

(Translation)

Securities Code: 6839
June 5, 2013

NOTICE OF THE 61ST ORDINARY GENERAL MEETING
OF SHAREHOLDERS

Dear Shareholders:

We would like to express our appreciation for your continued good offices.

Please take notice that the 61st Ordinary General Meeting of Shareholders of Funai Electric Co., Ltd. (the “Company”) will be held as described below and you are cordially invited to attend the meeting.

Since voting rights can be exercised in writing, even if you are not present at the meeting, please go over the Reference Document for the General Meeting of Shareholders set forth below and send us by return mail the enclosed voting form indicating your approval or disapproval of the propositions no later than 5 p.m. on June 20 (Thursday), 2013.

Yours very truly,

Tomonori Hayashi
Representative Director, President, and
Chief Executive Officer

Funai Electric Co., Ltd.
7-1, Nakagaito 7-chome,
Daito City, Osaka

Description

1. Date and hour:

June 21 (Friday), 2013, 10:00 a.m.

2. Place:

5F, Multipurpose Hall, Technology Bldg. of the Company
7-1, Nakagaito 7-chome, Daito City, Osaka

3. Matters forming the objects of the meeting:

Matters to be reported:

1. Report on the business report, the consolidated financial statements, and the results of audit of the consolidated financial statements by the accounting auditors and the Board of Corporate Auditors for the 61st fiscal year (from April 1, 2012 to March 31, 2013)
2. Report on the non-consolidated financial statements for the 61st fiscal year (from April 1, 2012 to March 31, 2013)

Matters to be resolved:

Proposition No. 1: Election of six (6) Directors

Proposition No. 2: Granting of retirement gratuities to retiring Directors

- END -

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In attending the meeting, please present the enclosed voting form to a receptionist at the place of the meeting.

In the event of the revision of any matter in the Reference Document for the General Meeting of Shareholders, the business report, the consolidated financial statements, and the non-consolidated financial statements, it will be posted on our Internet website (<http://www.funai.jp/>).

Of the documents to be provided upon giving notice of this Ordinary General Meeting of Shareholders, the notes to consolidated financial statements and the notes to non-consolidated financial statements, which are posted on our Internet website (<http://www.funai.jp/>) in accordance with and as provided for in the applicable laws and ordinances and Article 14 of the Articles of Incorporation of the Company, are not included in the attached documents to the notice of this Ordinary General Meeting of Shareholders. Therefore, the attached documents to the notice of this Ordinary General Meeting of Shareholders are part of the consolidated financial statements and non-consolidated financial statements that have been audited by the accounting auditors in preparing their account audit reports.

(Attached documents)

BUSINESS REPORT

(April 1, 2012 to March 31, 2013)

1. Current state of the Funai Group (the “Group”)

(1) Development and results of business activities:

During the fiscal year under review, the economy of the United States, which is the Funai Group’s principal market, continued to grow gradually as it benefited from improvements in the housing and job markets and a recovery in personal consumption. The European economy remained sluggish, as the European Central Bank’s responses to the debt crisis failed to dispel concerns entirely. In China, although economic performance showed initial signs of decelerating, the new administration’s economic policies put business conditions back on a positive track. In Japan, since the Abe administration came into office, the economic outlook has brightened as the prospect of monetary easing has prompted corrections to yen appreciation and bolstered stock prices.

Within the consumer electronics industry, the monetary value of the digital consumer electronics market continued the decline that has persisted since the Lehman Brothers collapse. Under these difficult conditions, global shipments of liquid crystal display (LCD) televisions fell below the previous year’s level for the first time, 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 Group posted net sales of ¥192,008 million, a 22.0% decrease compared with the same period of the previous fiscal year.

On the profit front, operating loss was ¥5,273 million (operating income for the same period of the previous fiscal year was ¥461 million); ordinary loss was ¥355 million (ordinary income for the same period of the previous fiscal year was ¥174 million); and net loss was ¥8,542 million (net loss for the same period of the previous fiscal year was ¥4,629 million).

Sales by product segment were as follows:

Audiovisual Equipment

In the audiovisual equipment sector, the DVD-related equipment field witnessed a decline in revenue due to weakness in the domestic Blu-ray disc recorder market. Despite an expansion in the Mexican market, the LCD TV market experienced an overall decline in the wake of Japan’s transition to digital terrestrial broadcasting. As a result, net sales of audiovisual equipment were ¥155,686 million, a decrease of 15.2% year on year.

