

FY 2013 FIRST QUARTER IN CUMULATIVE FINANCIAL REPORT

(From April 1, 2013)
To June 30, 2013)



FUNAI ELECTRIC CO., LTD.

First Quarter (April-June) Consolidated Financial Summary
for the Period Ending March 2014

(Million yen)

	Previous Year First Quarter 〔 From April 1, 2012 to June 30, 2012 〕		Current Year First Quarter 〔 From April 1, 2013 to June 30, 2013 〕		Rate of increase or decrease
	Amount	%	Amount	%	
Net Sales	40,020	100.0	50,520	100.0	26.2
Operating Loss	(947)	(2.4)	(1,715)	(3.4)	—
Ordinary Income (Loss)	(2,060)	(5.1)	113	0.2	—
Net Income (Loss) before Taxes and Other Adjustments	(2,130)	(5.3)	51	0.1	—
Net Loss after Tax	(1,848)	(4.6)	(18)	(0.0)	—
Net Loss per Share	(54.17)		(0.54)		

Notes: Includes 20 consolidated subsidiaries, 1 non-consolidated subsidiary of equity method, 1 affiliated company of equity method.



Financial Report for the 3-Month Period ended June 30, 2013

August 5, 2013

Listed company name: Funai Electric Co., Ltd.

Securities Code: 6839 Tokyo Stock Exchange
and Osaka Securities Exchange, First Section(URL <http://www.funai.jp/>)

Representative: President and CEO

Tomonori Hayashi

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Scheduled date of Quarterly Report; August 8, 2013

Scheduled date of Commencement of Annual Dividend Payment; —

Quarterly Financial Results Supplementation: Yes

Quarterly Financial Results Seminar: Yes

1. First Quarter Consolidated Results for the Period Ending March 2014 (April 1, 2013 – June 30, 2013)

(1) Operating Results (Consolidated)

(% denotes year on year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1 st Quarter FY2013	50,520	26.2	(1,715)	—	113	—	(18)	—
1 st Quarter FY2012	40,020	(39.0)	(947)	—	(2,060)	—	(1,848)	—

(Reference) Comprehensive Income 1st Quarter FY 2013 ended June 30, 2013 2,447 million yen (—%)
1st Quarter FY 2012 ended June 30, 2012 (3,790) million yen (—%)

	Net Income Per Share	Net Income Per Share on a Fully Diluted Basis
	Yen	Yen
1 st Quarter FY2013	(0.54)	—
1 st Quarter FY2012	(54.17)	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	Million yen	Million yen	%	Yen
1 st Quarter FY2013	197,814	122,470	61.3	3,556.38
Fiscal Year 2012	194,524	121,398	61.7	3,520.11

(Reference) Equity 1st Quarter FY 2013 ended June 30, 2013 121,340 million yen
Fiscal Year 2012 ended March 31, 2013 120,103 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 2012	—	0.00	—	35.00	35.00
Fiscal Year 2013	—				
Fiscal Year 2013 (Projection)		—	—	—	—

(Note) Revision of Annual Dividends Forecast in this 1st Quarter: No

The dividend for FY 2013 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 2014 (April 1, 2013 - March 31, 2014)
 (% denotes year on year)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income Per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ending Sep.30.2013	96,000	7.8	20	—	300	—	10	—	0.29
Full Year	202,000	5.2	200	—	500	—	100	—	2.93

(Note) Revision of Forecast of Consolidated Results for the six month period or the Full Year in this 1st Quarter: No

*Note

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

New Subsidiary : Funai Electric Cebu, Inc.

(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: No

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 June 30, 2013; 36,130,796 shares
 as of March 31, 2013; 36,130,796 shares

