



Consolidated Financial Results for the Second Quarter Ended September 30, 2017

November 13, 2017

| | | | | | |
|---|--------------------------|---|---------------------|--|--|
| Listed company name | Funai Electric Co., Ltd. | | | | |
| Stock exchange listing | Tokyo First Section | | | | |
| Securities code | 6839 | URL http://www2.funai.co.jp/en/ | | | |
| Representative | President and CEO | Hideaki Funakoshi | | | |
| Inquiries | General Manager | Makoto Ueshima | TEL: (072) 870-4395 | | |
| Scheduled date of Quarterly Report | November 14, 2017 | | | | |
| Scheduled date of Commencement of Annual Dividend Payment | — | | | | |
| Quarterly Financial Results Supplementation | Yes | | | | |
| Quarterly Financial Results Seminar | Yes | | | | |

1. Consolidated Financial Results for the Second Quarter Ended September 30, 2017 (April 1, 2017 – September 30, 2017)

(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 | % |
| 2 nd Quarter FY2017 | 72,132 | 9.1 | (4,037) | — | (3,649) | — | (13,083) | — |
| 2 nd Quarter FY2016 | 66,104 | (23.6) | (3,606) | — | (7,490) | — | (7,648) | — |

(Reference) Comprehensive Income 2nd Quarter FY 2017 ended September 30, 2017 (13,347) million yen (—%)
 2nd Quarter FY 2016 ended September 30, 2016 (9,866) million yen (—%)

| | Net Income(loss) Per Share | | Net Income(loss) Per Share on a Fully Diluted Basis | |
|--------------------------------|----------------------------|-----|---|-----|
| | Yen | Yen | Yen | Yen |
| 2 nd Quarter FY2017 | (383.48) | — | — | — |
| 2 nd Quarter FY2016 | (224.18) | — | — | — |

(2) Consolidated Financial Position

| | Total Assets | Net Assets | Equity | Equity Ratio |
|--------------------------|--------------|-------------|-------------|--------------|
| | Million yen | Million yen | Million yen | % |
| As of September 30, 2017 | 112,334 | 62,828 | 62,818 | 55.9 |
| As of March 31, 2016 | 108,685 | 76,656 | 76,507 | 70.4 |

2. Dividends

| | Dividend per Share | | | | |
|-----------------------------|-------------------------|-------------------------|-------------------------|----------|--------|
| | 1 st Quarter | 2 nd Quarter | 3 rd Quarter | Year-End | Annual |
| | yen | yen | yen | yen | yen |
| Fiscal Year 2016 | — | 0.00 | — | 10.00 | 10.00 |
| Fiscal Year 2017 | — | — | — | — | — |
| Fiscal Year 2017 (Forecast) | — | — | — | — | — |

(Note) Revision of Annual Dividends Forecast in this 2nd Quarter: No

The dividend for FY 2017 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 disclosure has become possible to public.

3. Consolidated Financial Forecast for the Fiscal 2017 (April 1, 2017 - March 31, 2018)

(% 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 | Yen |
| Full Year | 140,000 | 4.6 | (8,400) | — | (8,000) | — | (17,400) | — | (509.86) | (509.86) |

(Note) Revision to consolidated financial forecast: No

*Note

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

In (Company name: —) Out (Company name: —)

(2) Adoption of special accounting methods of Quarterly consolidated financial statements: Yes

(3) Changes in accounting policies and estimates

1. Changes in accounting policies from revision of accounting standards: No

2. Changes in accounting policies from other reason: No

3. Changes in accounting estimates: No

4. Restatement: No

(4) Number of Shares Outstanding (Ordinary Shares)

| | | |
|--|--------------------------|------------|
| 1. Number of shares outstanding (including treasury stock) | As of September 30, 2017 | 36,130,796 |
| | As of March 31, 2017 | 36,130,796 |
| 2. Number of shares of treasury stock | As of September 30, 2017 | 2,011,765 |
| | As of March 31, 2017 | 2,011,765 |
| 3. The Average number of outstanding shares | On September 30, 2017 | 34,119,031 |
| | On September 30, 2016 | 34,119,109 |

* 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

(1) Consolidated Financial Results

In the second quarter of the consolidated fiscal year ended September 30, 2017, the United States, the Company's main market, saw business sentiment, employment, and personal consumption remain strong, but the outlook for inflation (as measured by the consumer price index) stayed at a low level. In Europe, the economy, mainly domestic demand, continued recovering, supported by monetary easing policy. Meanwhile in China, since main economic indicators including the consumer price index showed a downward trend, the economic slowdown continued. In Japan, the economy maintained a moderate recovery, supported by the recovery of production activity and consumer spending, although the export volume index leveled off.

