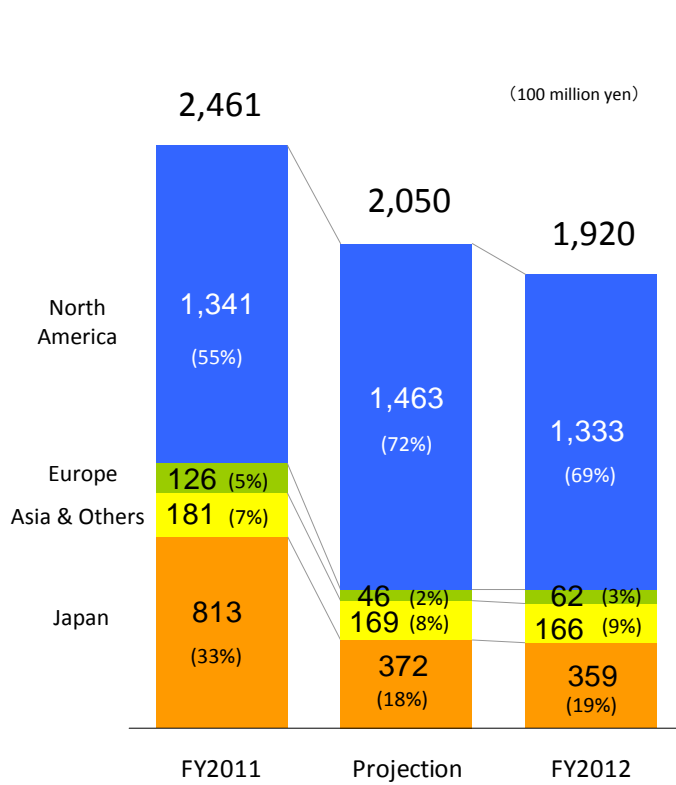


(100 million yen)

Y / Y (Actual base)	
• Totally increased despite Japan decreased, but increased sales on Mexico	
• Flat on North America	
LCD TV	: - 10 (- 0.8%)

Y / Y (Projection base)	
• Less than projected for North America	
LCD TV	: - 124 (90.6%)

6. Geographic Breakdown of Sales



(100 million yen)
Y / Y (Actual base)

North America

• PHILIPS Accessory sales contributed, but fell both of DVD /Office Information related products

Japan

• BD Recorders, LCD TVs, Antenna and Related Devices were all decreased

North America : - 8 (- 0.6%)

Europe : - 64 (-50.8%)

Asia & Others : - 15 (- 8.3%)

Japan : -454 (-55.9%)

Total : -541 (-22.0%)

Y / Y (Projection base)

North America

• Less than projected on LCD TVs

North America : -130 (91.1%)

Europe : + 16 (134.8%)

Asia & Others : - 3 (98.2%)

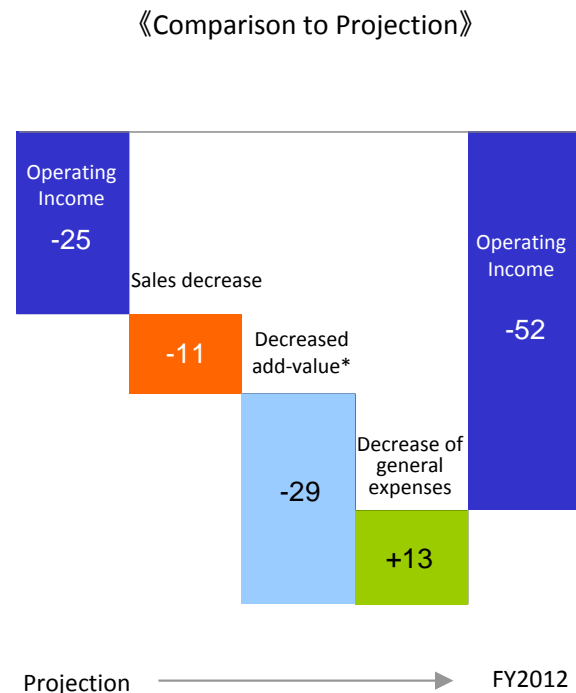
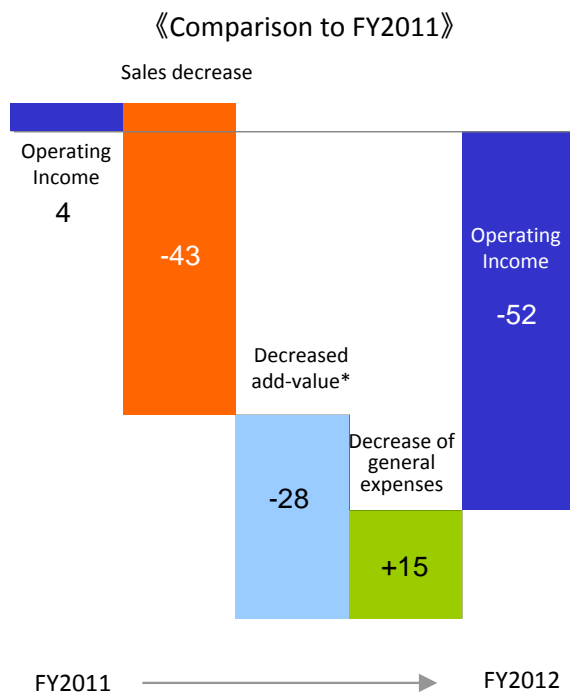
Japan : - 13 (96.5%)