2. Number of shares of treasury stock as of June 30, 2013; 2,011,615 shares
 as of March 31, 2013; 2,011,615 shares

3. The Average number of outstanding shares on June 30, 2013; 34,119,181 shares
 on June 30, 2012; 34,114,189 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 quarter of the current fiscal term, the economy of the United States, which is the Funai Group's principal market, almost overall continued to grow mode, despite the housing market slow at the quarter end, but gradually as it benefited from improvements job situation and a recovery in personal consumption. The European economy remained sluggish increasing in length, as the European Central Bank's responses to the debt crisis failed to dispel concerns entirely. Economic performance in China is also showed turning slow due to being actualized the financial risks and decreased of goods export. In Japan, the economic outlook has brightened as the prospect of monetary accommodation has prompted corrections to yen appreciation and bolstered sharp stock prices rising. Within the consumer electronics industry, under these difficult conditions, global shipments of LCD TVs still slow due to mainly slump in Europe and Japan, moreover, China is starting slow due to ended subsidies for promoting energy efficiency at end-May, and a new system has not been put in place, while demand for smartphones and tablet devices has grown sharply, in a changing role of the products that are driving the market. As a result of the above factors, the Funai Group posted net sales of JPY 50,520 million, a 26.2% increase compared with the same period last year.

On the profit front, operating loss was JPY 1,715 million (the operating loss for the same period last year was JPY 947 million); ordinary income was JPY 113 million (the ordinary loss for the same period last year was JPY 2,060 million); and a net loss of JPY 18 million (the net loss for the same period last year was JPY 1,848 million).

Segment conditions by location were as follows:

i) Japan

Sales of antennas and related devices remain stagnant, but sales of information equipment recorded increases in revenues due to printer order increase. In addition, sales of DVD-related equipment increased.

As a result, net sales were JPY 14,599 million, an increase of 14.6% year on year. Our segment loss (operating loss) was JPY 1,322 million (the operating loss for this segment for the same period last year was JPY 39 million).

ii) North America

Revenues for LCD TVs increased year on year due to strong sales competitively priced products at a major mass retailer in addition to expansion of sales in Mexican market. Additionally, the Philips branded audio and accessories products that started selling on September 2012 contributed to the sales, and DVD-related equipment also increased as the result of healthy sales of Blu-ray Disc players.

As a result, net sales amounting to JPY 34,413 million, an increase of 32.1% year on year. Our segment profit (operating profit) was JPY 102 million (the operating loss for this segment for the same period last year was JPY 130 million).

iii) Asia

Net sales came to JPY 886 million, an increase of 161.1% year on year. Our segment loss (operating loss) was JPY 530 million (the operating loss for this segment for the same period last year was JPY 239 million).

iv) Europe

Sales of LCD TVs and DVD-related products declined due to sluggish market conditions and tough competition.

As a result, net sales down 30.1% year on year, to JPY 621 million, and an segment loss (operating loss) of JPY 94 million (operating loss for the same period last year was JPY 43 million).

Sales by product segment were as follows:

i) Audiovisual Equipment

In the audiovisual equipment sector, sales of DVD-related equipment increased year on year due to revenue growth of Blu-ray Disc players and recorders. LCD TVs increased revenue because of strong sales in North America and Mexican market

As a result, net sales of this equipment were JPY 37,971 million, an increase of 18.4% year on year.

ii) Information Equipment

In the information equipment sector, a decrease in printer orders resulted in net sales of JPY 4,862 million, an increase of 82.9% year on year.

iii) Other Products

Although sales of antennas and related devices fell, sales of other products that not included in the above categories increased due to contribution of the Philips branded audio accessories products.

As a result, net sales were JPY 7,686 million, an increase of 45.4% year on year.

(2) Qualitative Information Relating to Consolidated Financial Position

Our financial position at the end of first quarter is described below.

Total assets increased by JPY 3,290 million as compared to the end of the previous consolidated fiscal year. This was mainly due to an increase of JPY 6,696 million, JPY 12,739 million and JPY 5,526 million in notes and accounts receivable-trade, raw materials and supplies, tangible fixed asset, and a decrease of JPY 23,787 million in cash and deposits.

Total liabilities increased by JPY 2,218 million as compared to the end of the previous consolidated fiscal year. This was mainly due to the JPY 2,104 million and JPY 1,200 million increases in short-term loans payable, long-term loans payable and decrease of JPY 1,518 million in income taxes payable.

Net assets increased by JPY 1,072 million as compared to the end of the previous consolidated fiscal year. This was mainly due to an increase of JPY 2,351 million in the foreign currency translation adjustment account, and a decreased of JPY 1,212 million in retained earnings.

