

## **Presentation of Operating Results for the 2<sup>nd</sup> Quarter (Apr.-Sep.) of FY2012**

November 6, 2012

**FUNAI ELECTRIC CO., LTD.**

Security code 6839

## **. Q2 Summary and Basic Future Policies**

1. Summary of 1<sup>st</sup> Half (Apr.-Sep.) Operating Results
2. 2<sup>nd</sup> Half (Oct.-Mar.) Macro Outlook
3. 2<sup>nd</sup> Half (Oct.-Mar.) and Full-Year Projections
4. Growth Strategy
5. Recent Events

# 1 . Summary of 1<sup>st</sup> Half (Apr.-Sep.) Operating Results

(100 million yen)

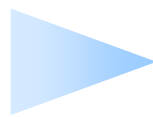
|                                  | FY 2011      |   | Forecast     |   | FY 2012         |
|----------------------------------|--------------|---|--------------|---|-----------------|
| Net Sales                        | 1,406        | → | 1,020        | → | 890             |
| Operating Income<br>(Margin)     | 21<br>(1.5%) | → | 11<br>(1.1%) | → | -14<br>(- 1.6%) |
| Average USD-JPY<br>Exchange Rate | 79.15        |   | 80.00        |   | 78.96           |

## Summary

Both of net sales and operating income, less than projected

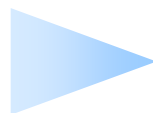
# 1 . Summary of 1<sup>st</sup> Half (Apr.-Sep.) Operating Results

## Display Segment



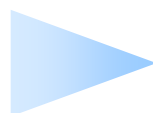
Less than projected

## Digital Media Segment



Less than projected due to  
BD-recorder weakness in Japan

## Office Solutions Segment



Less than projected due to  
increased competition

## 2. 2<sup>nd</sup> Half (Oct.-Mar.) Macro Outlook

### Economic Trends

US: The economy is recovering but there is concern about the Fiscal Cliff

Europe: Economic contraction deepened last quarter and business conditions have become difficult

Emerging Markets: Consumer demand is growing, but the growth rate is decreasing

Japan: Economic stimulus measures have been drawn up as the post-quake recovery slows

### Industry Trends

Continuing commoditization - especially for TVs

Rapid growth of the smartphone and tablet markets, 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

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## 3. 2<sup>nd</sup> Half (Oct.-Mar.) and Full-Year Projections

(100 million yen)

|                                  | 1 <sup>st</sup> Half<br>Actuals | Revised Earnings Forecast        |                       |
|----------------------------------|---------------------------------|----------------------------------|-----------------------|
|                                  |                                 | 2 <sup>nd</sup> Half<br>Forecast | Full-Year<br>Forecast |
| Net Sales                        | 890                             | 1,160                            | 2,050                 |
| Operating<br>Income              | -14<br>(-1.6%)                  | -11<br>(-0.9%)                   | -25<br>(-1.2%)        |
| Average USD-JPY<br>Exchange Rate | 78.96                           | 78.00                            | 78.48                 |

Above changes have been made to the earnings forecast that was previously announced on May 7, 2012, due to reviews of 2<sup>nd</sup> half exchange rate (USD=JPY 80 to JPY 78), and increased competitions of LCD TVs/ DVD-related products.

We revised Full-Year net sales projections to 205 billion yen from original 229 billion.

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|  |   |
|--|---|
| <p><b>Corporate Action</b></p> <p>Boost sales and profit through cost competitiveness</p> <p><b>Sales</b></p> <ol style="list-style-type: none"> <li>1. Build trust with clients and customers</li> <li>2. Emphasize existing business areas</li> <li>3. Cultivate emerging markets</li> </ol> <p><b>Profitability</b></p> <ol style="list-style-type: none"> <li>1. Accelerate shift to offshore engineering</li> <li>2. Restructure manufacturing base</li> <li>3. Strengthen patent portfolio</li> <li>4. Aggressively curtail fixed costs</li> </ol> | <p><b>Display Division</b></p> <p>Manage PSI effectively<br/>Expand capacity and strengthen competitiveness at Thailand plant</p> <p><b>Digital Media Division</b></p> <p>Start production of 5<sup>th</sup> generation BD recorders<br/>Develop and launch new items</p> <p><b>Office Solutions Division</b></p> <p>Start production of laser printers<br/>Start production of Android OS devices<br/>Commercialize in-house developed printer</p> |
|--|---|

## Strong relationships with major retailers

**We've received awards from Wal-Mart in rapid succession.**



### Supplier Collaboration Award in the Entertainment Department for 2012

This annual award recognizes suppliers that have made significant contributions to Wal-Mart's businesses by providing planning, design, manufacturing, shipping, PSI (Purchase, Sales, Inventory), and sales support.

**Selected for this award out of a pool of over fifty electronics suppliers**

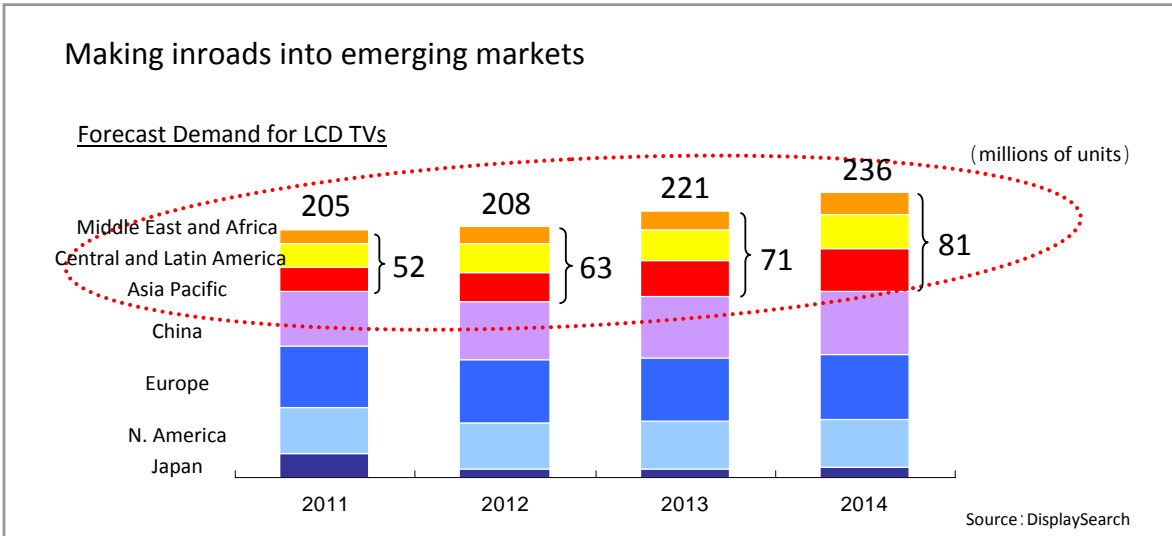


### Supplier Award of Excellence for the first quarter of 2012

Each quarter, each Wal-Mart Stores buying team selects one supplier to receive a Supplier Award of Excellence. Selections are based upon a number of performance measurements, and one of the quarterly recipients will also be recognized as a Supplier of the Year.