Total : -130 (93.7%)

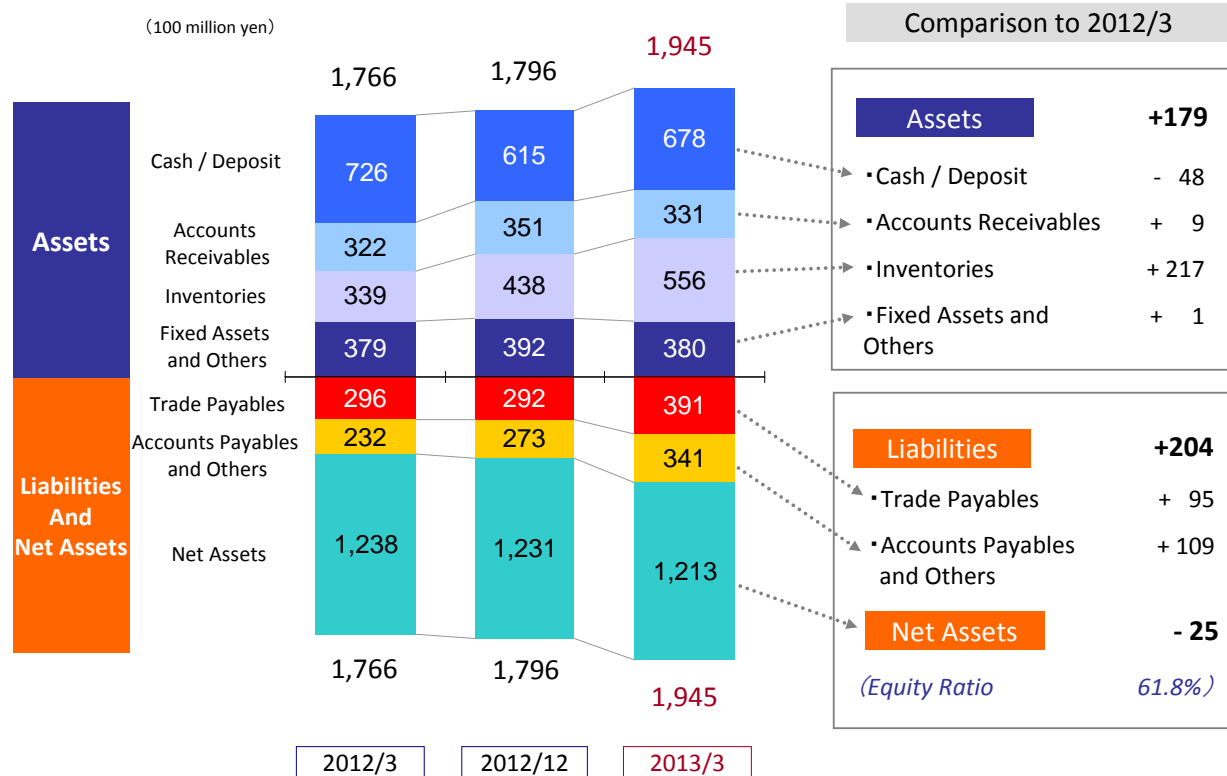
7. Factor of Changes of Operating Income

* Add-value=Sales – (Cost of sales + selling expenses)