(3) Qualitative Information Relating to Consolidated Performance Forecasts:

We have not revised its consolidated operating results forecast released on May 7, 2013.

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) Important changes relating to subsidiaries and affiliates during the fiscal term

The newly-established Funai Electric Philippines Inc. has also been included within the scope of consolidation in the first quarter. In addition, we acquired all shares of manufacturing subsidiary where manufactures inkjet printer-related products located in Philippines from Lexmark International, Inc. And the newly-established Funai Electric Cebu, Inc. has also been included within the scope of consolidation.

(2) 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.

(3) Additional Information

About Anti-Tax Haven Law

1. The Funai Group received a rectification notices from the Osaka Regional Taxation Bureau on June 28, 2005, and June 16, 2008. 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, 2002 through 2004, and the three years from March 31, 2005 through 2007, will be considered, and taxed as, our income. We objected to this supplementary tax assessment, and filed petitions seeking a review of the decision with the Osaka Regional Tax Tribunal on July 25, 2006, and August 6, 2008. On July 3, 2008, and July 23, 2009, we received written verdicts on this case from the Administrative Review Office of the Osaka Regional Taxation Bureau, which indicated that our assertions had been dismissed. On November 16, 2006 and November 14, 2008, the Company filed suits in the Osaka District Court to overturn the supplementary tax assessment orders, and a hearing for consolidation of those actions was filed on November 26, 2008. The court dismissed the claims of our Company on June 24, 2011. As the Company is unable to accept the Osaka District Court's judgment, we filed a notice of appeal at the Osaka Superior Court on July 7, 2011. With respect to this action, on July 20, 2012, the court dismissed the claims of the Company. In response to this judgment, the company will promptly examine the contents of the judgment. We intend to appeal this matter with the High Court.
The additional taxes of JPY 16,651 million (JPY 19,184 million including incidental taxes) and JPY 15,038 million (JPY 16,838 million including incidental taxes) include corporate, enterprise and residence taxes. In accordance with the "Accounting Practices, Disclosure and Audit Treatment for Various Taxes" (Japanese Institute of Certified Public Accountants, Auditing and Assurance Practice Committee, Audit Committee Report No. 63) we charged the tax assessments to income as "prior year's taxes" in the fiscal year ended March 31, 2007, and the fiscal year ended March 31, 2009.

2. 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.

3. With regard to the actions The Funai Group filed with the Osaka District Court on June 28, 2005, and June 16, 2008, seeking the rescission of supplementary tax assessments, on June 24, 2011, a decision was reached in which the court dismissed the claims of the Company. Accordingly, we treated this amount as an expense during the fiscal year under review, which is the fiscal year ended March 31, 2012 following the year to which the assessment was applied.

(Takeover of a company by share acquisition)

The Funai Group reached an agreement with Royal Philips (headquarters, the Netherlands; NYSE: PHG; AEX: PHIA, hereinafter, “PHILIPS”) to acquire all shares (hereinafter, the “Transaction”) in the company (hereinafter, the “New Company”) assuming operations (hereinafter, the “Operation”) of PHILIPS’ Lifestyle Entertainment Business (Note) in January 29, 2013.

(Note) The Lifestyle Entertainment Business involves the development and design, sales and (partial) manufacture of the following PHILIPS-brand products.

(Audio Video Multimedia products)

Home Audio, Headphone, Speaker, In-car Audio, Video related products, Portable Audio, Portable Video Player, Home Media Player etc.

(Home Communication products) DECT Phone

(Accessories products) Batteries, Cables/Connectors, Storage Products, Power Solutions, Portable Chargers for Cell-phone, Antennas etc.

The Transaction does not include the acquisition of business related to general-purpose remote control equipment within the Lifestyle Entertainment Business. In addition, as part of the Transaction, it has been agreed that the Optical Video Business will transfer in 2017.

1. Reasons for acquiring the shares

In September 2008, the Funai Group entered into a brand licensing agreement maintaining responsibility for the sourcing, distribution, marketing and sales activities of PHILIPS consumer televisions in the United States and Canada. Following this, in July 2012 the Funai Group entered an agreement with PHILIPS involving the sale in the United States, Canada and Mexico of products that PHILIPS designed and developed through the Operation. We have positioned the “strengthening and expanding existing businesses,” “making forays into new markets” and “developing new businesses” as the three pillars of its growth strategy. To achieve this growth strategy, in addition to reinforcing existing management resources we have searched for growth opportunities through business alliances and M&A activities with other companies such as those outlined above.