Under these circumstances, net sales amounted to ¥72,132 million, up 9.1% compared to the same quarter of the last fiscal year. Despite an increase in net sales, the Group posted an operating loss of ¥4,037 million (an operating loss of ¥3,606 million in the same quarter of the last fiscal year), due to high price of components such as memories, as well as price intense competition in Americas.

Ordinary loss amounted to ¥3,649 million (an ordinary loss of ¥7,490 million in the same quarter of the last fiscal year). Quarterly net loss attributable to owners of parent amounted to ¥13,083 million (a quarterly net loss attributable to owners of parent of ¥7,648 million in the same quarter of the last fiscal year).

Results by region

i) Japan

Electronic reception devices decreased due to excluding the DX Antenna Co., Ltd. from the scope of consolidation by transfer of this all shares held by the Company. However, LCD TVs and BD-recorder increased due to good sales. As a result, net sales amounted to ¥20,232 million, up 47.1% year on year, and segment loss (operating loss) amounted to ¥782 million (a segment loss of ¥2,326 million in the same quarter of the last fiscal year).

ii) Americas

LCD TVs and BD-players increased due to good sales. However, DVD related equipment and ink-cartridge decreased. As a result, net sales amounted to ¥51,595 million, down 0.7% year on year, and segment loss amounted to ¥762 million (a segment loss of ¥1,337 million in the same quarter of the last fiscal year).

iii) Asia

Net sales amounted to ¥237 million, up 66.4% year on year due to increase on LCD TVs. Segment loss (operating loss) amounted to ¥2,462 million (a segment profit of ¥148 million in the same quarter of the last fiscal year).

iv) Europe

Ink-jet printers and ink-cartridge decreased. As a result, net sales amounted ¥66 million, down 75.2% year on year, and segment loss (operating loss) amounted to ¥41 million, (a segment loss of ¥9 million in the same quarter of the last fiscal year).

Results by product Segment

i) Audiovisual Equipment

DVD-Player and DVD-recorder decreased. However, LCD TVs and BD-recorder increased due to good sales. As a result net sales amounted to ¥68,521 million, up 19.2% year on year.

ii) Information Equipment

Ink-jet printers and ink-cartridge decreased. As a result, net sales of information equipment amounted to ¥1,880 million, down 11.0% year on year.

iii) Other Products

Electronic reception devices decreased due to excluding the DX Antenna Co., Ltd. from the scope of consolidation by transfer of this all shares held by the Company. As a result, net sales of other products amounted to ¥1,730 million, down 73.5% year on year.

(2) Consolidated Financial Position

Total assets increased by ¥3,649 million compared to the end of the last fiscal year. The primary components of the change were as follows:

- ✓ Increase of ¥9,919 million in merchandise and finished goods, and ¥9,316 million in raw materials and supplies.
- ✓ Decrease of ¥5,882 million in cash and deposits, and ¥4,463 million in property, plant and equipment, and ¥3,225 million in intangible assets, and ¥2,098 million in long-term prepaid expenses included in others in investment and other assets.

Total liabilities increased by ¥17,477 million compared to the end of the last fiscal year. The primary components of the change were as follows:

- ✓ Increase of ¥9,342 million in notes and accounts payable-trade, and ¥5,636 million in short-term loans payable.

Net assets decreased by ¥13,828 million compared to the end of the last fiscal year. The primary components of the change were decrease of ¥13,425 million in retained earnings and ¥323 million in the foreign currency translation adjustment.

(3) Consolidated Financial Forecast

The Group has revised consolidated financial results forecast announced in "FY2016 Financial Report" on May 15, 2017. For details, please refer to the release announced in "Notice on Extraordinary Losses and Revisions to the Consolidated Financial Forecasts for the First Six Months and Full Year" on November 6, 2017.

Note: The above forecasts are based on information currently available to the Group and contain risk and uncertainty. Actual results may differ from these forecasts due to various factors including changes in the economic conditions of overseas markets such as the United States, and significant fluctuations in product prices and foreign exchange.