Information Equipment

In the information equipment sector, a decrease in printer orders resulted in net sales of ¥11,965 million, a decrease of 60.1% year on year.

Other Products

Although the Philips-branded audio accessory products started selling in North America, sales of other products declined because sales of electronic equipment related with receivers halved in the wake of Japan's transition to digital terrestrial broadcasting. As a result, net sales were ¥24,356 million, a decrease of 25.3% year-over-year.

Consolidated net sales by product segment

Division	Net sales (million yen)	Component rate (%)
Audiovisual equipment	155,686	81.1
Information equipment	11,965	6.2
Others	24,356	12.7
Total	192,008	100.0

(2) Investment in plant and equipment by the Group:

Investment in plant and equipment by the Group during the fiscal year under review totaled ¥5,345 million, composed of ¥5,119 million by its manufacturing companies and ¥226 million by its sales companies. The amount was spent principally to improve manufacturing facilities.

(3) Fund-raising by the Group:

Nothing to be reported.

(4) Issues to be tackled:

Within the consumer electronics industry, the digital consumer electronics market continued to shrink. Under these difficult conditions, demand for LCD TVs has slowed down, while demand for smartphones and tablet devices has grown sharply, in a changing role of the products that are driving the market.

Operating in this environment, the Group faces such issues as raising management responsiveness while ensuring quality and price levels to effectively compete against rival firms and at the same time expanding sales and recovering profitability by offering products that will sell. To achieve these aims, we will optimize our allocation of management resources and further cultivate the Funai Production System, one of our core competencies. We will also embark on the development of new businesses in the areas of environment, network and device modules, which have a bright future.

We will endeavor to enhance the Group's corporate value by implementing the policies outlined below:

(i) Increasing net sales and returning to profitability

The Group has positioned the increase of net sales and improvement of earnings as its highest priority issue.

(Product strategy)

During the fiscal year under review, in the audiovisual equipment segment, the Group's sales of LCD TVs declined, owing to lackluster Japanese market demand in the wake of the transition to digital terrestrial broadcasting. In products related to Blu-ray discs, domestic sales of recorders dropped precipitously, as these devices are typically purchased at the same time as LCD TVs. In information equipment as well, orders of conventional products from original equipment manufacturer customers were down, lowering revenues. Consequently, segment sales and profits were down year on year for these mainstay products.

For this reason, the Group is enhancing its PSI management (PSI stands for "purchase, sales and inventory"). Through this approach, we will continue to make our products more competitive price-wise through redesigns and by restructuring our component sourcing system, with a view to augment sales and profitability.

With regard to product development in new business areas, during the fiscal year under review, we introduced LED lamps into the Chinese market, and these went on sale in Japan in October 2012. In July 2012, we concluded an exclusive agreement with Royal Philips Electronics ("Philips") involving the sale in the United States, Canada and Mexico of Philips-brand audio accessories and other lifestyle entertainment products. Sales commenced under this agreement in September 2012. In January 2013, we reached an agreement to acquire all shares in a new company that will assume operations involving these products, and we intend to expand the business on a global scale going forward.

Furthermore, in February 2013, we entered into an alliance with KDDI Corporation to offer a service linking smartphones and televisions provided via a stick-type compact set-top box, and we began offering these products for sale.

(Market strategy)

The Group faces the challenges of reducing the risk of overemphasizing the U.S. market, mitigating the effects of seasonality by smoothing production and sales throughout the year, and increasing sales. To address these issues, we are considering ways to develop our business in expansionary emerging markets in the ASEAN and Near and Middle East regions as well as in our existing markets in Europe, Japan, Mexico, and other Latin American countries. In February 2012, the Group established Funai India Private Limited in India and started selling at this subsidiary. In addition, we started selling LCD TVs in Thailand.

Through the steady implementation of the above-mentioned strategies, we plan to minimize the time lags between product planning, development, material procurement, production, and sales, enabling us to provide products in a timely manner that meet market needs precisely.

(ii) Reinforcing manufacturing and development systems

The Group's manufacturing structure is highly dependent on China, and we recognize this as a risk that must be mitigated. Accordingly, since the previous fiscal year, we have continued to augment FUNAI (THAILAND) CO., LTD., a production base that will become core to our provision of products in the Indian market. We are also investigating the possibility of manufacturing in other regions, including the Philippines where we have acquired land and plan to build a plant.

