



Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2021 (JGAAP)

August 3, 2020

Listed company name: Funai Electric Co., Ltd.
 Securities code: 6839 URL <http://www2.funai.co.jp/>
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 Scheduled date for filing of a quarterly securities report: August 7, 2020
 Scheduled date for commencement of dividend payment: —
 Preparation of supplementary documents for quarterly financial results: Yes
 Holding of an analyst meeting for quarterly financial results: No

Stock exchange listing: Tokyo

(Any fraction less than one million yen is rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2021 (April 1, 2019 to June 30, 2020)

(1) Consolidated Operating Results

(% figures represent changes from same period in previous year)

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss) attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Q1 of FY ending March 31, 2021	18,490	18.2	245	—	417	—	292	—
Q1 of FY ended March 31, 2020	15,644	(27.8)	(902)	—	(1,140)	—	(1,188)	—

(Note) Comprehensive income (loss)

Q1 of FY ending March 31, 2021: 45 million yen (—%)

Q1 of FY ended March 31, 2020: (1,855) million yen (—%)

	Net income (loss)	Net income (loss) per share on a fully diluted basis
	Yen	Yen
Q1 of FY ending March 31, 2021	8.58	—
Q1 of FY ended March 31, 2020	(34.83)	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Q1 of FY ending March 31, 2021	73,415	51,236	69.7
FY ended March 31, 2020	70,683	51,189	72.4

(Reference) Shareholders' equity

Q1 of FY ending March 31, 2021: 51,190 million yen

FY ended March 31, 2020: 51,144 million yen

2. Dividends

	Annual dividends per share				
	Q1 end	Q2 end	Q3 end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2020	—	0.00	—	0.00	0.00
FY ending March 31, 2021	—				
FY ending March 31, 2021 (forecast)		—	—	—	—

(Note) Revision to the latest dividend forecast: No

Funai Electric has not determined its dividend forecast for the fiscal year ending March 31, 2021, since fluctuations in exchange rates give great impact on its consolidated net assets. Management will announce its dividend forecast for the fiscal year ending March 31, 2021 immediately after the disclosure of the forecast for dividends becomes possible.

3. Forecast of Consolidated Financial Results for the Fiscal Year ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(% figures represent changes from same period in previous year)

	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
Q2 of FY ending March 31, 2021 (accumulation)	39,000	(7.4)	(400)	—	(550)	—	(1,100)	—	(32.24)
Full year	80,000	(9.5)	(1,300)	—	(1,500)	—	(2,100)	—	(61.55)

(Note) Revision to the latest consolidated financial results forecast: Yes

*Note

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanying changes of the scope of consolidation): No

New companies: — (company name)

Excluded companies: — (company name)

(2) Adoption of special accounting methods for preparing quarterly consolidated financial statements: Yes

(Note) For details, please refer to "2. Quarterly Consolidated Financial Statements and Main Notes (3) Notes on quarterly consolidated financial statements (Adoption of special accounting methods for preparing quarterly consolidated financial statements)" on Page 8 of the attachment.

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to revisions of accounting standards: No

2) Changes in accounting policies other than 1): No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Number of shares outstanding (common shares)

1) Number of shares outstanding at end of term (including treasury stock)

Q1 of the fiscal year ending March 31, 2021: 36,130,796 shares

Fiscal year ended March 31, 2020: 36,130,796 shares

2) Number of shares of treasury stock at end of term

Q1 of the fiscal year ending March 31, 2021: 2,011,830 shares

Fiscal year ended March 31, 2020: 2,011,830 shares

3) Average number of shares outstanding during period (consolidated cumulative quarters)

Q1 of the fiscal year ending March 31, 2021: 34,118,966 shares

Q1 of the fiscal year ending March 31, 2020: 34,118,966 shares

* This brief report of quarterly financial statements is not subject to audit procedures by a certified public accountant or an independent auditor.