2. Consolidated Financial Statements and Notes

(1) Consolidated Statement of Financial Position

(Units : Million Yen)

| | Fiscal year 2016 (As of March 31, 2017) | 2nd Quarter FY2017 (As of September 30, 2017) |
|---------------------------------------|--|--|
| ASSETS; | | |
| Current Assets | | |
| Cash and deposits | 40,136 | 34,253 |
| Notes and accounts receivable - trade | 15,571 | 16,454 |
| Merchandise and finished goods | 15,459 | 25,379 |
| Work in process | 1,149 | 953 |
| Raw materials and supplies | 9,644 | 18,960 |
| Other | 4,390 | 4,393 |
| Allowance for doubtful accounts | (847) | (1,131) |
| Total current assets | 85,503 | 99,263 |
| Noncurrent Assets | | |
| Property, plant and equipment | 12,963 | 8,500 |
| Intangible assets | 3,342 | 116 |
| Investments and other assets | | |
| Net defined benefit asset | 1,543 | 1,535 |
| Other | 5,583 | 3,220 |
| Allowance for doubtful accounts | (252) | (302) |
| Total investments and other assets | 6,875 | 4,453 |
| Total noncurrent assets | 23,181 | 13,070 |
| TOTAL ASSETS | 108,685 | 112,334 |
| LIABILITIES; | | |
| Current Liabilities | | |
| Notes and accounts payable - trade | 18,603 | 27,945 |
| Short-term loans payable | - | 5,636 |
| Income taxes payable | 813 | 338 |
| Provision | 491 | 920 |
| Other | 9,667 | 12,247 |
| Total current liabilities | 29,575 | 47,089 |
| Noncurrent Liabilities | | |
| Provision | 1,047 | 1,021 |
| Net defined benefit liability | 15 | 16 |
| Other | 1,391 | 1,378 |
| Total noncurrent liabilities | 2,453 | 2,417 |
| TOTAL LIABILITIES | 32,028 | 49,506 |

| | Fiscal year 2016 (As of March 31, 2017) | 2nd Quarter FY2017 (As of September 30, 2017) |
|---|--|--|
| NET ASSETS; | | |
| Shareholders' equity | | |
| Capital stock | 31,307 | 31,307 |
| Capital surplus | 33,603 | 33,603 |
| Retained earnings | 47,020 | 33,595 |
| Treasury shares | (24,341) | (24,341) |
| Total shareholders' equity | 87,590 | 74,165 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 11 | 18 |
| Foreign currency translation adjustment | (11,206) | (11,529) |
| Remeasurements of defined benefit plans | 111 | 164 |
| Total accumulated other comprehensive income | (11,082) | (11,346) |
| Subscription rights to shares | 149 | 9 |
| Total net asset | 76,656 | 62,828 |
| TOTAL LIABILITIES AND NET ASSETS | 108,685 | 112,334 |

(2) Consolidated Quarterly Statements of Income and Comprehensive Income

(Consolidated Quarterly Statements of Income)

(Units : Million Yen)

| | 2nd Quarter FY2016 | | 2nd Quarter FY2017 | |
|--|--|----|--|-------|
| | (from April 1, 2016 to September 30, 2016) | | (from April 1, 2017 to September 30, 2017) | |
| Net sales | 66,104 | | 72,132 | |
| Cost of sales | 56,109 | | 65,456 | |
| Gross profit | 9,995 | | 6,675 | |
| Selling, general and administrative expenses | 13,601 | | 10,712 | |
| Operating income (loss) | (3,606) | | (4,037) | |
| Non-operating income | | | | |
| Interest income | 102 | | 121 | |
| Dividends income | 16 | | 2 | |
| Foreign exchange gains | - | | 417 | |
| Other | 85 | | 127 | |
| Total non-operating income | 204 | | 669 | |
| Non-operating expenses | | | | |
| Interest expenses | 80 | | 17 | |
| Equity in losses of affiliates | 1 | | - | |
| Foreign exchange losses | 3,868 | | - | |
| Compensation expenses | - | | 225 | |
| Other | 137 | | 38 | |
| Total non-operating expenses | 4,088 | | 281 | |
| Ordinary income (loss) | (7,490) | | (3,649) | |
| Extraordinary income | | | | |
| Gain on sales of non-current assets | 184 | | 6 | |
| Gain on reversal of subscription rights to shares | 0 | | 145 | |
| Other | 45 | | 9 | |
| Total extraordinary income | 230 | | 161 | |
| Extraordinary loss | | | | |
| Loss on disposal of noncurrent assets | 46 | | 11 | |
| Impairment loss | Notes.1 | 59 | Notes.1 | 9,991 |
| Total extraordinary loss | 105 | | 10,002 | |
| Income (loss) before income taxes | (7,364) | | (13,490) | |
| Income taxes | 284 | | (406) | |
| Income (loss) before minority interests | (7,649) | | (13,083) | |
| Minority interests in income (loss) | 0 | | - | |
| Net income (loss) attributable to owners of parent | (7,648) | | (13,083) | |