To increase group-wide development efficiency, we are moving forward with efforts to expand our development facilities in Asian countries, including establishing a development facility in China during the previous fiscal year.

(iii) Training and appointment of human resources

The Group recognizes that improving each employee's capabilities and being able to more effectively leverage the skill set of our workforce to bolster the strength of the Group will be critical for ensuring the Group stays in the lead in the new era of global competition and implementing the Group's medium- to long-term business strategy. Therefore, the Company's policy is to actively train and assign employees, without regard to whether they are younger employees or mid-career staff, by strengthening and expanding its internal or external training systems, including language training, among other things.

(5) Property and income/loss:

Item \ Fiscal year	58th (April 1, 2009 to March 31, 2010)	59th (April 1, 2010 to March 31, 2011)	60th (April 1, 2011 to March 31, 2012)	61st (April 1, 2012 to March 31, 2013)
Net sales (million yen)	314,911	295,923	246,147	192,008
Ordinary (loss) income (million yen)	11,684	1,290	174	(355)
Net (loss) income (million yen)	10,328	(1,169)	(4,629)	(8,542)
Net (loss) income per share (yen)	302.97	(34.31)	(135.69)	(250.38)
Total assets (million yen)	204,057	193,910	176,607	194,524
Net assets (million yen)	142,779	131,228	123,843	121,398
Net assets per share (yen)	4,164.86	3,813.57	3,598.03	3,520.11

(Note) Net (loss) income per share is calculated based on the average of the total number of shares issued and outstanding during the fiscal year. Book-value per share is calculated based on the total number of shares issued and outstanding as of the end of the fiscal year. Each such number of shares does not include the shares of treasury stock.

(6) Major subsidiaries:

Trade name	Capital stock	Ratio of equity participation of the Company (%)	Main business
DX ANTENNA Co., Ltd.	¥363 million	91.40	Manufacture and sale of electronic equipment related to receivers
FUNAI CORPORATION, INC.	US\$68.5 million	100.0	Sale of the Company's products
Funai Electric (HK) Ltd.	HK\$115 million	100.0	Manufacture of the Company's products

(Note) Each ratio of equity participation of the Company is obtained by calculating down to the third decimal place and thereafter rounding upward or downward to the nearest second decimal place, as the case may be.

(7) Major businesses of the Group:

Division	Principal products
Audiovisual equipment	LCD TVs, DVD players, DVD recorders, Blu-ray disc players, and Blu-ray disc recorders
Information equipment	Printers
Others	Audio accessories and electronic equipment related to receivers

(8) Major business sites of the Group:

Category		Name	Location
Funai Electric Co., Ltd.		Head Office	Daito City, Osaka
		Tokyo Branch	Chiyoda-ku, Tokyo
Japan	Production and sales subsidiary	DX ANTENNA Co., Ltd.	Hyogo-ku, Kobe City
Overseas	Sales subsidiaries	FUNAI CORPORATION, INC.	U.S.A.
		P&F USA, Inc.	U.S.A.
	Production subsidiary	Funai Electric (HK) Ltd.	Hong Kong
	Production and sales subsidiary	FUNAI ELECTRIC EUROPE Sp. z o.o.	Poland

(9) Employees of the Group:

Number of employees (persons)	As compared with the end of the previous fiscal year (+ or -) (persons)
4,776	+ 786

- (Notes) 1. The above number of employees represents those actually at work.
2. The number of employees increased principally due to the commencement of operations of Zhong Shan Funai Electron Co. incorporated during the previous fiscal year.

(10) Major lenders:

Nothing to be reported.

(11) Other important matters concerning the current state of the Group:

The Company, pursuant to the resolution adopted at the meeting of its Board of Directors held on February 26, 2013, entered into an agreement with Lexmark International, Inc., on April 2, 2013, to acquire its ink-jet patents, as well as related technologies and assets which it acquired on April 30, 2013.