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. We 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.

2. Name of counterparty to the share acquisition

Royal Philips

3. Name of the new company (Note)

- i) Name : Not yet determined (Note)
- ii) Location : Not yet determined (Note)
- iii) Name and Position of Representative : Not yet determined (Note)
- iv) Capital : Not yet determined (Note)
- v) Businesses : Development, design, selling, and (partial) involvement in manufacturing of products of the operation

(Note) As the New Company is to be established in the first half of FY 2013, these decisions are not in place at present.

4. Schedule

i) Conclusion of Share Transaction Agreement	January 29, 2013
ii) Expected Date of Share Transfer	Within 2013 (Note)

(Note) The share transfer date is expected to be during 2013, after conforming items related to competition laws in various regions, including most probably the United States, Germany, Ukraine, Russia, Poland, Turkey, and Taiwan.

5. Number of shares acquired, acquisition price and status of held shares before and after acquisition

i) Ratio of the number of shares held to the number of shares issued p r i o r t o t r a n s f e r	0.0% (Ratio of voting rights: — %)
ii) Ratio of the number of shares acquired to the number of shares issued	100%
iii) Acquisition Price	Shares of the New Company's stock JPY 19,500 million (Note 1,2) Advisory fees, etc. (approximate amount) JPY 925 million (Note 1,3) Total (approximate amount) JPY 20,425 million
iv)Ratio of the number of shares held to the number of shares issued a f t e r t r a n s f e r	100.0% (Ratio of voting rights: 100.0%)

(Note 1) These calculations assume an exchange rate of JPY 130 to the euro.

(Note 2) The acquisition price of the New Company's shares is expected to be as indicated above.

However, this figure is expected to be adjusted based on the Operation's cash and deposits, interest-bearing liabilities, tangible fixed assets, working capital as of the share transfer date.

(Note 3) Advisory fees, etc., are approximations. This total includes amounts for the payment of advisory fees for the services of financial advisors, legal advisors, accounting advisors and tax advisors, as well as other costs related to the acquisition of the New Company's shares.

6. Method of procuring funds

Costs for this acquisition are all to be funded through resources on hand.

3. Consolidated Financial Statements

(1).Consolidated Quarterly Balance Sheets

(Units : Million Yen)

	Fiscal year 2012 (As of March 31, 2013)	1st Quarter FY2013 (As of June 30, 2013)
ASSETS;		
Current Assets		
Cash and deposits	67,813	44,026
Notes and accounts receivable-trade	33,193	39,889
Merchandise and finished goods	34,547	32,430
Work in process	2,095	1,623
Raw materials and supplies	18,997	31,737
Other	8,332	8,441
Allowance for doubtful accounts	(178)	(197)
Total current assets	164,802	157,951
Noncurrent assets		
Tangible fixed assets	16,675	22,202
Intangible fixed assets	3,107	7,038
Investment and other assets		
Other	10,131	10,819
Allowance for doubtful accounts	(192)	(196)
Total investments and other assets	9,938	10,623
Total noncurrent assets	29,721	39,863
TOTAL ASSETS	194,524	197,814
LIABILITIES;		
Current Liabilities		
Notes and accounts payable-trade	39,178	38,750
Short-term loans payable	12,981	15,086
Income taxes payable	1,690	172
Provision	1,188	1,443
Other	14,412	14,769
Total current liabilities	69,452	70,222
Noncurrent liabilities		
Long-term loans payable	—	1,200
Provision	2,008	2,240
Other	1,663	1,680
Total noncurrent liabilities	3,672	5,121
TOTAL LIABILITIES	73,125	75,343

(Units : Million Yen)