(Consolidated Quarterly Statement of Comprehensive Income)

(Units : Million Yen)

| | 2nd Quarter FY2016 (from April 1, 2016 to September 30, 2016) | 2nd Quarter FY2017 (from April 1, 2017 to September 30, 2017) |
|--|--|--|
| Income (loss) before minority interest adjustment | (7,649) | (13,083) |
| Other comprehensive Income | | |
| Valuation difference on available-for-sale securities | (31) | 6 |
| Foreign currency translation adjustment | (2,135) | (323) |
| Share of other comprehensive income of entities accounted for using equity method | (24) | - |
| Remeasurements of defined benefit plans, net of tax | (25) | 53 |
| Total other comprehensive Income | (2,216) | (263) |
| Comprehensive income | (9,866) | (13,347) |
| (Comprehensive income attributable to) | | |
| Comprehensive income attributable to owners of parent | (9,855) | (13,347) |
| Comprehensive income attributable to minority interests | (10) | - |

(3) Consolidated quarterly statements of cash flows

(Million Yen)

| | 2nd Quarter FY2016 (from April 1, 2016 to September 30, 2016) | 2nd Quarter FY2017 (from April 1, 2017 to September 30, 2017) |
|---|--|--|
| Cash flows from operating activities | | |
| Income (Loss) before income taxes and minority interests | (7,364) | (13,490) |
| Depreciation | 1,967 | 1,881 |
| Impairment loss | 59 | 9,991 |
| Increase (decrease) in allowance for doubtful accounts | 345 | 324 |
| Increase (decrease) in net defined benefit liability | (16) | 18 |
| Interest and dividend income | (118) | (124) |
| Interest expenses | 80 | 17 |
| Share of (profit) loss of entities accounted for using equity method | 1 | - |
| Loss on retirement of property, plant and equipment | 46 | 5 |
| Loss (gain) on sales of property, plant and equipment | (184) | (6) |
| Loss (gain) on sales of investment securities | (31) | (9) |
| Decrease (increase) in notes and accounts receivable - trade | 4,419 | (720) |
| Decrease (increase) in inventories | 3,609 | (18,647) |
| Increase (decrease) in notes and accounts payable - trade | 3,605 | 9,218 |
| Increase (decrease) in notes and accounts payable - other | (23,506) | 1,321 |
| Other, net | (1,292) | 262 |
| Subtotal | (18,380) | (9,956) |
| Interest and dividend income received | 121 | 116 |
| Interest expenses paid | (80) | (18) |
| Income taxes paid | (36) | (174) |
| Income taxes refund | 49 | 61 |
| Net cash provided by (used in) operating activities | (18,326) | (9,972) |
| Cash flows from investing activities | | |
| Payments into time deposits | (4,399) | (1,350) |
| Proceeds from withdrawal of time deposits | 8,747 | - |
| Purchase of property, plant and equipment | (1,534) | (979) |
| Proceeds from sales of property, plant and equipment | 187 | 18 |
| Purchase of intangible assets | (51) | (298) |
| Purchase of investment securities | (5) | - |
| Proceeds from sales of investment securities | 54 | 316 |
| Other, net | 8 | 38 |
| Net cash provided by (used in) investment activities | 3,006 | (2,255) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | (2,556) | 5,564 |
| Cash dividends paid | (1,023) | (341) |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | (188) | - |
| Other, net | (109) | (122) |
| Net cash provided by (used in) financing activities | (3,876) | 5,100 |
| Effect of exchange rate change on cash and cash equivalents | 3,168 | (153) |
| Net increase (decrease) in cash and cash equivalents | (16,027) | (7,280) |
| Cash and cash equivalents at beginning of period | 47,116 | 38,971 |
| Cash and cash equivalents at end of period | 31,088 | 31,690 |

(4) Consolidated Quarterly Statements of Income

(Notes for Continuing Enterprises)
Not Applicable

(Notes of remarkable changes in Shareholders Equity)
Not Applicable

(Adoption of special accounting methods of Quarterly consolidated financial statements)
[Calculate tax expense]

Tax expenses are calculated by multiplying income before income taxes by a reasonably estimated effective tax rate for income before income taxes after application of deferred tax accounting.