2. Matters concerning the shares of the Company

- (1) Total number of issuable shares: 80,000,000 shares
- (2) Total number of issued shares: 36,130,796 shares
(including 2,011,615 shares of treasury stock)
- (3) Number of shareholders: 11,474 persons
- (4) Principal shareholders (top 10):

Name	Number of shares held (thousand shares)	Shareholding ratio (%)
Tetsuro Funai	12,709	37.25
Funai Information Science Promotion Foundation	1,540	4.51
Japan Trustee Services Bank, Ltd. (Trust account)	1,311	3.84
Tetsuo Funai	1,079	3.16
The Bank of New York, Treaty JASDEC Account	613	1.80
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	562	1.65
The Master Trust Bank of Japan, Ltd. (Trust account)	487	1.43
F2 Limited Liability Company	470	1.38
T&N Limited Liability Company	470	1.38
Funai Kosan Co., Ltd.	470	1.38

(Notes) 1. The Company, which holds 2,011 thousand shares of treasury stock, is not included in the above-listed principal shareholders.

2. Each shareholding ratio is obtained by deducting treasury stock of the Company and calculating down to the third decimal place and thereafter rounding upward or downward to the nearest second decimal place, as the case may be.

- (5) Other important matters concerning shares:

Nothing to be reported.

3. Matters concerning stock acquisition rights:

(1) Stock acquisition rights issued and outstanding at the end of the fiscal year under review:

(i) Number of stock acquisition rights: 7,646 rights

(Note) The number of stock acquisition rights is shown by reducing from the number of stock acquisition rights granted, the number of stock acquisition rights exercised, and the number of stock acquisition rights that the persons entitled thereto ceased to have due to retirement or other terms of exercise of the rights.

(ii) Class and number of shares to be issued or transferred upon exercise of the stock acquisition rights: 764,600 shares of common stock (100 shares per stock acquisition right)

(iii) Stock acquisition rights held by Directors and Corporate Auditors by category:

Issue	Category	Number of rights	Holder	Exercise price	Exercise period
The first stock acquisition rights for the year ended March 31, 2005	Director	82	4	¥16,167	August 1, 2006 to July 31, 2013
The first stock acquisition rights for the year ended March 31, 2006	Director	103	4	¥12,369	August 1, 2007 to July 31, 2014
The first stock acquisition rights for the year ended March 31, 2009	Director	176	5	¥1,609	August 1, 2010 to July 31, 2017

(2) Stock acquisition rights delivered during the fiscal year under review:

Nothing to be reported.

(3) Other important matters concerning stock acquisition rights, etc.:

Nothing to be reported.

4. Matters concerning officers of the Company:

(1) Directors and Corporate Auditors (as of March 31, 2013)

Title	Name	Business in charge and important concurrent office
Director and Chairman	Tetsuro Funai	Member (Chairman) of the Nomination Committee; Member of the Compensation Committee; Chairman of Funai Information Science Promotion Foundation; and Chairman of Funai Scholarship Foundation
Representative Director; President; and Chief Executive Officer (CEO)	Tomonori Hayashi	Chairman of the Board of Directors; Member of the Nomination Committee; and Member (Chairman) of the Compensation Committee
Director and Senior Executive Officer	Toshio Ohtaku	General Manager of New Business Div.
Director and Executive Officer	Yoshikazu Uemura	General Manager of AV(Audiovisual) System Headquarters; General Manager of Display Business Div.; Member of the Nomination Committee; and Member of the Compensation Committee
Director and Officer	Joji Okada	General Manager of Development & Technology Headquarters; Member of the Nomination Committee; and Member of the Compensation Committee
Director and Officer	Hideaki Funakoshi	Deputy General Manager of AV System Headquarters; General Manager of Digital Media Business Div.; Member of the Nomination Committee; and Member of the Compensation Committee
Director and Officer	Shigeki Saji	General Manager of New Business Preparatory Office, Development & Technology Headquarters; Member of the Nomination Committee; and Member of the Compensation Committee
Outside Director	Mitsuo Yonemoto	Member of the Compensation Committee; Vice President and Director of T.P.S. Laboratory Co., Ltd.; Outside Director of THE SAILOR PEN CO., LTD.; and Outside Corporate Auditor of Oriental Chain Mfg. Co., Ltd.
Outside Director	Yoshiaki Bannai	
Full-time Corporate Auditor	Hiromu Ishizaki	
Outside Corporate Auditor	Shinichi Komeda	

Title	Name	Business in charge and important concurrent office
Outside Corporate Auditor	Masahide Morimoto	

- (Notes)
1. As of April 1, 2013, the posts and businesses in charge of Directors were changed as follows:
 - Director Yoshikazu Uemura assumed the office of Executive Officer in charge of sales and marketing.
 - Director Hideaki Funakoshi assumed the office of Officer, General Manager of AV System Headquarters, and General Manager of Display Business Div.
 - Director Shigeki Saji assumed the office of Officer and General Manager of Digital Media Business Div.
 2. Full-time Corporate Auditor Hiromu Ishizaki, who is qualified as a certified tax accountant, has considerable knowledge of financing and accounting.
 3. The Company has designated Outside Director Mitsuo Yonemoto and Outside Corporate Auditor Shinichi Komeda as independent officers in accordance with the rules of the Tokyo Stock Exchange and the Osaka Securities Exchange and registered them with such exchanges.
 4. The Company has established a Nomination Committee and a Compensation Committee (both of which are voluntary committees).