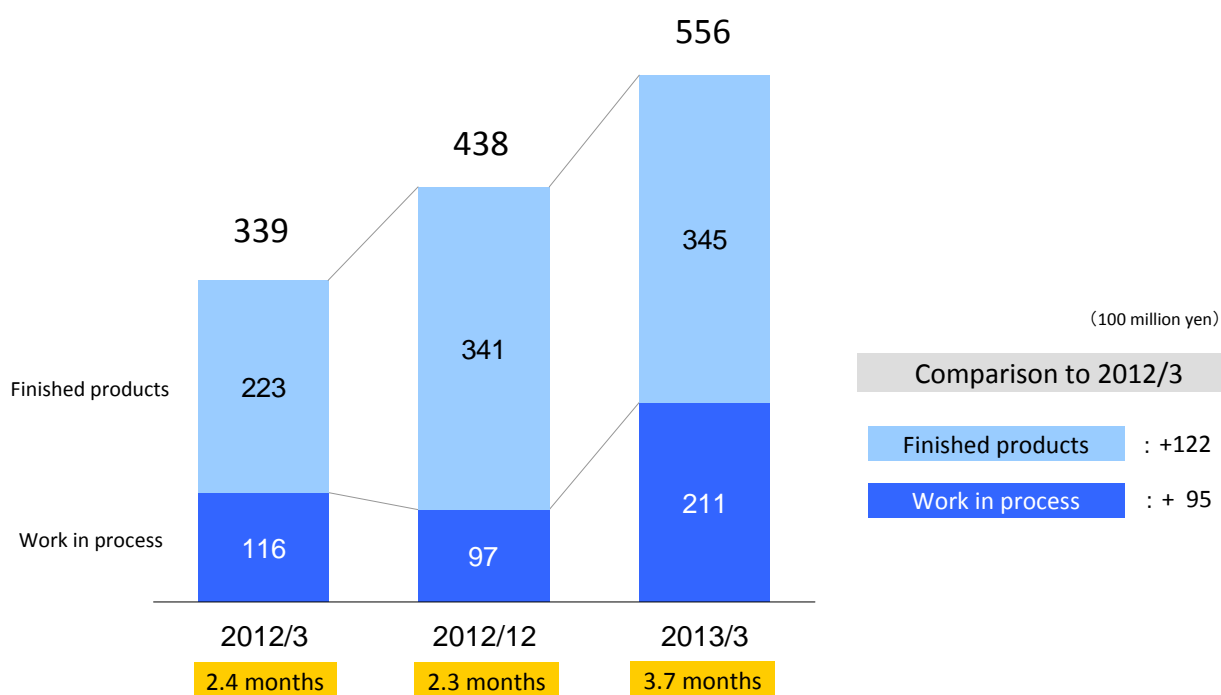
(100 million yen)



8. Financial Conditions



9. Changes of Inventories



<Inventories Turnover>

10. Projection of Fiscal 2013 ending March 2014



(100 million yen)

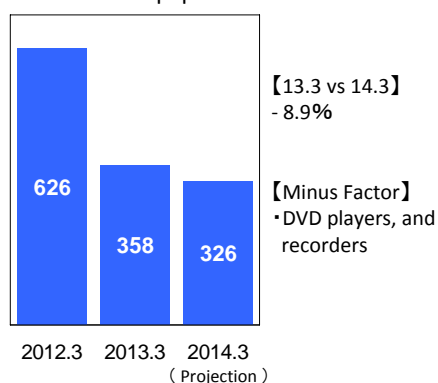
	FY 2012			FY 2013 (Projection)			Y / Y		
	1H	2H	12 months	1H	2H	12 months	1H	2H	12 months
Net Sales	890	1,029	1,920	960	1,060	2,020	+70 (+7.9%)	+31 (+3.0%)	+100 (+5.2%)
Operating Income (margin)	-14 (-1.6%)	-38 (-3.7%)	-52 (-2.7%)	0 (0.0%)	2 (0.2%)	2 (0.1%)	+14	+40	+54
Ordinary Income (margin)	-30 (-3.4%)	27 (2.6%)	-3 (-0.2%)	3 (0.3%)	2 (0.2%)	5 (0.2%)	+33	-25	+8
Net Income after tax (margin)	-29 (-3.4%)	-55 (-5.4%)	-85 (-4.5%)	0 (0.0%)	1 (0.1%)	1 (0.0%)	+29	+56	+86
Average USD-JPY Exchange Rate	78. ⁹⁶	87. ⁶⁷	83. ³²	96. ⁰⁰					

11. Projection of Sales by Equipment in Fiscal 2013 ending March 2014

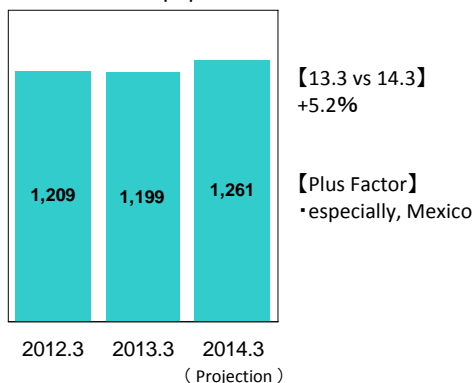


(100 million yen)