(Additional Information)
[About anti-tax haven law]

The Group received a reassessment notice from the Osaka Regional Taxation Bureau on June 29, 2011. The Bureau determined that our Hong Kong subsidiary does not meet the requirements for exemption under the anti-tax haven rules. In addition, they imposed a tax on us adding up with the Hong Kong subsidiary's income for the three fiscal years ended March 31, 2008 through 2010, which deems as our income.

We objected to this reassessment of income taxes, and filed a request for examination to the Osaka National Tax Tribunal on August 25, 2011. However, we received written verdicts that reject our petition on July 18, 2012. The Group filed a suit for cancellation of reassessment to the Tokyo District Court on January 17, 2013, but on September 28, 2016 a ruling to dismiss our request was made. The Group appealed to the Tokyo High Court on October 12, 2016, because we cannot accept the decision, but we received a ruling to dismiss our request on October 26, 2017. In response to this decision, the Group did not file a final appeal and a petition for accepting the final appeal, so the appeal trial judgment was finalized on November 10, 2017.

The additional tax amount is totally ¥825 million including corporate, enterprise and residence taxes (¥935 million including incidental taxes). We recorded this additional tax as "prior year's taxes" in the fiscal year ended March 31, 2012. Also, the financial impact, when applying this tax rules has been recorded in the fiscal year ended March 31, 2011 when tax investigation was completed.

(Consolidated quarterly statements of income)

*Notes.1 Impairment loss

The Group recorded losses on impairment in the following asset groups for first quarter of this fiscal year.

In principle, the Group groups its business assets on the basis of legal units that strive to maintain an ongoing understanding of income and expenses. The idle assets are grouped by individual asset.

Second Quarter of the last fiscal year (April 1, 2016 to September 30, 2016)

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

Since acquiring the shares of the manufacturing subsidiary (now Funai Electric Cebu, Inc.) from Lexmark International, Inc., the company has undertaken the production of ink cartridges from the company. However, as production ends for some models, the Group reduced the carrying amount to the recoverable value of assets scheduled for retirement, which were previously grouped as assets for business use, and recorded such reduction (59 million yen) as impairment loss.

The recoverable value of the asset is calculated based on the net selling price based on the disposal price.

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

Second Quarter of this fiscal year (April 1, 2017 to September 30, 2017)

| Use | Location | Type | Impairment loss (million yen) |
|-----------------|--|-----------------------------------|----------------------------------|
| Business Assets | Funai Electric Co., Ltd. | Tools, furniture and fixtures | 130 |
| | | Lease assets (fixed) | 4 |
| | | Patent right | 2,451 |
| | | Software | 75 |
| | | Long-term prepaid expenses | 2,918 |
| Business Assets | FUNAI ELECTRIC (H.K.), LTD. | Buildings and structures | 19 |
| | | Machinery, equipment and vehicles | 29 |
| | | Tools, furniture and fixtures | 466 |
| Business Assets | FUNAI (THAILAND) CO., LTD. | Buildings and structures | 566 |
| | | Machinery, equipment and vehicles | 135 |
| | | Tools, furniture and fixtures | 197 |
| | | Land | 56 |
| | | Software | 1 |
| Business Assets | Funai Electric Philippines Inc. | Buildings and structures | 471 |
| | | Machinery, equipment and vehicles | 332 |
| | | Tools, furniture and fixtures | 207 |
| | | Software | 34 |
| Business Assets | Funai Electric Cebu, Inc. | Buildings and structures | 538 |
| | | Machinery, equipment and vehicles | 597 |
| | | Tools, furniture and fixtures | 67 |
| | | Software | 33 |
| Business Assets | FEP REAL ESTATE, INC. | Land | 42 |
| Business Assets | FUNAI CORPORATION, INC. | Buildings and structures | 0 |
| | | Machinery, equipment and vehicles | 2 |
| | | Tools, furniture and fixtures | 1 |
| | | Lease assets (tangible) | 295 |
| Business Assets | Funai Trading Corp. | Buildings and structures | 4 |
| | | Machinery, equipment and vehicles | 27 |
| | | Tools, furniture and fixtures | 33 |
| | | Software | 55 |
| Business Assets | Funai Lexington Technology Corporation | Machinery, equipment and vehicles | 136 |
| | | Tools, furniture and fixtures | 5 |
| | | Software | 3 |
| Business Assets | Funai Manufacturing, S.A. DE C.V. | Buildings and structures | 11 |