(2) Director and Corporate Auditor who retired during the fiscal year under review:

Name	Retirement date	Reason	Title, business in charge, and important concurrent office upon retirement
Yasuhisa Katsuta	June 22, 2012	Expiration of term of office	Outside Director; Chairman of Osaka University of Economics; and Outside Corporate Auditor of Otsuka Pharmaceutical Co., Ltd.
Akitaka Inoue	June 22, 2012	Resignation	Full-time Corporate Auditor

(For reference)

The Company has adopted a system of officers, and the officers as of March 31, 2013, who did not concurrently hold the offices of directors were as follows:

Executive Officer	Hirofumi Nagaoka
Senior Officer	Hideo Nakai
Senior Officer	Susumu Nojii
Senior Officer	Hisao Tatsumi
Officer	Kazuo Uga
Officer	Takeshi Ito
Officer	Sei Kono

Hideo Nakai and Hisao Tatsumi retired from office as of March 31, 2013.

As of April 1, 2013, the designation of Senior Officer was abolished and changed to Officer. As of the same day, the following two persons newly assumed office:

- Officer Kiyoshi Chinzei
- Officer Tetsuhiro Maeda

(3) Total amount of remuneration, etc., of Directors and Corporate Auditors

Total amount of remuneration, etc., for the fiscal year under review:

Category	Number of recipients	Amount of payments
Director (Outside Director)	10 (3)	¥213,810 thousand (¥12,200 thousand)
Corporate Auditor (Outside Corporate Auditor)	4 (2)	¥21,937 thousand (¥10,400 thousand)
Total (Outside Director/ Corporate Auditor)	14 (5)	¥235,747 thousand (¥22,600 thousand)

(Notes) 1. The above-listed amount of payments includes the following amount as an allowance for officers' retirement gratuities deducted as expenses for the fiscal year under review:

- ¥24,666 thousand for 10 Directors (including ¥1,000 thousand for three outside Directors)
- ¥1,687 thousand for four Corporate Auditors (including ¥800 thousand for two outside Corporate Auditors)

2. The above-listed amount of payments includes the following amount of remuneration in stock options deducted as expenses for the fiscal year under review:

- ¥543 thousand for five Directors

3. The above-listed amount of payments includes the payments to one (outside) Director and one Corporate Auditor who retired from office, respectively, at the end of the 60th Ordinary General Meeting of Shareholders held on June 22, 2012.

4. In addition, the officers' retirement gratuities paid to the Director and Corporate Auditor who retired from office respectively, at the end of the 60th Ordinary General Meeting of Shareholders held on June 22, 2012, are as follows:

- ¥4,400 thousand for one (outside) Director
- ¥2,000 thousand for one Corporate Auditor

(4) Other important matters concerning officers:

Nothing to be reported.

(5) Matters concerning outside officers:

(i) Concurrent holding of important offices of executive officers of other corporations and their relationships with the Company:

- Director Mitsuo Yonemoto is Vice President and Director of T.P.S. Laboratory Co., Ltd. The Company has no special relationship with T.P.S. Laboratory Co., Ltd.

(ii) Concurrent holding of important offices of outside officers of other corporations and their relationships with the Company:

- Director Mitsuo Yonemoto is Outside Director of The Sailor Pen Co., Ltd., and Outside Director of Oriental Chain Mfg. Co., Ltd. The Company has no special relationship with The Sailor Pen Co., Ltd., and Oriental Chain Mfg. Co., Ltd.

(iii) Kinship among executive officers of the Company and its specified related enterprises:

Nothing to be reported.