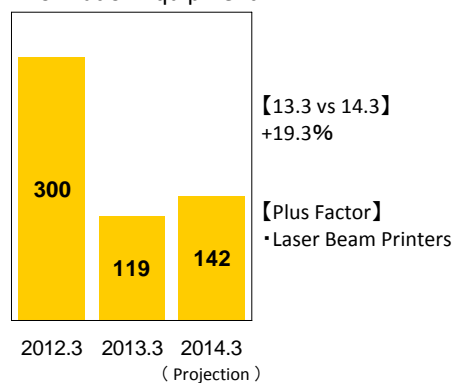
DVD related Equipment



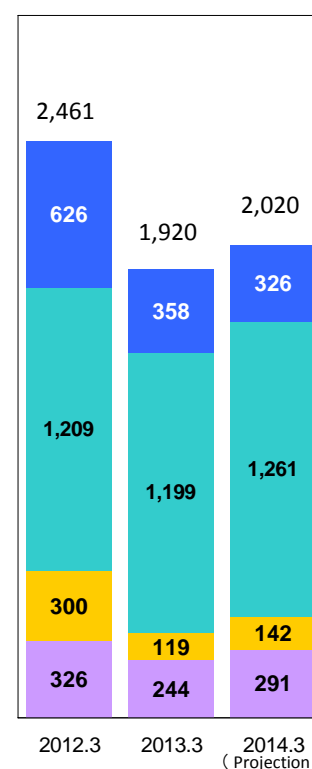
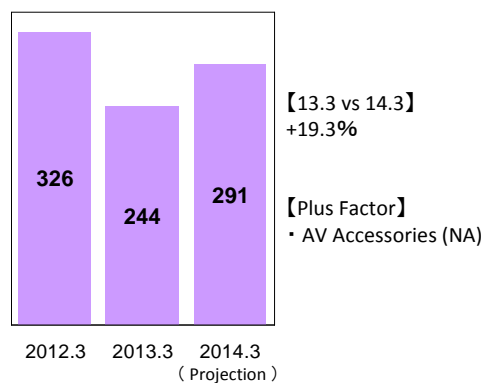
TV related Equipment