	Fiscal year 2012 (As of March 31, 2013)	1st Quarter FY2013 (As of June 30, 2013)
NET ASSETS;		
Shareholders' equity		
Capital stock	31,307	31,307
Capital surplus	33,272	33,272
Retained earnings	101,135	99,923
Treasury stock	(24,341)	(24,341)
Total shareholders' equity	141,374	140,162
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	451	549
Foreign currency translation adjustment	(21,722)	(19,370)
Total accumulated other comprehensive income	(21,271)	(18,821)
Subscription right to shares	122	124
Minority interests	1,173	1,005
Total net asset	121,398	122,470
TOTAL LIABILITIES AND NET ASSETS	194,524	197,814

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

(Units : Million Yen)

	1st Quarter FY2012 (from April 1, 2012 to June 30, 2012)	1st Quarter FY2013 (from April 1, 2013 to June 30, 2013)
Net sales	40,020	50,520
Cost of sales	32,936	43,200
Gross profit	7,084	7,320
Selling, general and administrative expenses	8,031	9,035
Operating loss	(947)	(1,715)
Non-operating income		
Interest income	69	47
Dividends income	15	14
Foreign exchange gains	—	1,899
Other	120	30
Total non-operating income	205	1,991
Non-operating expenses		
Interest expenses	21	67
Equity in losses of affiliates	9	23
Foreign exchange losses	1,265	—
Other	21	71
Total non-operating expenses	1,318	162
Ordinary income / loss	(2,060)	113
Extraordinary income		
Gain on disposal of noncurrent assets	1	0
Total extraordinary income	1	0
Extraordinary loss		
Loss on valuation of investment securities	64	60
Other	7	2
Total extraordinary loss	71	63
Income / loss before income taxes	(2,130)	51
Income taxes	(288)	55
Loss before minority interests	(1,842)	(4)
Minority interests in income	6	13
Net loss	(1,848)	(18)

(Consolidated Quartely Statement of Comprehensive Income)

(Units : Million Yen)

	1st Quarter FY2012 (from April 1, 2012 to June 30, 2012)	1st Quarter FY2013 (from April 1, 2013 to June 30, 2013)
Loss before minority interest adjustment	(1,842)	(4)
Other comprehensive Income		
Valuation difference on avaiable-for-sale securities	(70)	100
Foreign currency translation adjustment	(1,892)	2,325
Share of other comprehensive income of associates accounted for using equity method	14	26
Total other comprehensive Income	(1,948)	2,451
Comprehensive income	(3,790)	2,447
(Breakdown)		
Comprehensive income attributable to owners of parent	(3,794)	2,431
Comprehensive income attributable to minority interest:	3	15

(3) Consolidated Quarterly Statements of Income
 (Notes for Continuing Enterprises)
 Not Applicable

(Notes of remarkable changes in Shareholders Equity)
 Not Applicable

(Information by Segment)
 [Segment Information]

I. First Quarter Consolidated Fiscal Period – Year to Date (April 1, 2012 to June 30, 2012)
 Information Regarding Net Sales and Profit/Loss Conditions by Reporting Segment

(Units: Million Yen)

	Japan	N. America	Asia	Europe	Total	Adjustments (Note 1)	Consolidated (Note 2)
Net Sales							
(1) Outside customers	12,743	26,049	339	888	40,020	—	40,020
(2) Inter-segment sales	28,233	0	29,430	0	57,663	(57,663)	—
Total	40,976	26,049	29,770	888	97,683	(57,663)	40,020
Segment Loss	(39)	(130)	(239)	(43)	(452)	(494)	(947)

Note:

1. The negative JPY 494 million adjustment amount under segment loss includes items such as the JPY -0 million relating to the cancellation of inter-segment transactions, JPY -222 million of overall Group expenses that are not apportioned to each reporting segment, and the JPY -272 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 loss has been adjusted to operating loss noted on the first quarter consolidated income statement.

II. First Quarter Consolidated Fiscal Period – Year to Date (April 1, 2013 to June 30, 2013)
 Information Regarding Net Sales and Profit/Loss Conditions by Reporting Segment

(Units: Million Yen)

	Japan	N. America	Asia	Europe	Total	Adjustments (Note 1)	Consolidated (Note 2)
Net Sales							
(1) Outside customers	14,599	34,413	886	621	50,520	—	50,520
(2) Inter-segment sales	27,463	0	33,824	0	61,288	(61,288)	—
Total	42,062	34,413	34,710	621	111,809	(61,288)	50,520
Segment Income (Loss)	(1,322)	102	(530)	(94)	(1,844)	129	(1,715)

Note:

1. JPY 129 million adjustment amount under segment loss includes items such as the JPY 0 million relating to the cancellation of inter-segment transactions, JPY -197 million of overall Group expenses that are not apportioned to each reporting segment, and the JPY 326 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 loss has been adjusted to operating loss noted on the first quarter consolidated income statement.