(iv) Major activities during the fiscal year under review:

- Attendance at the meetings of the Board of Directors and the Board of Corporate Auditors:

Name	Board of Directors		Board of Corporate Auditors	
	Number of meetings	Number attended	Number of meetings	Number attended
Director Mitsuo Yonemoto	11	11	-	-
Director Yoshiaki Bannai	9	8	-	-
Corporate Auditor Shinichi Komeda	11	11	12	12
Corporate Auditor Masahide Morimoto	11	11	12	12

(Note) 1. With regard to Director Yoshiaki Bannai, who newly assumed office as Director on June 22, 2012, the situations of the meetings of the Board of Directors held on or after the date of his assumption of office are related.

2. In addition to the number of the meetings of the Board of Directors above, written resolutions, which shall be deemed to have been adopted pursuant to the provisions of Article 370 of the Companies Act and Article 23 of the Articles of Incorporation of the Company, were adopted on six occasions.

- Speeches at meetings of the Board of Directors and the Board of Corporate Auditors:

Name		Speeches
Director	Mitsuo Yonemoto	He attended meetings of the Board of Directors and expressed opinions principally from the standpoint of a management consultant, as well as the standpoint of an independent officer.
Director	Yoshiaki Bannai	He attended meetings of the Board of Directors and expressed opinions principally from the standpoint of a veteran top executive.
Corporate Auditor	Shinichi Komeda	He attended meetings of the Board of Directors and the Board of Corporate Auditors and expressed opinions principally from the standpoint of a veteran top executive, as well as the standpoint of an independent officer.
Corporate Auditor	Masahide Morimoto	He attended meetings of the Board of Directors and the Board of Corporate Auditors and expressed opinions principally from the standpoint of a veteran top executive, as well as the standpoint of finance and securities.

- (v) Outline of liability limitation agreements:

In accordance with Article 427, paragraph 1 of the Companies Act of Japan, the Company has entered into an agreement with each of the two outside directors and two outside Corporate Auditors to limit the liability for any damage as provided for in Article 423, paragraph 1 of said act within the aggregate of the amounts listed in the items of Article 425, paragraph 1 of said act.

5. Matters concerning accounting auditors:

- (1) Names of the accounting auditors:

Deloitte Touche Tohmatsu LLC

- (2) Amount of remuneration, etc., of the accounting auditors for the fiscal year under review:

- (i) Remuneration, etc., of the accounting auditors for the fiscal year under review: ¥44 million
- (ii) Total amount of cash and other proprietary benefits payable to the accounting auditors by the Company and its subsidiaries: ¥66 million

- (Notes) 1. The amount of remuneration, etc., for audits under the Companies Act of Japan and the amount of remuneration, etc., for audits under the Financial Instruments and Exchange Act of Japan are not separated in the audit agreement between the Company and the accounting auditors and cannot actually be separated. Hence,

the amount in item (i) above includes both amounts.

2. Among the major subsidiaries of the Company, FUNAI CORPORATION, INC., and one other company are subject to audits by audit firms (including persons having qualifications in foreign countries equivalent to those of the accounting auditors of the Company) other than the accounting auditors of the Company.

(3) Content of non-auditing services:

The Company has entrusted Deloitte Touche Tohmatsu LLC with, and paid remuneration for, advisory and guidance services concerning internal control over financial reporting and others, which services are not covered by Article 2, paragraph 1 of the Certified Public Accountant Act of Japan.

(4) Policy on the determination of dismissal and non-reappointment of the accounting auditors:

In the event that the accounting auditors are found to fall under any event of dismissal under the items of Article 340, paragraph 1 of the Companies Act, the Company shall, upon unanimous consent of the Corporate Auditors, dismiss the accounting auditors. In addition, in the event that there arises any problem with the performance by the accounting auditors of their duties or otherwise considered necessary, the Company shall, upon consent of the Board of Corporate Auditors or upon request from the Board of Corporate Auditors, prepare a proposition for the dismissal or non-reappointment of the accounting auditors as an agenda item of a General Meeting of Shareholders.

(5) Outline of liability limitation agreements:

Nothing to be reported.

6. Systems and policies of the Company

(1) Systems to secure the properness of business activities:

- (i) Systems to secure the execution by the Directors of their duties to comply with laws, ordinances and the Articles of Incorporation.

In the “Funai Group Charter of Conduct” and the “regulations of officers’ compliance,” the Company shall specify the acts to be taken by the Directors to comply with laws and ordinances and secure the execution by the Directors of their duties to comply with laws, ordinances, and the Articles of Incorporation.

- (ii) Systems concerning storage and management of information on the execution by the Directors of their duties.

