

October 17, 2016

To Whom It May Concern:

Funai Electric Co., Ltd.
 Representative Director
 President and CEO: Tetsuhiro Maeda
 (Code No.: 6839 First Section of TSE)

Notice of the Recording of Non-Operating Expenses and Revisions to the Consolidated Financial Forecasts for the First Six Months and Full Year

Funai Electric Co., Ltd. (“Funai” or the “Company”) hereby announces that it has recorded non-operating expenses in the first quarter ended June 30, 2016, and revised the consolidated financial forecasts for the first six months ended September 30, 2016 as well as the full fiscal year ending March 31, 2017, which were announced on May 16, 2016.

1. Recording of non-operating expenses

¥2,938 million will be recorded as non-operating expenses due to foreign exchange losses that were incurred on the back of the depreciation of the Mexican Peso for accounts receivable denominated in Mexican Pesos, and the appreciation of the yen against the US dollar.

2. Revisions to consolidated financial forecasts

(1) First six months (April 1, 2016–September 30, 2016)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Net income per share
	Million yen	Million yen	Million yen	Million yen	yen
Forecast announced on May 11, 2016 (A)	77,900	1,100	400	200	5.86
Revised forecast (B)	70,600	(3,000)	(6,900)	(6,700)	(196.37)
Change (B-A)	(7,300)	(4,100)	(7,300)	(6,900)	
Change (%)	(9.3)	—	—	—	
(Reference) Actual figures of the previous term (First six months ended September 30, 2015)	86,570	(5,815)	(7,093)	(7,996)	(234.36)

(2) Full year (April 1, 2016–March 31, 2017)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Net income per share
Forecast announced on May 11, 2016 (A)	Million yen 172,000	Million yen 4,300	Million yen 3,500	Million yen 1,400	yen 41.03
Revised forecast (B)	134,500	(4,000)	(8,000)	(8,200)	(240.33)
Change (B-A)	(37,500)	(8,300)	(11,500)	(9,600)	
Change (%)	(21.8)	—	—	—	
(Reference) Actual figures of the previous term (Fiscal year ended March 31, 2016)	170,041	(10,539)	(13,653)	(33,839)	(991.81)

3. Reasons for revising the consolidated financial forecasts for the first six months and full year

(1) Actual performance of the first quarter and outlook of the second quarter

In terms of net sales, although we aggressively promoted the sale of LCD TVs, the average price dropped due to intensified price competition with competitors at regional mass retailers in North America, while sales volumes also decreased. The penetration of non-brand low-price products has accelerated in the Mexican market also, which led to a significant drop in average market prices. As a result, we expect sales of the LCD TV business to be around 20% less than the plan at the beginning of the fiscal year.

The sales volume of inkjet printers has also fallen short of forecast due to price competition with competitors in the North American market.

In terms of operating income, the gross profit of LCD TVs dropped significantly due to the decrease in sales, in addition to a surge in panel prices since May in particular, and inventory adjustment of older models. Operating income of information equipment decreased due to a drop in sales of ink cartridges.

Losses are expected to increase from the previous forecast for ordinary income and net income as well, owing to the non-operating expenses incurred as mentioned in 1 above.

(2) Outlook of the third quarter and onward

We have also revised our forecast for net sales for the full year due to an outlook of continued price competition in LCD TVs, panel prices remaining high, and a severe sales situation for inkjet printers in the third quarter and onward, in addition to a revision of the US dollar exchange rate forecast from 112 yen to the dollar (forecast at the beginning of the fiscal year) to 103 yen.

Since a drop in sales is expected as described above, we will also revise our forecasts for operating income, ordinary income, and net income.

Note: The above forecasts are based on information available on the date of the announcement. Actual results may differ from these forecasts due to various factors.

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