Information Equipment

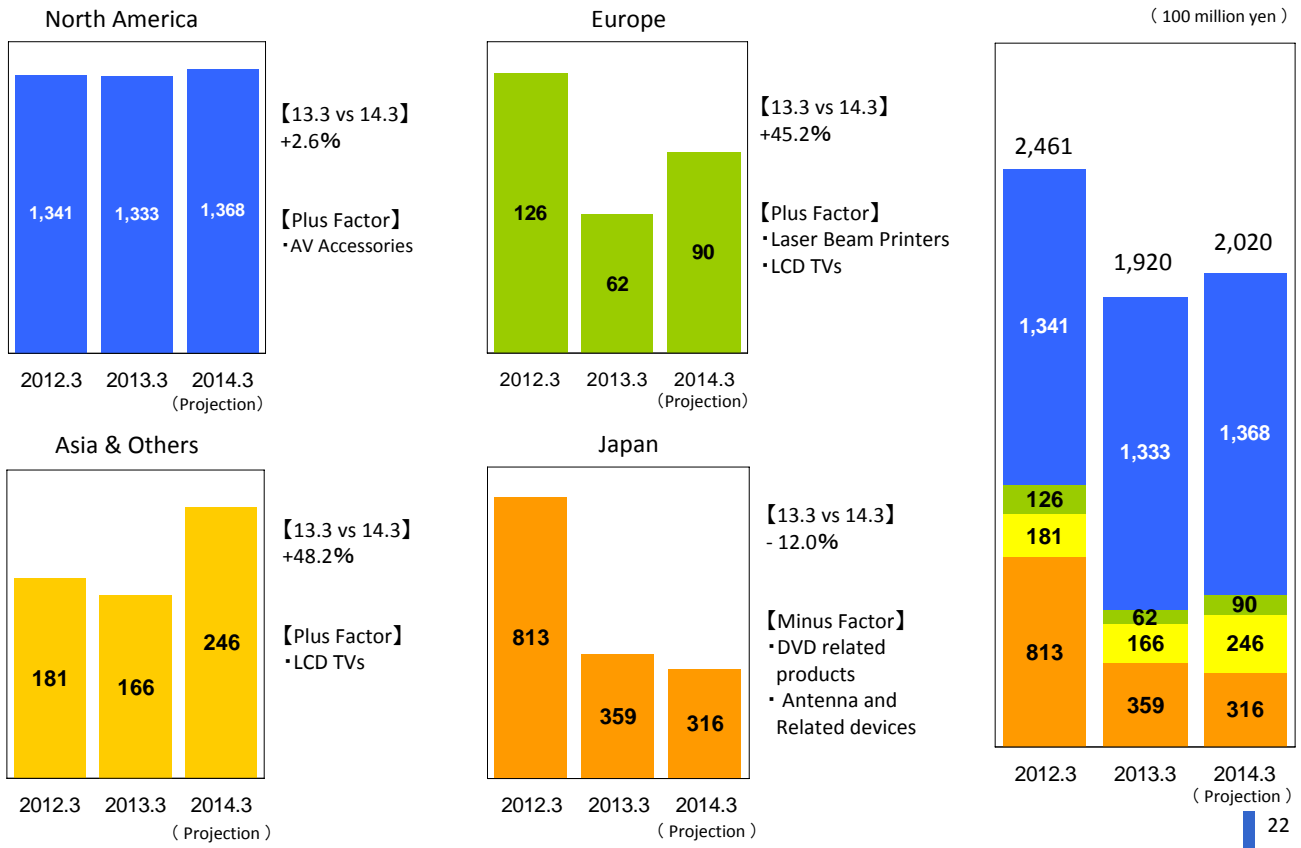


Others



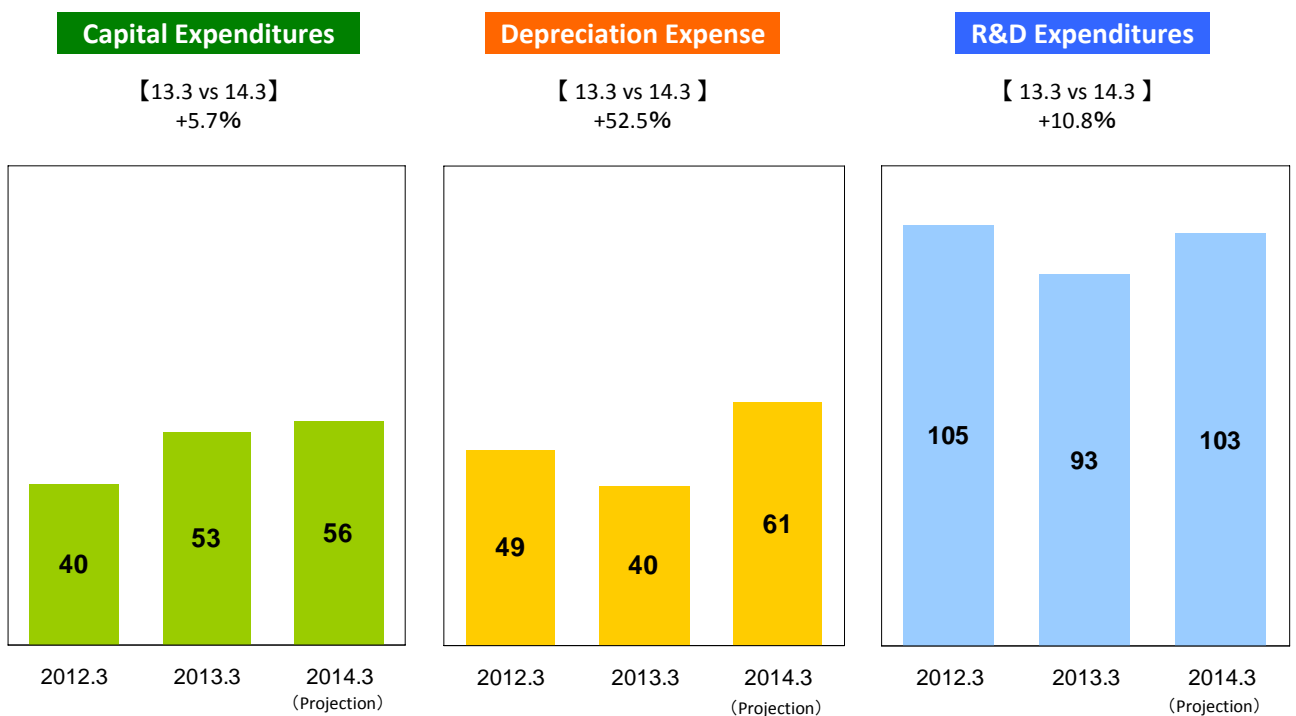
12. Projection of Sales by Geography in Fiscal 2013 ending March 2014

(100 million yen)



13. Capital Expenditures, Depreciation Expense and R&D Expenditures

(100 million yen)