**Selected for this award out of a pool of over thirty electronics suppliers**

Launched in India, next is Thailand, the Middle East, and other Asian markets  
Rapidly expanding in Central and Latin America



**We are now the sole N.A. distributor of PHILIPS branded audio and accessory products.**

(Effective: September, 2012)



**PHILIPS**



Sales Area · · · North America (USA, Canada), Mexico currently under study

Products · · · Audio and Accessories (headphones, docking speakers, portable audio and video, and other accessories)

**LED Lighting Business**

**With the high quality and cost competitiveness, expand sales worldwide.**

**LED Bulb Light**



**LED MR16 Spot Light**



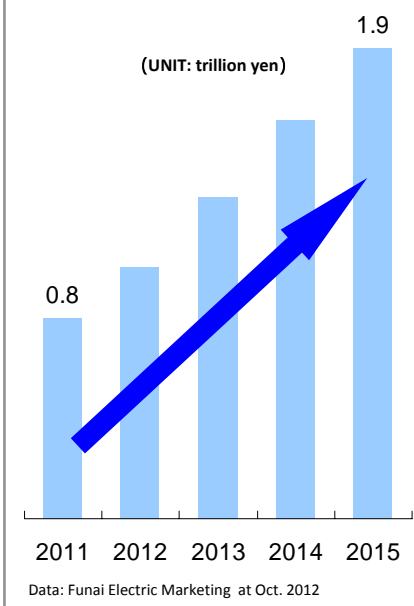
**LED Tube Light**



**LED Tunnel Light**



**LED Lighting Demand Forecast (World Wide)**



1

**Ecology and Energy Efficiency**

Launched LED lighting business in China, next is Japan, other areas  
Recently started production of ecological materials

2

**Networks**

Launch Android tablet soon  
Unveil Android internet devices shortly

3

**Devices and Modules**

Master high-density implementation skills and technologies  
Develop applied MEMS related products

MEMS · · · Micro Electro Mechanical Systems

## . Outline of Operating Results

1. Summary of 2<sup>nd</sup> Quarter (Jul.-Sep.)
2. Summary of 2<sup>nd</sup> Quarter (Apr.-Sep.)
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. Capital Expenditures, Depreciation Expense and R&D Expenditures
11. Revised Forecast of Consolidated Operating Results
12. Revised Forecast of Sales by Equipment

## 1 . Summary of 2<sup>nd</sup> Quarter (Jul.-Sep.)

(100 million yen)

|   | FY 2011           | FY 2012           | Y / Y                     |
|---|-------------------|-------------------|---------------------------|
| Net Sales                               | 750               | 490               | -260<br>(-34.7%)          |
| Operating Income<br>( M a r g i n )     | 17<br>(2.4%)      | -5<br>(-1.0%)     | -22<br>-5 ( 1 ) + 8 ( 3 ) |
| Ordinary Income<br>( M a r g i n )      | 4<br>(0.6%)       | -10<br>(-2.0%)    | -14<br>-1 ( 2 ) + 9 ( 4 ) |
| Net Income after tax<br>( M a r g i n ) | -6<br>(-0.9%)     | -11<br>(-2.3%)    | -5                        |
| Average USD-JPY<br>Exchange Rate        | 77. <sup>08</sup> | 78. <sup>12</sup> |                           |

( 1 ) forex loss -5 ( 3 ) decrease of forex loss + 9, other -1  
( 2 ) extraordinary loss -1 ( 4 ) decrease of income taxes + 9

| Month End Exchange Rate<br>(USD/JPY) | 11/6              | 11/9              | 12/6              | 12/9              |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                      | 80. <sup>73</sup> | 76. <sup>65</sup> | 79. <sup>31</sup> | 77. <sup>60</sup> |

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## 2 . Summary of 2<sup>nd</sup> Quarter (Apr.-Sep.)

(100 million yen)

|   | FY2011            | Forecast          | FY2012            | Y / Y<br>(Actual base)      | Y / Y<br>(Forecast base) |
|---|-------------------|-------------------|-------------------|-----------------------------|--------------------------|
| Net Sales                               | 1,406             | 1,020             | 890               | -516<br>(-36.7%)            | -130<br>(87.3%)          |
| Operating Income<br>( M a r g i n )     | 21<br>(1.5%)      | 11<br>(1.1%)      | -14<br>(-1.6%)    | -35<br>-16 ( 1 ) ± 0 ( 3 )  | -25<br>-17 ( 5 )         |
| Ordinary Income<br>( M a r g i n )      | 5<br>(0.4%)       | 12<br>(1.2%)      | -30<br>(-3.4%)    | -35<br>+ 1 ( 2 ) + 35 ( 4 ) | -42<br>+ 11 ( 6 )        |
| Net Income after tax<br>( M a r g i n ) | -29<br>(-2.1%)    | 2<br>(0.2%)       | -29<br>(-3.4%)    | 0                           | -31                      |
| Average USD-JPY<br>Exchange Rate        | 79. <sup>15</sup> | 80. <sup>00</sup> | 78. <sup>96</sup> |                             |                          |