* Notes on proper use of forecasts and other matters

1. The forward-looking statements in this document concerning forecasting of operational results, etc., are based on currently available information and assumptions considered reasonable by the Company, and are not commitments made by the Company. Actual operational results may be significantly different from these statements due to various factors. For notes concerning the use of the assumptions that form the basis of the forecasts for operational results and the forecasts for operational results, please refer to "1. Qualitative Information on Quarterly Results (3) Explanation of future forecast information, such as forecast of consolidated results" on Page 3 of the attachment.

2. The Company plans to post the attachment of Financial Statements on its website immediately after the results presentation for the first quarter of the fiscal year ending March 31, 2021 scheduled for Monday, August 3, 2020.

1. Qualitative Information on Quarterly Results

(1) Explanation on Consolidated Financial Results

During the first quarter of the fiscal year ending March 31, 2021 (April 1, 2020 to June 30, 2020), COVID-19 pandemic, which spread widely in the United States, the Company's main market, from February 2020, forced each State to issue a stay-at-home order to prevent the spread of the disease. As a result, economic activities virtually came to a standstill, causing economic growth to slow significantly from the previous year and the number of unemployed to increase sharply. In response to such situation, the Federal Reserve Board ("FRB") substantially lowered the official interest rate to near zero and the U.S. government also enacted the largest economic stimulus package in U.S. history, with \$2 trillion in coronavirus aid. However, real GDP declined at an annual rate of 4.8% in the period of January to March 2020. From May 2020, many States successively resumed economic activities since the spread of COVID-19 outbreak seemed to slow. Retail sales amounts recovered on a monthly basis: 18.2% in May and 7.5% in June.

Share prices also rebounded sharply supported by the FRB's quantitative easing and the U.S. government's emergency measures. However, according to the employment data in June 2020, the jobless rate still remained at a high level, or 11.1%. As the spread of COVID-19 outbreak showed signs of surging again after the resumption of economic activities, business prospects in the future are expected to remain challenging. Furthermore, there is a high possibility that trade dispute between the U.S. and China will flare anew, since the U.S. President Trump has been examining the use of countermeasures against a pandemic outbreak of COVID-19 and the enactment of Hong Kong's National Security Law, such as the imposition of punitive tariff sanctions against Chinese imports and implementation of an embargo on cutting-edge technology, such as 5G communication. We need to pay attention to the future development.

In Japan, the government also declared a state of emergency to prevent the spread of COVID-19 outbreak in April 2020, giving serious damage on economy. According to Executive Summary of the government's Monthly Economic Report (April 2020), the Cabinet Office assessed "The Japanese economy is getting worse rapidly in an extremely severe situation" for the first time in around 11 years since May 2009. In May, the state of emergency was lifted and economic activities gradually restarted, since the spread of COVID-19 outbreak seemed to be contained. As special cash payments granted by the government stimulated consumption, the consumer sentiment index improved for two consecutive months since June. However, in June, the spread of COVID-19 outbreak started surging again in Japan. Thus, economic prospects are forecast to remain bleak. At its Monetary Policy Meeting in July 2020, the Bank of Japan said Japan's economy will contract 4.7% in the year to March 2021.

Under these circumstances, the Funai Electric Group recorded net sales of ¥18,490million, an increase of 18.2% year on year. The increase was mainly attributable to robust sales of our LCD TVs in the United States that continued from the fourth quarter of the fiscal year ended March 31, 2020. Meanwhile, the Group posted an operating income of ¥245 million (versus an operating loss of ¥902 million in the previous year), since profitability improved due to the expansion of sales as mentioned above. Ordinary income amounted to ¥417 million (versus an ordinary loss of ¥1,140 million in the previous year) and net income attributable to owners of the parent stood at ¥292 million (versus a ¥1,188 million loss attributable to owners of the parent in the previous year).

Results by region

i) Japan

Even in the period during which the state of emergency declared by the Japanese government to prevent the spread of new coronavirus outbreak, Yamada Denki, our main customer in Japan, opened and operated their stores except some stores without holidays. Consequently, they maintained steady sales of TV sets compared to other home electrical appliance retailers. Sales of "FUNAI brand" products, for which we have concluded an exclusive sales agreement with Yamada Denki, also grew almost in line with our plan. Especially, we have started marketing 10 models in the four series of organic electroluminescent display ("OLED") TVs and LCD TVs, including the world's first OLED Android TV™, from June 2020, and they sold well.