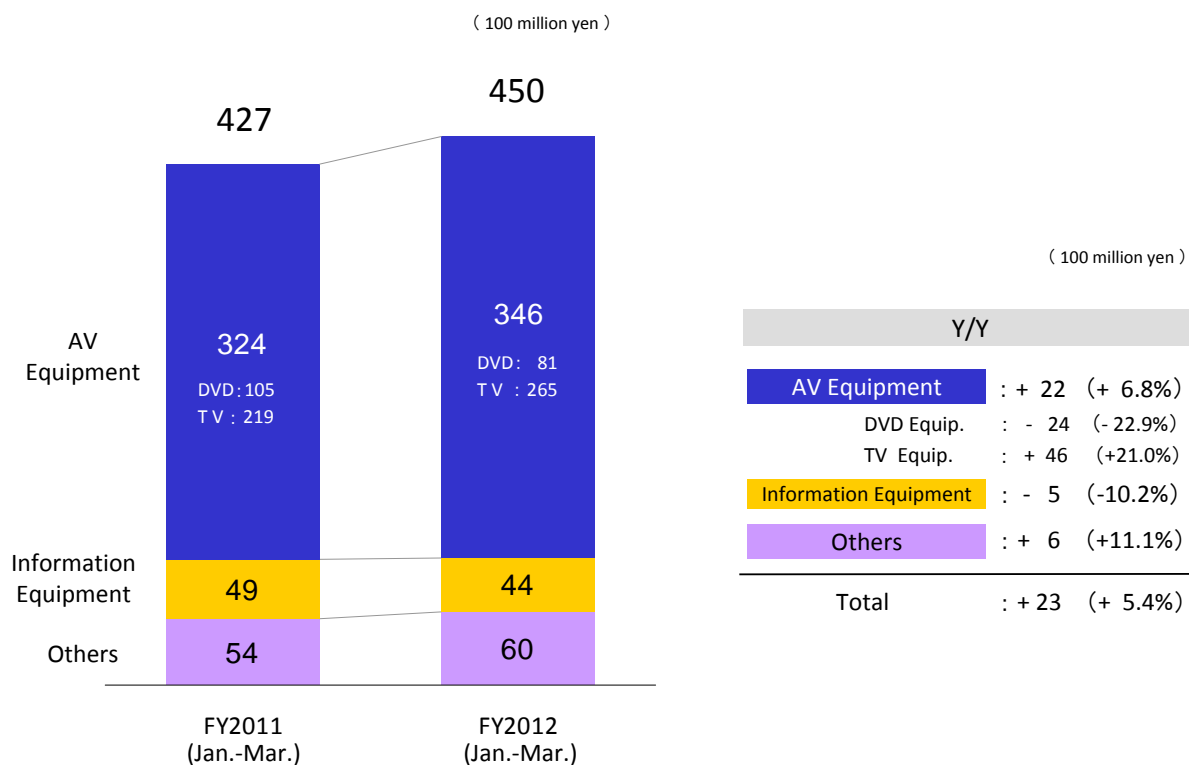


III. Appendix ①

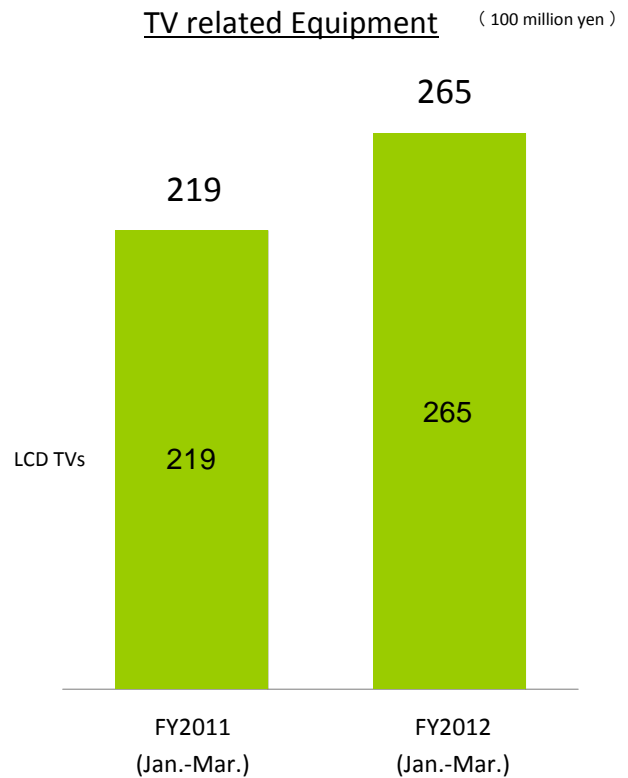
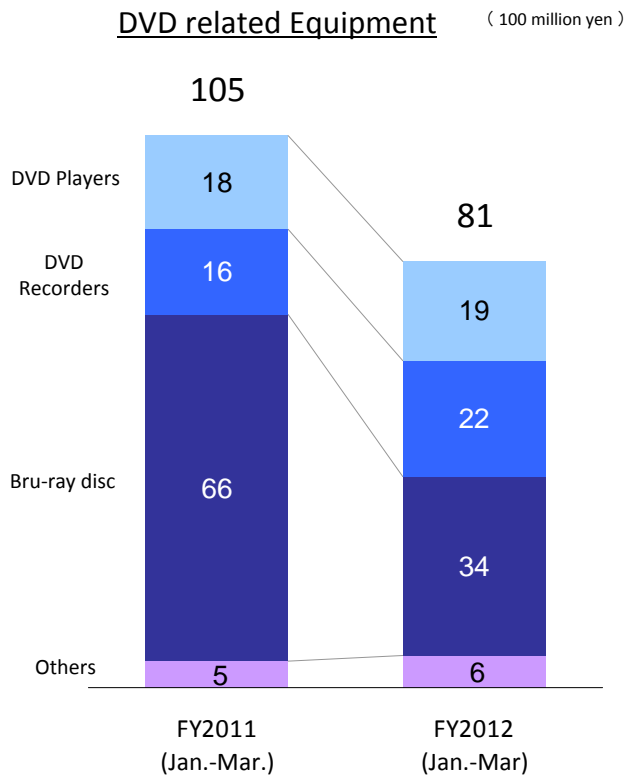
< Summary of Operating Results (2013 Jan. – Mar.) >