(Relationships, etc., in the Corporate Combination)

First Quarter of the Fiscal Year Ending March 31, 2014 (April 1, 2013, to June 30, 2013)

Corporate Combination through Acquisition

1. Overview of the Corporate Combination

i) Name of other company and content of acquired businesses

Name of other company Lexmark International, Inc. (hereinafter, "Lexmark")

Content of acquired businesses Inkjet-related technologies and assets, including patent rights

ii) Reason for conducting the corporate combination

As a contract manufacturer, Funai has supplied inkjet hardware to Lexmark since July of 1997. Funai has worked closely with Lexmark for around 16 years in developing printer hardware and has established a strong relationship with Lexmark.

The acquisition of the IJ technology and assets enables Funai to start and grow our own inkjet business, not as a contract manufacturer of printer products (excluding lucrative supplies) any longer, with the inkjet patents, manufacturing facilities and comprehensive R&D capabilities for the products (including supplies) related to inkjet printers, the strong inkjet business platform which Lexmark has established for years. As a result, Funai believes it will be able to expand its business going forward sustainably.

iii) Date of the corporate combination

April 30, 2013

iv) Legal form of the corporate combination

Acquisition of patent rights and development facilities, and acquisition of shares in manufacturing subsidiary

v) Name of company after combination

Funai Electric Cebu, Inc.

vi) Percentage of voting rights acquired : 100%

2. Performance Period of Acquired Business Included in Quarterly Consolidated Income Statement for the Quarterly Fiscal Period under Review

From May 1, 2013 to June 30, 2013

3. Acquisition Cost and Content of Acquired Business

		(million yen)
Consideration for acquisition	Cash	10,036
<u>Expenses directly associated with acquisition</u>	<u>Advisory fees, etc</u>	<u>251</u>
Acquisition cost		10,288

4. Amount of Goodwill Generated, Source of Generation, Amortization Method and Amortization Period

i) Amount of goodwill generated : JPY 1 million

ii) Source of generation

Because the acquisition cost exceeded the net amount of acquired assets and assumed liabilities

iii) Amortization method and amortization period : One-time write-off, as not financially significant

5. Amounts of Assets Received and Liabilities Assumed on the Date of the Corporate Combination and Their Principal Content

	(million yen)
Current asset	544
<u>Noncurrent assets</u>	<u>10,397</u>
<u>Total asset</u>	<u>10,942</u>
Current liability	402
<u>Noncurrent liability</u>	<u>252</u>
<u>Total liability</u>	<u>655</u>

6. Allocation of Acquisition Cost

As the allocation of acquisition costs had not been completed as of the end of the first quarter under review, provisional accounting procedures were employed, based on the reasonable information available as of that date.

FIRST QUARTER IN CUMULATIVE FINANCIAL RESULTS SUPPLEMENTATION

FY 2013

(from 2013.4.1
to 2013.6.30)

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(3) Sales by Equipment in Areas	3



FUNAI ELECTRIC CO., LTD.

1. Summary of 1Q Financial Statements (Consolidated)

(1) Operating Results, Financial Conditions

(Units : 100 million yen, %)

	FY 2012						FY 2013					
	1Q			Full-Year			1Q			Full-Year (Projections)		
	Amount	%	Change	Amount	%	Change	Amount	%	Change	Amount	%	Change
Net Sales	400	100.0	(39.0)	1,920	100.0	(22.0)	505	100.0	26.2	2,020	100.0	5.2
Operating Income (Loss)	(9)	(2.4)	—	(52)	(2.7)	—	(17)	(3.4)	—	2	0.1	—
Ordinary Income (Loss)	(20)	(5.1)	—	(3)	(0.2)	—	1	0.2	—	5	0.2	—
Net Income (Loss) after Tax	(18)	(4.6)	—	(85)	(4.4)	—	(0)	(0.0)	—	1	0.0	—
Total Assets	1,711	—	—	1,945	—	—	1,978	—	—	—	—	—
Net Assets	1,183	—	—	1,213	—	—	1,224	—	—	—	—	—