With regard to the storage and management of information on the execution by the Directors of their duties, minutes of meetings of the Board of Directors, and other important meetings, circular decision documents and other

documents and information necessary to secure the properness of business activities shall be stored and managed pursuant to laws, ordinances, and the “document management regulations.”

- (iii) Regulations concerning management of exposure to the risk of loss and other systems

The Company shall institute “risk management regulations” with regard to the management of exposure to the risk of loss. Each division or department shall manage risks involving its operations and also control such risks systematically.

- (iv) Systems to secure efficient execution by the Directors of their duties

To ensure swift and efficient managerial decision making, the Company shall introduce a “system of officers,” and shall have officers under the auspices of the Executive Directors to ensure that the operations determined by the Executive Directors are performed swiftly. In addition, to enhance the transparency of the Board of Directors and strengthen its supervisory functions, the Company shall have outside Directors.

- (v) Systems to secure the execution by employees of their duties to comply with laws, ordinances, and the Articles of Incorporation

In the “Funai Group Charter of Conduct” and the “compliance regulations,” the Company shall specify the acts to be taken by the employees and secure the execution by the employees of their duties to comply with laws, ordinances, and the Articles of Incorporation.

In addition, the Company shall establish a whistleblowing system independent of its regular reporting channels and strengthen its compliance system.

- (vi) Systems to secure the properness of business activities of the corporate group composed of the Company, its parent company, and its subsidiaries

The "Funai Group Charter of Conduct" shall be the rule of conduct of the officers and employees of the Group.

In addition, in the “affiliated companies management regulations,” the Company shall clearly define authorities and responsibilities of its group companies while giving regard to their autonomy and independence, and secure the properness of business activities of the whole Group.

- (vii) Matters concerning the employees to assist the Corporate Auditors to execute their duties when the Corporate Auditors request the assignment thereof.

When the Corporate Auditors request the assignment of employees to assist them to execute their duties, the Board of Directors of the Company shall, upon consultation with the Board of Corporate Auditors, establish a secretariat

to the Board of Corporate Auditors and assign its employees to assist the Board of Corporate Auditors.

- (viii) Matters concerning the independence of the employees set forth in (vii) above from the Directors

When employees hired upon the request of the Corporate Auditors to assist their duties as set forth in item (vii) above are transferred to and/or from the secretariat to the Board of Corporate Auditors, the Company shall respect the opinions of the Board of Corporate Auditors with regard to such transfer and personnel evaluations thereof and ensure his/her independence from the Directors.

- (ix) System for reports by the Directors and employees to the Corporate Auditors and other systems for reporting to the Corporate Auditors.

The Corporate Auditors shall attend meetings of the Board of Directors and other important meetings, hear from the Directors, etc., the state of execution of their duties, and inspect related materials.

In addition, the Corporate Auditors shall, in accordance with the “regulations concerning reporting to the Board of Corporate Auditors,” request the Directors, officers and employees to report facts that may inflict material damage on the Company and other matters considered necessary for them to execute their duties.

- (x) Other systems to ensure effective audits by the Corporate Auditors

To ensure effective audits by the Corporate Auditors, the Corporate Auditors shall closely cooperate with the accounting auditors, and regularly meet the Representative Director to confirm the management policy and exchange opinions on the risks and issues involving the Company.

- (xi) System to ensure reliability of financial reporting

The Company shall establish a “Basic Policy for Internal Control over Financial Reporting” to ensure reliability of financial reporting and make effective and appropriate disclosure of “internal control reports.” In accordance with the basic policy, the Company shall establish an “Internal Control Committee” with Representative Director, President, and CEO acting as chairman thereof, which shall be responsible for continuous improvement, administration, and evaluation of internal control over financial reporting and implement a corrective measure when any defect is found.

- (xii) System for the exclusion of antisocial forces

The Company shall have a fundamental policy of having no relation with any antisocial force and refusing any undue claim.

In the event that a client is found to be an entity, enterprise, individual, etc., having any relation with such antisocial force, the Company shall promptly end a business relationship with it.

The Company shall designate its Personnel and General Affairs Department as a principal division in charge of dealing with antisocial forces to unify management of information thereon. To make its officers and employees comply with its fundamental policy, the Company shall also stipulate it clearly in its related rules and regulations and establish an education system therefor. In addition, the Company shall devise countermeasures to prevent damage from antisocial forces, whenever necessary.