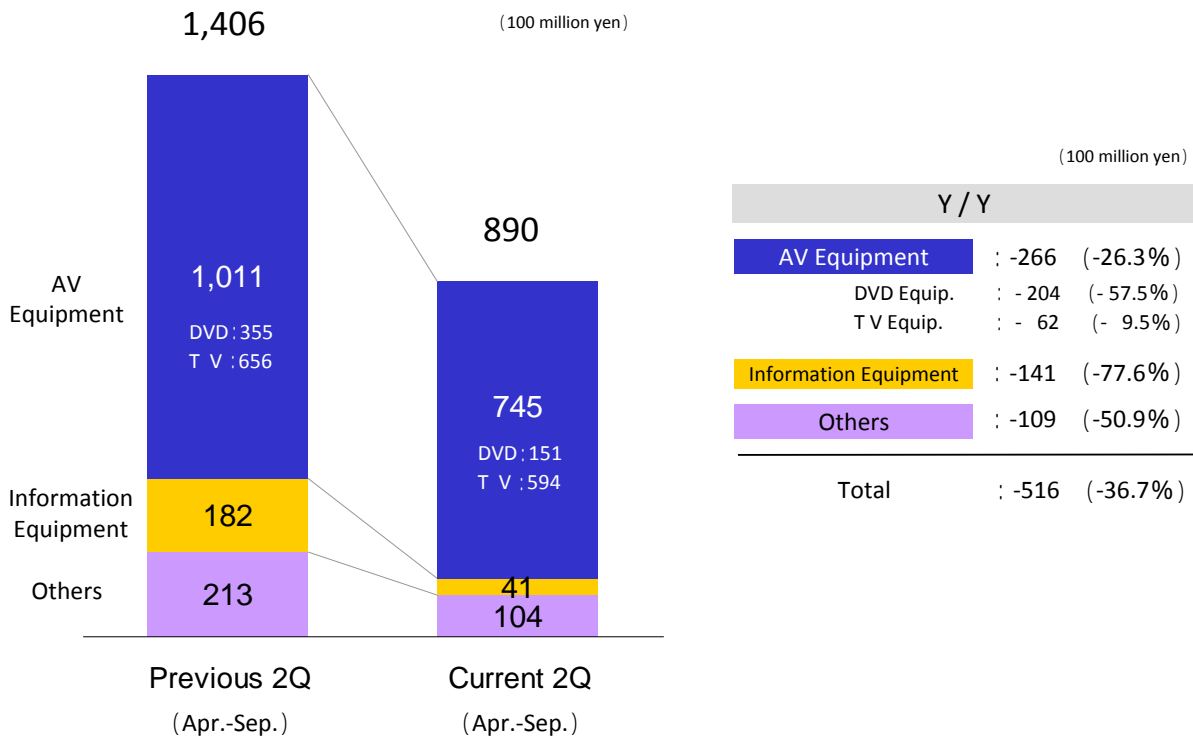
( 1 ) interest received + 1, forex loss -17 ( 3 ) interest received ± 0, forex gain and loss ± 0 ( 5 ) increase of forex loss -17  
( 2 ) extraordinary loss -2, income taxes + 3 ( 4 ) increase of extraordinary loss -1, decrease of income taxes + 27, decrease of income taxes for prior periods + 9 ( 6 ) increase of extraordinary loss -2, decrease of income taxes + 13

| Month End Exchange Rate<br>(USD/JPY) | 11/3              | 11/9              | 12/3              | 12/9              |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                      | 83. <sup>15</sup> | 76. <sup>65</sup> | 82. <sup>19</sup> | 77. <sup>60</sup> |

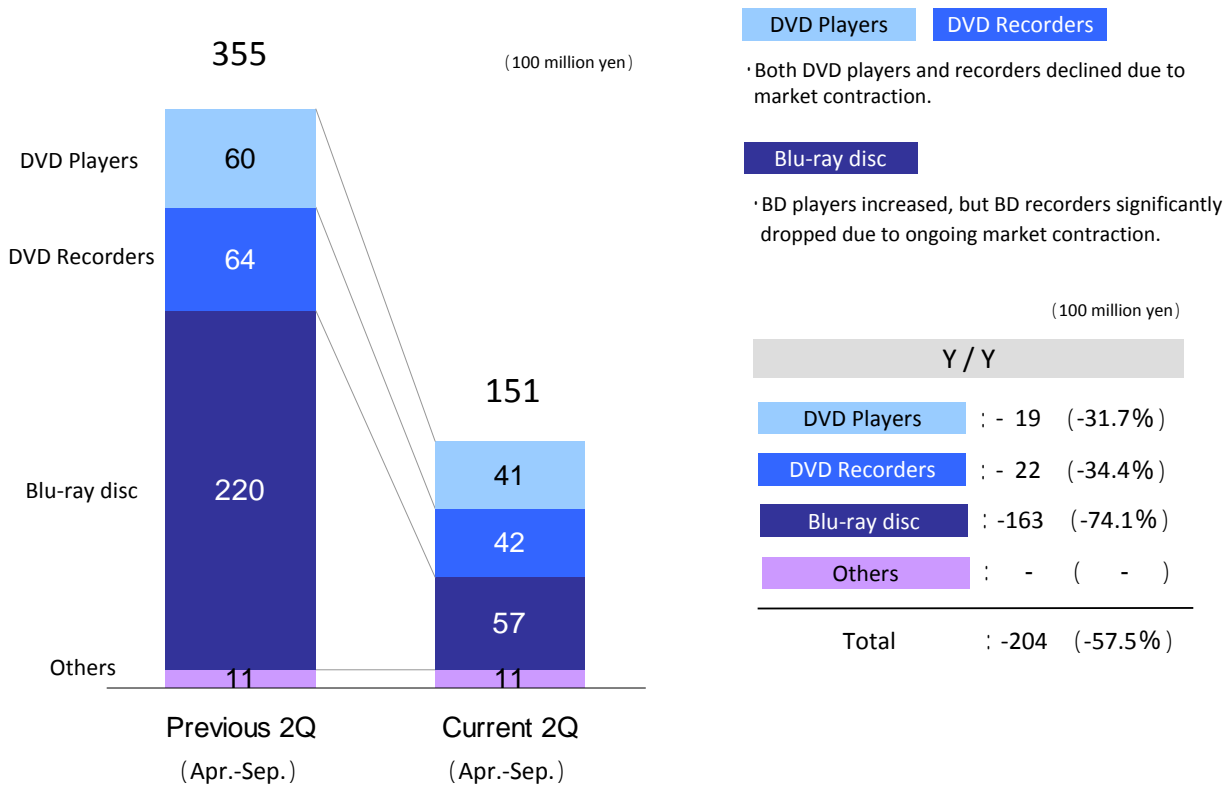
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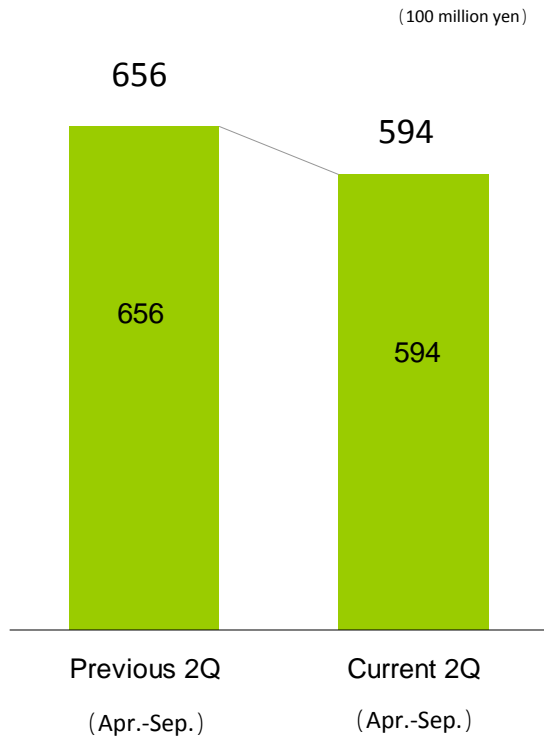
### 3 . Breakdown of Sales by Equipment