(※) Yen-Dollars / Exchange rate

(Units : Yen / Dollars)

	FY 2012		FY 2013	
	1Q	Full-Year	1Q	Full-Year (Projections)
Average Rate in each Period		79.80		83.32
			99.23	96.00

(2) Profitability and Per Share Data etc.

	FY 2012		FY 2013	
	1Q	Full-Year	1Q	Full-Year (Projections)
Gross Profit Ratio (%)		17.7		14.9
Operating Income Ratio (%)		(2.4)		(2.7)
Ordinary Income Ratio (%)		(5.1)		(0.2)
Shareholders' Equity Ratio (%)		68.5		61.7
Net Assets Per Share (yen)		3,436.82		3,520.11
Net Income Per Share (yen)		(54.17)		(250.38)
Return on Assets (%)		(1.0)		(4.6)
Return on Shareholders' Equity (%)		(1.5)		(7.0)
				(0.0)
				17.1
				0.1
				0.2
				—
				—
				2.93
				—
				—

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

(Units : 100 million yen, %)

	FY 2012				FY 2013			
	1Q		Full-Year		1Q		Full-Year (Projections)	
	Amount	Change	Amount	Change	Amount	Change	Amount	Change
Capital Expenditures	8	(33.3)	53	32.5	72	800.0	118	122.6

	FY 2012						FY 2013					
	1Q			Full-Year			1Q			Full-Year (Projections)		
	Amount	%	Change	Amount	%	Change	Amount	%	Change	Amount	%	Change
Depreciation Expenses	10	2.5	(16.7)	40	2.1	(18.4)	13	2.6	30.0	74	3.7	85.0
R&D	23	5.8	(14.8)	93	4.8	(11.4)	22	4.4	(4.3)	103	5.1	10.8

(4) CashFlow

(Units : 100 million yen)

	FY 2012		FY 2013	
	1Q	Full-Year	1Q	Full-Year (Projections)
Cash flows provided by operating activities	26	(80)	(155)	—
Income Before Income Taxes	(21)	(25)	0	—
Depreciation Expenses	14	52	15	—
Others	33	(107)	(170)	—
Cash flows used in investing activities	52	128	12	—
Free cash flows	78	48	(143)	—
Cash flows provided by financing activities	(23)	51	15	—
Effect of exchange rate changes on cash and cash equivalents	(5)	36	15	—
Net increase in cash and cash equivalents	49	136	(112)	—

2. Operating Activities (Consolidated)

(1) Sales by Equipment

(Units : 100 million yen, %)

	FY 2012						FY 2013					
	1Q			Full-Year			1Q			Full-Year (Projections)		
	Amount	%	Change	Amount	%	Change	Amount	%	Change	Amount	%	Change
Audio Visual Equipment	321	80.2	(30.5)	1,557	81.1	(15.2)	379	75.2	18.4	1,587	78.6	1.9
DVD	38	9.5	(36.7)	184	9.6	(16.0)	43	8.5	13.2	123	6.1	(33.2)
BD	38	9.5	(68.1)	141	7.3	(62.9)	42	8.4	10.5	159	7.9	12.8
LCD TV	240	60.0	(13.4)	1,199	62.5	(0.8)	286	56.7	19.2	1,261	62.4	5.2
Others	5	1.2	—	33	1.7	22.2	8	1.6	60.0	44	2.2	33.3
Information Equipment	26	6.6	(69.4)	119	6.2	(60.1)	49	9.6	82.9	142	7.0	19.3
Others	53	13.2	(50.9)	244	12.7	(25.3)	77	15.2	45.4	291	14.4	19.3
Total	400	100.0	(39.0)	1,920	100.0	(22.0)	505	100.0	26.2	2,020	100.0	5.2

(2) Sales by Areas in Equipment

(Units : 100 million yen, %)