1. Sales by Equipment
2. Sales of AV Equipment
3. Sales by Geography

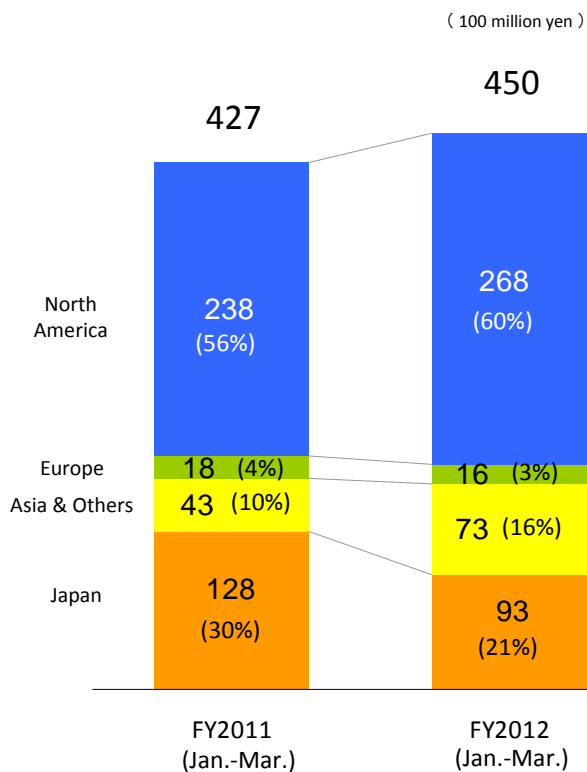
1. Sales by Equipment



2. Sales of AV Equipment



3. Sales by Geography



(100 million yen)

Y/Y	
North America	: + 30 (+12.6%)
Europe	: - 2 (-11.1%)
Asia & Others	: + 30 (+69.8%)
Japan	: - 35 (-27.3%)
Total	: + 23 (+ 5.4%)

IV. Appendix②

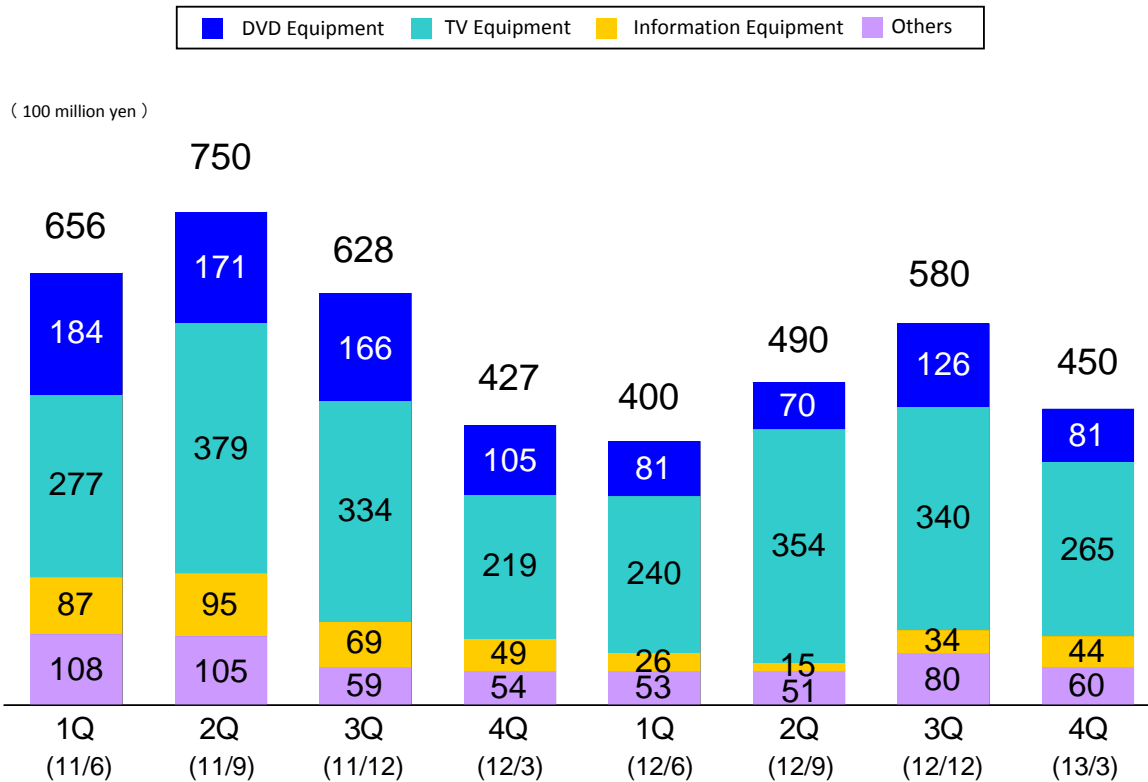
1. Quarterly Operating Summary of FY 2011 / 2012
2. Quarterly Changes of Sales Amount by Equipment
3. Quarterly Changes of Sales Amount by Geography