### 4 . Sales of DVD related Equipment



## 5 . Sales of Television related Equipment



### LCD TV

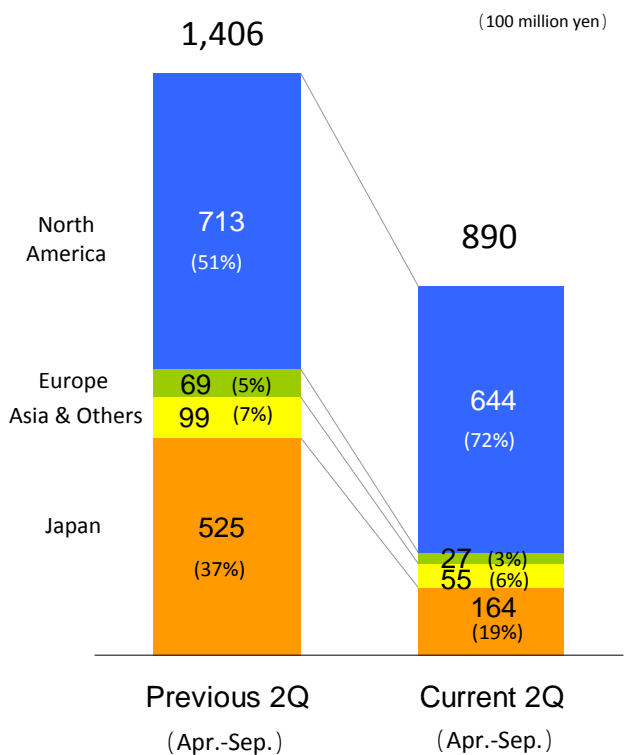
· LCD TVs declined due to reduced demand in the wake of transition to digital terrestrial broadcasting in Japan.

(100 million yen)

Y / Y

LCD TV : - 62 (- 9.5%)

## 6 . Geographic Breakdown of Sales



### North America

· The sales of information equipment and DVD-related products declined.

### Japan

· The sales of BD recorders, LCD TVs, antenna and related devices fell in the wake of transition to digital terrestrial broadcasting and due to ongoing market contraction.

(100 million yen)

Y / Y

North America : - 69 (- 9.6%)

Europe : - 42 (-61.1%)

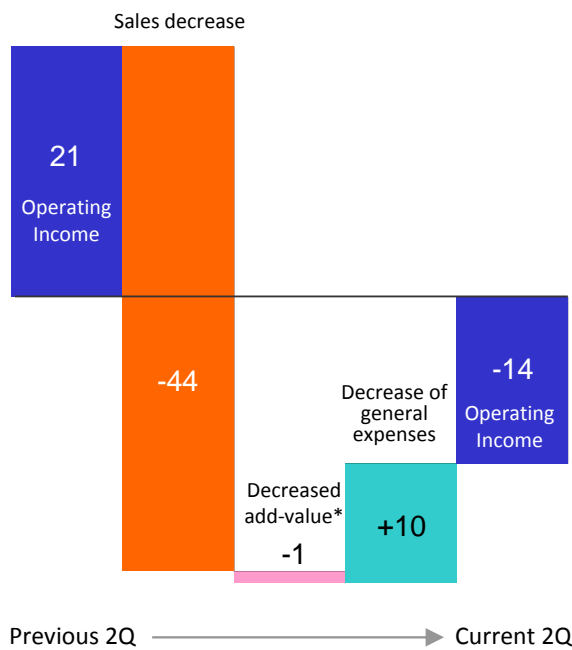
Asia & Others : - 44 (-44.4%)

Japan : -361 (-68.7%)

Total : -516 (-36.7%)