	FY 2012						FY 2013					
	1Q			Full-Year			1Q			Full-Year (Projections)		
	Amount	%	Change	Amount	%	Change	Amount	%	Change	Amount	%	Change
Audio Visual Equipment	321	80.2	(30.5)	1,557	81.1	(15.2)	379	75.2	18.4	1,587	78.6	1.9
North America	258	64.5	(1.9)	1,213	63.2	(0.7)	288	57.1	11.6	1,161	57.5	(4.3)
Europe	14	3.5	(6.7)	43	2.2	(35.8)	8	1.6	(42.9)	54	2.7	25.6
Asia and Others	9	2.2	28.6	117	6.1	172.1	32	6.4	255.6	197	9.7	68.4
Japan	40	10.0	(77.3)	184	9.6	(63.4)	51	10.1	27.5	175	8.7	(4.9)
Information Equipment	26	6.6	(69.4)	119	6.2	(60.1)	49	9.6	82.9	142	7.0	19.3
North America	9	2.3	(67.9)	53	2.8	(48.5)	25	5.0	177.8	69	3.4	30.2
Europe	1	0.3	(93.3)	19	1.0	(67.8)	11	2.1	1,000.0	36	1.8	89.5
Asia and Others	16	4.0	(61.0)	42	2.2	(67.9)	11	2.1	(31.3)	36	1.8	(14.3)
Japan	0	0.0	—	5	0.2	(28.6)	2	0.4	—	1	0.0	(80.0)
Others	53	13.2	(50.9)	244	12.7	(25.3)	77	15.2	45.4	291	14.4	19.3
Total	400	100.0	(39.0)	1,920	100.0	(22.0)	505	100.0	26.2	2,020	100.0	5.2

(3) Sales by Equipment in Areas

(Units : 100 million yen, %)

	FY 2012						FY 2013					
	1Q			Full-Year			1Q			Full-Year (Projections)		
	Amount	%	Change	Amount	%	Change	Amount	%	Change	Amount	%	Change
North America	269	67.4	(9.6)	1,333	69.4	(0.6)	341	67.6	26.6	1,368	67.7	2.6
Audio Visual Equipment	258	64.5	(1.9)	1,213	63.2	(0.7)	288	57.1	11.6	1,161	57.5	(4.3)
Information Equipment	9	2.3	(67.9)	53	2.8	(48.5)	25	5.0	177.8	69	3.4	30.2
Others	2	0.6	(71.4)	67	3.4	318.8	28	5.5	1,300.0	138	6.8	106.0
Europe	15	3.8	(50.4)	62	3.2	(50.8)	19	3.7	24.6	90	4.5	45.2
Audio Visual Equipment	14	3.5	(6.7)	43	2.2	(35.8)	8	1.6	(42.9)	54	2.7	25.6
Information Equipment	1	0.3	(93.3)	19	1.0	(67.8)	11	2.1	1,000.0	36	1.8	89.5
Others	0	0.0	—	0	0.0	—	0	0.0	—	0	0.0	—
Asia and Others	26	6.4	(49.0)	166	8.7	(8.3)	50	10.0	92.3	246	12.2	48.2
Audio Visual Equipment	9	2.2	28.6	117	6.1	172.1	32	6.4	255.6	197	9.7	68.4
Information Equipment	16	4.0	(61.0)	42	2.2	(67.9)	11	2.1	(31.3)	36	1.8	(14.3)
Others	1	0.2	(66.7)	7	0.4	—	7	1.5	600.0	13	0.7	85.7
Japan	90	22.4	(67.6)	359	18.7	(55.9)	95	18.7	5.4	316	15.6	(12.0)
Audio Visual Equipment	40	10.0	(77.3)	184	9.6	(63.4)	51	10.1	27.5	175	8.7	(4.9)
Information Equipment	0	0.0	—	5	0.2	(28.6)	2	0.4	—	1	0.0	(80.0)
Others	50	12.4	(49.0)	170	8.9	(43.9)	42	8.2	(16.0)	140	6.9	(17.6)
Total	400	100.0	(39.0)	1,920	100.0	(22.0)	505	100.0	26.2	2,020	100.0	5.2



FUNAI ELECTRIC CO., LTD.

(Company)

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