1. Quarterly Operating Summary of FY 2011 / 2012

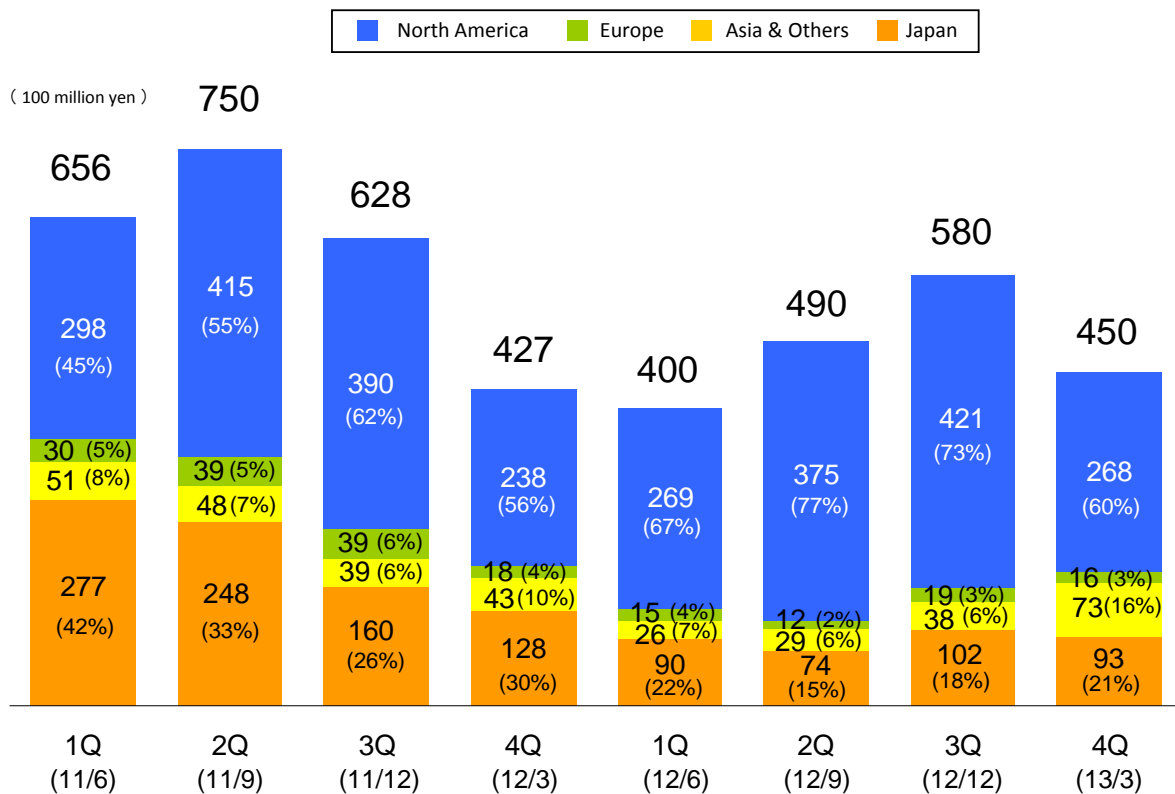
(100 million yen)

	FY2011				FY2012			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net Sales	656	750	628	427	400	490	580	450
Operating Income	3	17	8	-24	-9	-5	-3	-34
(margin)	(0.5%)	(2.4%)	(1.3%)	(-5.8%)	(-2.4%)	(-1.0%)	(-0.7%)	(-7.6%)
Ordinary Income	0	4	8	-12	-20	-10	32	-4
(margin)	(0.1%)	(0.6%)	(1.4%)	(-2.9%)	(-5.1%)	(-2.0%)	(5.5%)	(-1.1%)
Net Income after tax	-23	-6	-5	-10	-18	-11	6	-62
(margin)	(-3.6%)	(-0.9%)	(-1.0%)	(-2.4%)	(-4.6%)	(-2.3%)	(1.2%)	(-13.9%)

2. Quarterly Changes of Sales Amount by Equipment



3. Quarterly Changes of Sales Amount by Geography



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