# 7 . Factor of Changes of Operating Income

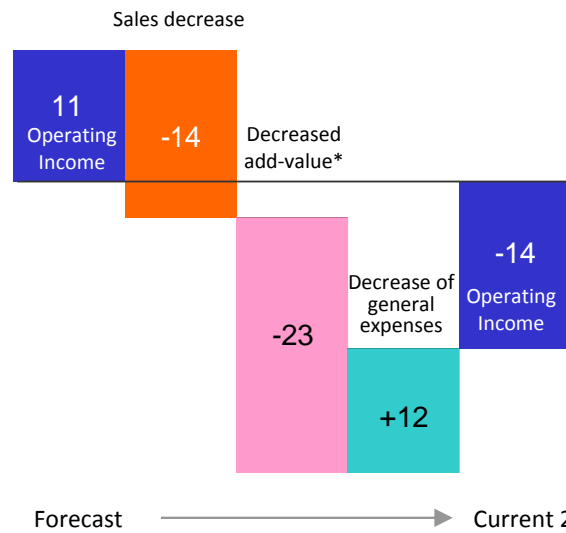
《Comparison to 2011/9》



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

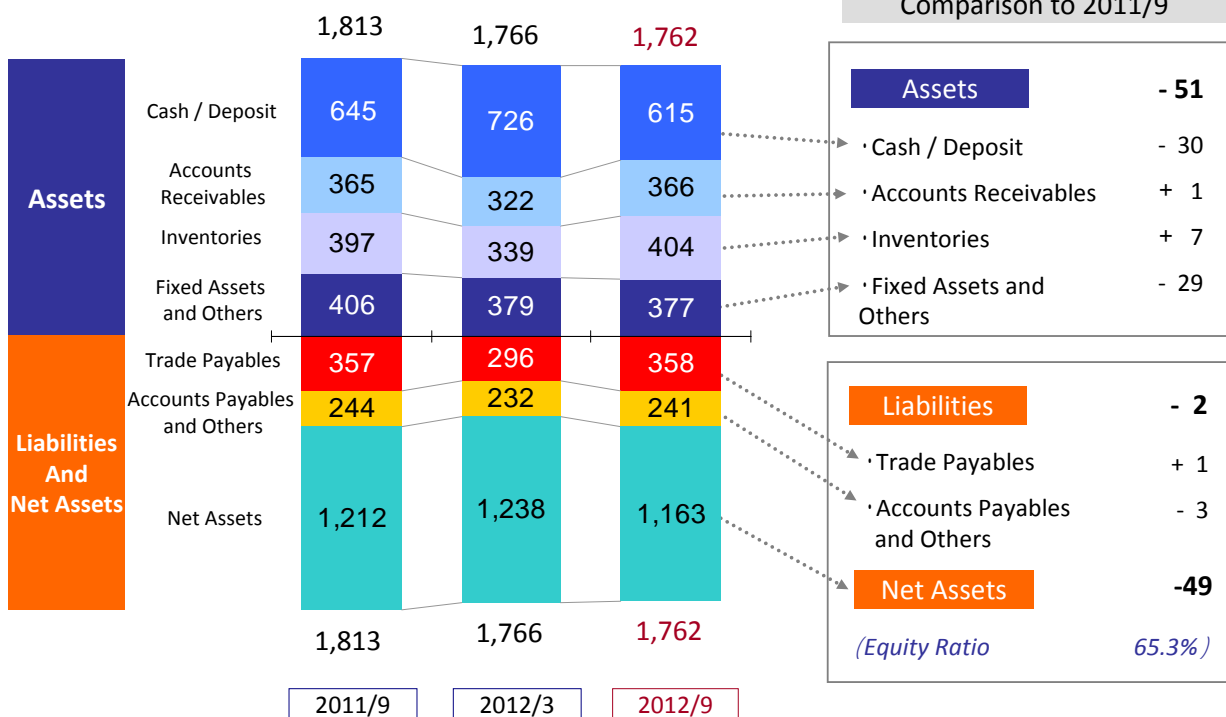
《Comparison to the forecast》

(100 million yen)

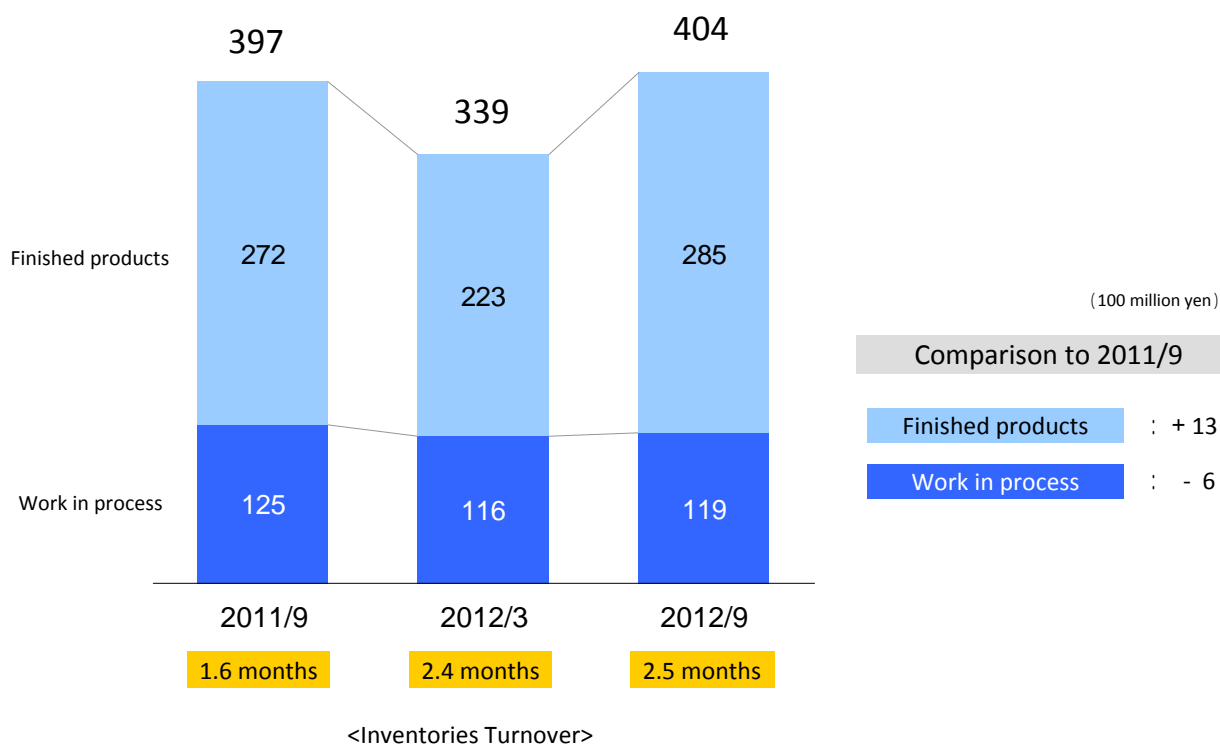


# 8 . Financial Conditions

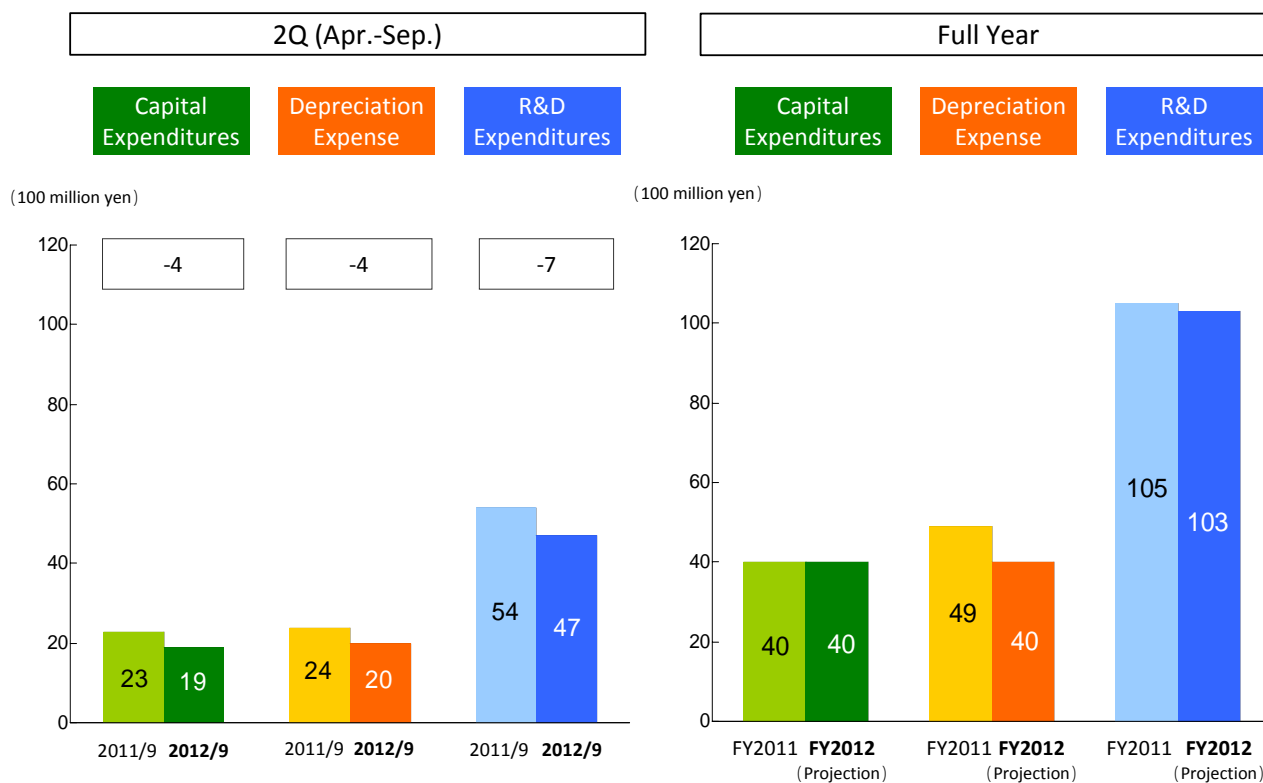
(100 million yen)