Consequently, the Company posted net sales of ¥8,371 million, an increase of 15.7% year on year, and segment loss (operating loss) of ¥12 million, versus a segment loss (operating loss) of ¥833 million a year earlier.

ii) Americans

Walmart, one of our main customers, continued its operation almost without holidays even after the U.S. government declared a state of national emergency on March 13, 2020 to prevent the spread of COVID-19 outbreak, since they are a retailer that handles both medical supplies and foodstuffs. On the other hand, many of other home electrical appliance stores were forced to suspend operations. Under such circumstances, Walmart increased its market share in the field of TV sets sales. This was partly due to the effect of the U.S. government's economic stimulus measures. Then, our sales of LCD TVs continued growing from the fourth quarter of the fiscal year ended March 2020.

Consequently, the Company posted net sales of ¥10,106 million, an increase of 20.7% year on year, and segment income (operating income) of ¥295 million, a rise of 202.3% year on year.

(iii) Asia

Sales of components decreased. As a result, the Company posted net sales of ¥12 million, a decrease of 66.7% year on year, and segment income (operating income) of ¥241 million, versus a segment loss (operating loss) of ¥80 million a year earlier.

(iv) Other

As the Company did not have any sales of ink-cartridge in Europe, it did not record any sales in this segment. Accordingly, segment loss (operating loss) amounted to ¥2 million, versus a ¥5 million of segment loss (operating loss) in the previous year.

Results by product

i) Audio visual equipment

In the audiovisual equipment segment, net sales increased from the previous year, since sales of LCD TVs through Walmart, our main customer in the United States, continued to be robust from the fourth quarter of the fiscal year ended March 31, 2020 and sales of slim-type TVs through Yamada Denki, our main customer in Japan, grew almost in line with our plan.

Meanwhile, sales of BD-related products decreased since the BD-related product market became further smaller due to the spread of video streaming service. However, we made up for the decrease with the increase in sales of TVs. Consequently, net sales amounted to ¥16,889 million (an increase of 24.3% year-on-year).

ii) Information equipment

In the information equipment segment, net sales grew, supported by a steady growth in sales of industrial-use cartridges and cartridges for ink-jet printers as well as robust sales of large-capacity cartridge ink-jet printers. As a result, net sales totaled ¥989 million (an increase of 30.1% year-on-year).

iii) Other products

In other equipment segment, net sales decreased, since the spread of COVID-19 pandemic caused a delay in the commencement of automotive backlight unit mass production and limited sales activities of CT for dental clinics. As a result, net sales of other products amounted to ¥611 million (a fall of 53.0% year-on-year).

(2) Consolidated Financial Position

Financial conditions as of the end of the first quarter of the year ending March 31, 2021 are as follows:

Total assets increased by ¥2,731 million from the end of the consolidated fiscal year ended March 31, 2020. This was mainly due to a decrease of ¥1,081 million in raw materials and supplies and a rise of ¥2,035 million in merchandise and finished goods, and a growth of ¥1,504 million in goodwill.

Liabilities grew by ¥2,684 million from the end of the consolidated fiscal year ended March 31, 2020, mainly due to an increase of ¥703 million in notes and accounts payable – trade, a rise of ¥1,177 million in short-term borrowings, and a growth of ¥731 million in account payable included in other.

Net assets rose by ¥47 million from the end of the consolidated fiscal year ended March 31, 2020, mainly due to a fall of ¥221 million in foreign currency translation adjustment and an increase of ¥292 million in retained earnings.

(3) Explanation of future forecast information, such as forecast of consolidated financial results

As we faced difficulties in reasonably calculate the impact of the spread of COVID-19 outbreak on our operations, we refrained from presenting the forecast of consolidated operating results for the fiscal year ending March 31, 2021. However, as economic activities have begun to resume, we calculated the forecast of consolidated financial results using currently available information.

For details, please refer to “Notice Concerning the Revision of Forecast of Consolidated Financial Results” announced on August 3, 2020.