| Use | Location | Type | Impairment loss (million yen) |
|-----------------|----------------------------|--------------------------------------|----------------------------------|
| | | Machinery, equipment and vehicles | 4 |
| | | 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 | | | 9,991 |

The Group reduced the carrying amount to the recoverable value of business assets whose profitability has markedly decreased, and recorded such reduction (9,991 million yen) as impairment loss for the Second Quarter of this fiscal year.

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.

(Segment Information)

I. Second Quarter of the last fiscal year (April 1, 2016 to September 30, 2016)
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 | 13,755 | 51,938 | 142 | 268 | 66,104 | - | 66,104 |
| (2) Inter-segment sales | 44,867 | 586 | 45,068 | - | 90,521 | (90,521) | - |
| Total | 58,623 | 52,524 | 45,210 | 268 | 156,626 | (90,521) | 66,104 |
| Segment Income (Loss) | (2,326) | (1,337) | 148 | (9) | (3,525) | (81) | (3,606) |

Note:

- ¥ -81 million adjustment amount under segment income includes items such as ¥ 23 million relating to the cancellation of inter-segment transactions, ¥ -399 million of overall Group expenses that are not apportioned to each reporting segment, and ¥ 294 million adjustment relating to inventory assets. Overall Group expenses are comprised of general administrative expenses that do not belong to a specific reporting segment.
- Segment income has been adjusted to operating income noted on the third quarter consolidated income statement.

II. Second Quarter of this fiscal year (April 1, 2017 to September 30, 2017)
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 | 20,232 | 51,595 | 237 | 66 | 72,132 | - | 72,132 |
| (2) Inter-segment sales | 53,520 | 869 | 63,569 | - | 117,959 | (117,959) | - |
| Total | 73,753 | 52,465 | 63,806 | 66 | 190,092 | (117,959) | 72,132 |
| Segment Income (Loss) | (782) | (762) | (2,462) | (41) | (4,048) | 11 | (4,037) |

Note:

- ¥ 11 million adjustment amount under segment income includes items such as the ¥ 2 million relating to the cancellation of inter-segment transactions, ¥ -395 million of overall Group expenses that are not apportioned to each reporting segment, and the ¥ 404 million adjustments relating to inventory assets. Overall Group expenses are comprised of general administrative expenses that do not belong to a specific reporting segment.
- Segment income has been adjusted to operating income noted on the third quarter consolidated income statement.

3. Others

(Important Information about Going Concern Assumption)

Since the Group recorded a significant operating loss, ordinary loss, net loss attributable to owners of the parent, and negative operating cash flow in the previous consolidated fiscal year and the second quarter of this fiscal year, events or circumstances that cast significant doubt on the going concern assumption exist now.

Since the Group's balance of cash and deposits is sufficient to cover working capital and other requirements for some time, there is no significant concern about fundraising.

Since the Group is formulated "FY2017-FY2019 New policy and strategy" in the previous consolidated fiscal year and already implementing the following countermeasures in stages based on this policy, the Group believes that a resolution of the matter can be achieved.

- ① Display Business (LCD-TV business)
 - Increase sales in the U.S market: Increase sales with existing customers and open up new customers by introducing multiple models for large UHD.
 - Enter the Japanese market: Increase share in the Japanese market through exclusive business with Yamada Denki Co., Ltd.
- ② Digital Media Business (DVD, BD business)
 - Increase sales of UHD-BD players in the U.S market.
 - Enter the Japanese market: Increase share in the Japanese market through exclusive business with Yamada Denki Co., Ltd.
- ③ Office Solution Business (information equipment-related business)
 - Improve profit margin by increasing sales of high value-added printer products.
 - Review the investment in microfluidic control technology.
- ④ New Business
 - Increase sales by developing and launching new products related to health care, medical, and the automotive market.

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