## 9 . Changes of Inventories



## 10 . Capital Expenditures, Depreciation Expense and R&D Expenditures



# 11 . Revised Forecast of Consolidated Operating Results



(100 million yen)

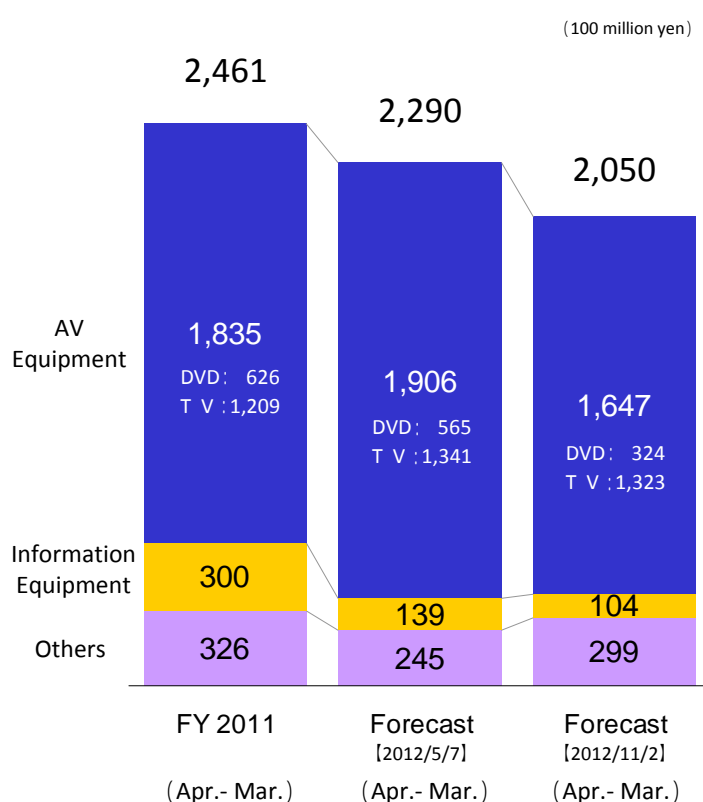
|   | FY2011            | Forecast<br>(2012/5/7) | Forecast<br>(2012/11/2) | Y / Y<br>(Actual base) | Y / Y<br>(Forecast base) |
|---|-------------------|------------------------|-------------------------|------------------------|--------------------------|
| Net Sales                               | 2,461             | 2,290                  | 2,050                   | -411<br>(-16.7%)       | -240<br>(-10.5%)         |
| Operating Income<br>( M a r g i n )     | 4<br>(0.2%)       | 40<br>(1.7%)           | -25<br>(-1.2%)          | -29<br>-16 ( 1 )       | -65<br>-13 ( 3 )         |
| Ordinary Income<br>( M a r g i n )      | 1<br>(0.1%)       | 40<br>(1.7%)           | -41<br>(-2.0%)          | -42<br>-17 ( 2 )       | -81<br>+30 ( 4 )         |
| Net Income after tax<br>( M a r g i n ) | -46<br>(-1.9%)    | 25<br>(1.1%)           | -58<br>(-2.8%)          | -12                    | -83                      |
| Average USD-JPY<br>Exchange Rate        | 78. <sup>81</sup> | 80. <sup>00</sup>      | 78. <sup>48</sup>       |                        |                          |

- ( 1 ) interest received +2, interest expense -1, forex loss -17
- ( 2 ) extraordinary loss -18, income taxes + 1
- ( 3 ) increase of forex loss -13
- ( 4 ) increase of extraordinary loss -11, decrease of income taxes + 32, decrease of income taxes for prior periods + 9
- ( 5 ) decrease of interest expense + 1, increase of forex loss -17
- ( 6 ) increase of extraordinary loss -18, decrease of income taxes + 16

# 12 . Revised Forecast of Sales by Equipment



(100 million yen)



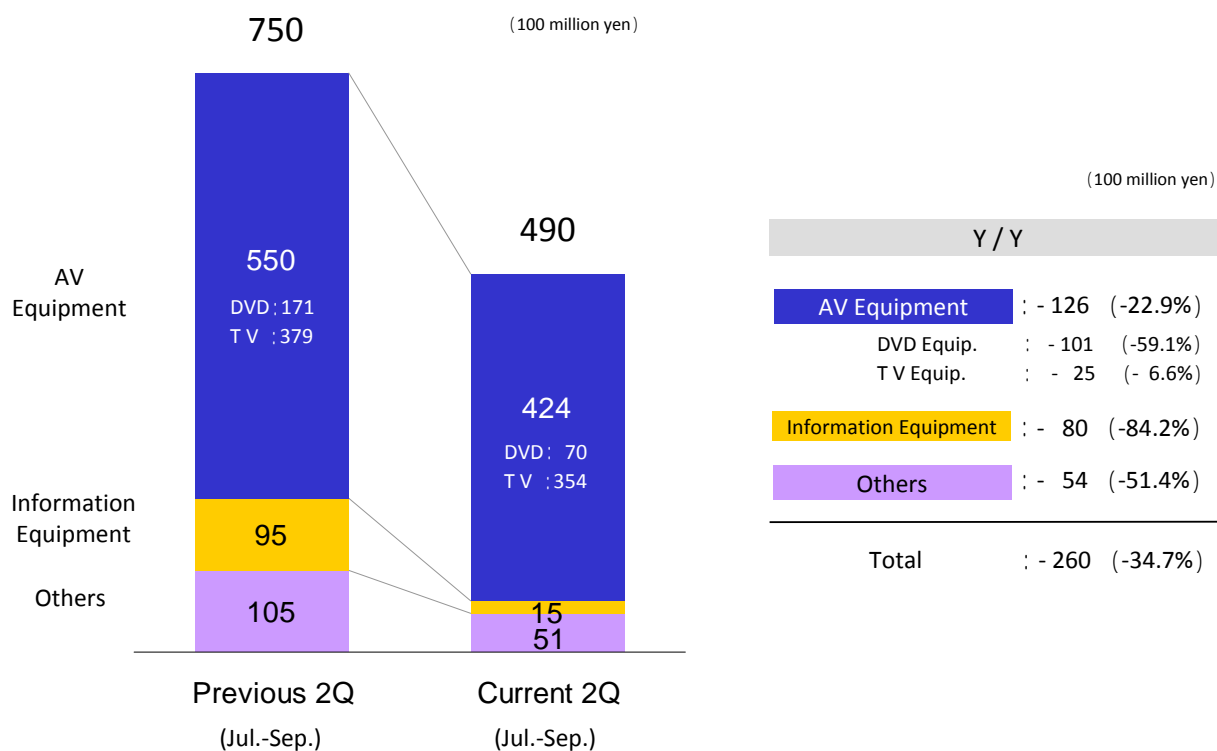
| Y / Y (Actual base)   |                          |
|-----------------------|--------------------------|
| AV Equipment          | : - 188 (-10.2%)         |
| DVD Equip.            | : - 302 (- 48.2%)        |
| T V Equip.            | : + 114 (+ 9.4%)         |
| Information Equipment | : - 196 (-65.3%)         |
| Others                | : - 27 (- 8.3%)          |
| <b>Total</b>          | <b>: -411 (-16.7%)</b>   |
| Y / Y (Forecast base) |                          |
| AV Equipment          | : - 259 (- 13.6%)        |
| DVD Equip.            | : - 241 (- 42.7%)        |
| T V Equip.            | : - 18 (- 1.3%)          |
| Information Equipment | : - 35 (- 25.2%)         |
| Others                | : + 54 (+ 22.0%)         |
| <b>Total</b>          | <b>: - 240 (- 10.5%)</b> |

## Supplemental Data

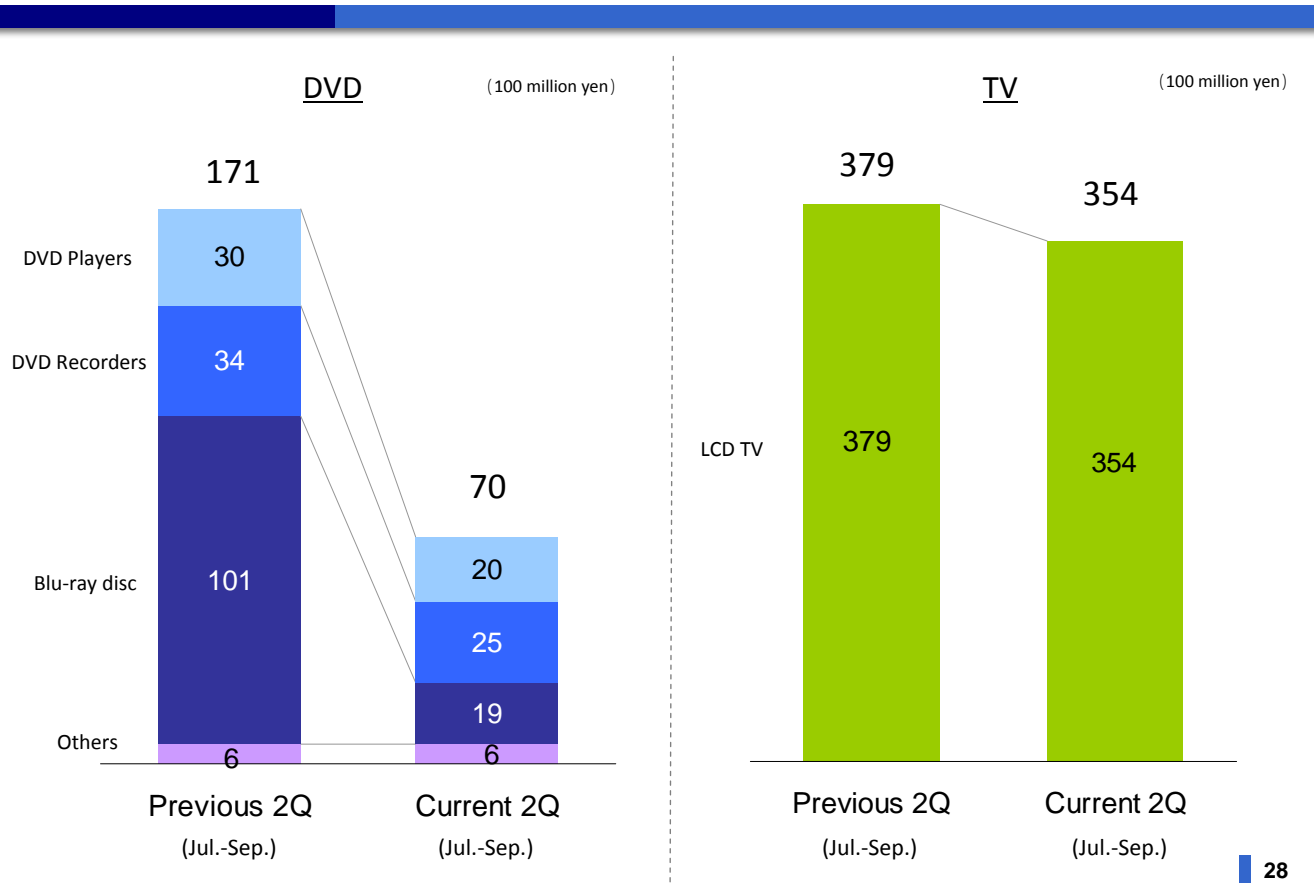
### Summary of Operating Results (Jul.-Sep.)

1. Sales by Equipment
2. Sales by AV Equipment
3. Geographic Sales

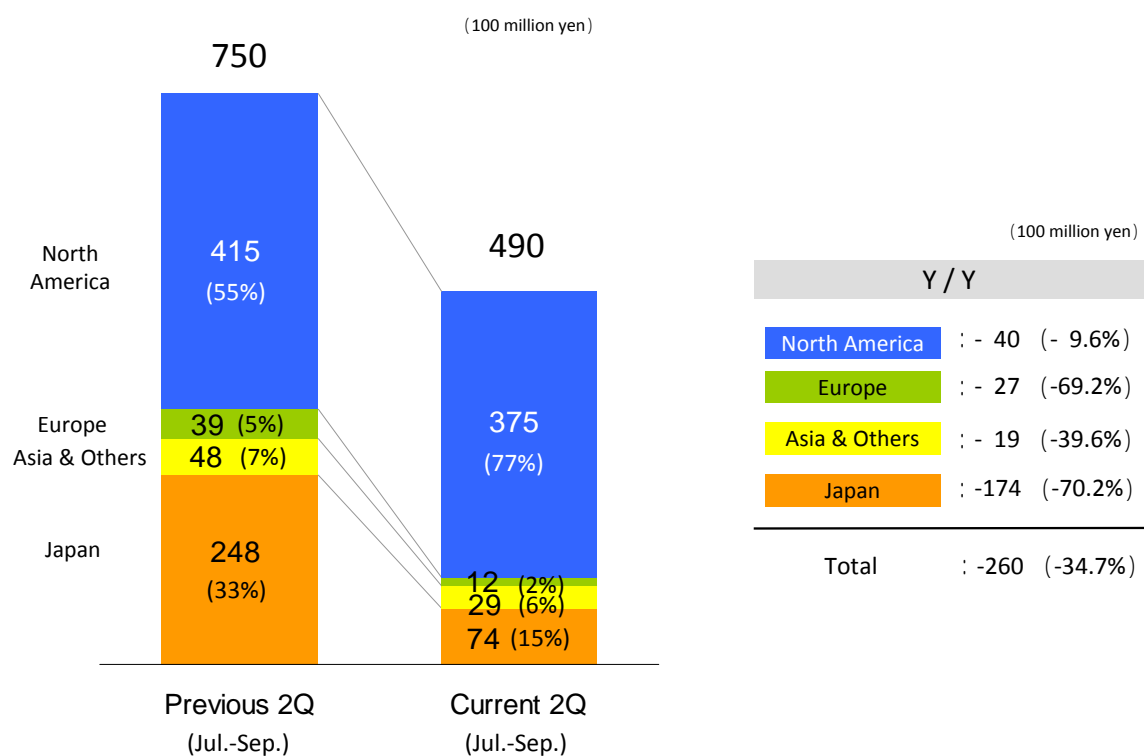
## 1 . Sales by Equipment



## 2 . Sales by AV Equipment



## 3 . Geographic Sales



## . Supplemental Data

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

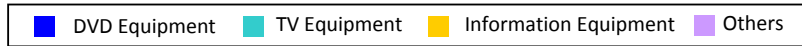
### 1 . Quarterly Operating Summary of FY 2011 / 2012

(100 million yen)

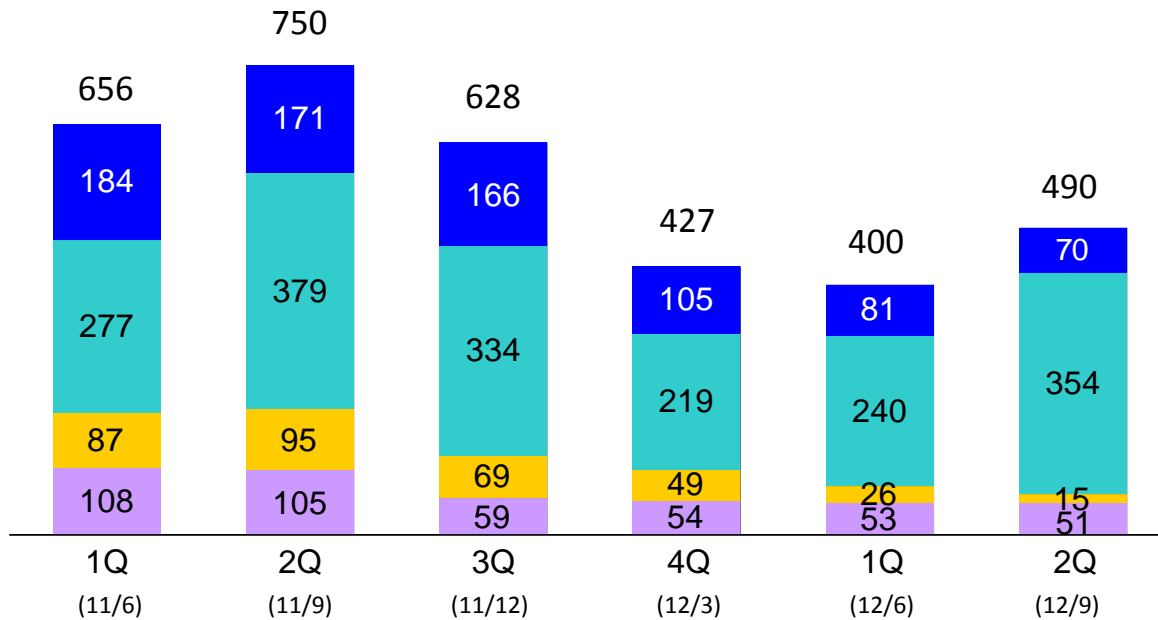
|                      | FY2011  |         |         |         | FY2012  |         |
|----------------------|---------|---------|---------|---------|---------|---------|
|                      | 1Q      | 2Q      | 3Q      | 4Q      | 1Q      | 2Q      |
| Net Sales            | 656     | 750     | 628     | 427     | 400     | 490     |
| Operating Income     | 3       | 17      | 8       | -24     | -9      | -5      |
| ( Margin )           | (0.5%)  | (2.4%)  | (1.3%)  | (-5.8%) | (-2.4%) | (-1.0%) |
| Ordinary Income      | 0       | 4       | 8       | -12     | -20     | -10     |
| ( Margin )           | (0.1%)  | (0.6%)  | (1.4%)  | (-2.9%) | (-5.1%) | (-2.0%) |
| Net Income after tax | -23     | -6      | -5      | -10     | -18     | -11     |
| ( Margin )           | (-3.6%) | (-0.9%) | (-1.0%) | (-2.4%) | (-4.6%) | (-2.3%) |



## 2 . Quarterly Changes of Sales Amount by Equipment



(100 million yen)



## 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.