In the event that any undue claim is put forward by an antisocial force, the Company shall work closely with external specialized agencies, including the police and its legal counsel, and establish a cooperative system for emergency situations.

(2) Policies on the determination of remuneration, etc., of officers, etc.:

Remuneration of Directors and Corporate Auditors shall be determined within the scope of their respective maximum total amounts of remuneration determined by resolution of the General Meeting of Shareholders.

The amount of monthly remuneration of Directors shall be determined on a specific basis of the Company setup by the Compensation Committee upon authorization by the Board of Directors. The amount of monthly remuneration of Corporate Auditors shall be determined upon consultation among the Corporate Auditors.

Bonuses of Directors shall be determined on a specific basis of the Company setup by the Compensation Committee upon authorization by the Board of Directors. Bonuses of Corporate Auditors shall be determined upon consultation among the Corporate Auditors.

Officers' retirement gratuities to Directors and Corporate Auditors shall, upon approval of the granting thereof to Directors and Corporate Auditors by resolution of the General Meeting of Shareholders, be determined by the Compensation Committee upon authorization by the Board of Directors with regard to those to Directors, and upon consultation among the Corporate Auditors with regard to those to Corporate Auditors.

(3) Policy on the determination of distribution of retained earnings, etc., by the Board of Directors:

The Company recognizes the paying out of earnings to its shareholders as one of the most important missions of management and attaches basic importance to strengthening its operating base and maintaining a constant payment of dividends.

In concrete terms, the Company will implement its dividend policy proactively, based on the dividend on equity ratio 1% for net assets on a consolidated basis, while taking

into consideration business conditions and other factors.

In accordance with the basic policy above, the Company will pay a year-end dividend of ¥35 per share for the fiscal year under review.

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(Note) In this business report, all figures and the number of shares are shown by discarding any fractions of the indicated units, and rates are shown by rounding fractions of a half or more of the indicated unit upward and the rest downward unless otherwise indicated. Net income (loss) per share and book-value per share are shown by rounding off to two decimal places.

CONSOLIDATED BALANCE SHEET

(As of March 31, 2013)

(million yen)

ASSETS:

Current assets:	164,802
Cash and deposits	67,813
Notes and accounts receivable-trade	33,193
Merchandise and finished goods	34,547
Work in process	2,095
Raw materials and supplies	18,997
Deferred tax assets	2,886
Other	5,445
Allowance for doubtful receivables	(178)
Fixed assets:	29,721
Tangible fixed assets:	16,675
Buildings and structures	5,548
Machinery, equipment, and motor vehicles	1,637
Tools, furniture, and fixtures	1,986
Land	6,169
Lease assets	233
Other	1,099
Intangible assets	3,107
Patents	2,078
Other	1,028
Investments and other assets:	9,938
Investment securities	4,973
Deferred tax assets	436
Other	4,720
Allowance for doubtful receivables	(192)
TOTAL ASSETS	194,524

(million yen)

LIABILITIES:

Current liabilities:	69,452
Notes and accounts payable-trade	39,178
Short-term bank loans.....	12,981
Accounts payable-other	11,124
Current portion of long-term lease obligations	163
Income taxes payable.	1,690
Deferred tax liabilities	1
Accrued bonuses.....	241
Reserve for products warranty.....	927
Other	3,143
Long-term liabilities:	3,672
Long-term lease obligations	147
Deferred tax liabilities	1,168
Deferred tax liabilities on revaluation of land.....	226
Liabilities for retirement benefits	927
Liabilities for directors' retirement benefits.....	1,081
Other	121
TOTAL LIABILITIES	73,125

EQUITY:

Shareholders' equity:	141,374
Common stock	31,307
Capital surplus	33,272
Retained earnings.....	101,135
Treasury stock.....	(24,341)
Accumulated other comprehensive income (loss):	(21,271)
Unrealized gain on available-for-sale securities.....	451
Foreign currency translation adjustments.....	(21,722)
Stock acquisition rights:	122
Minority interests:	1,173
TOTAL EQUITY	121,398
TOTAL LIABILITIES AND EQUITY	194,524

CONSOLIDATED STATEMENT OF OPERATIONS

(From April 1, 2012 to March 31, 2013)

(million yen)

Net sales		192,008
Cost of sales		163,340
Gross profit		28,667
Selling, general, and administrative expenses		33,940
Operating loss		5,273
Non-operating income:		
Interest and dividend income	320	
Foreign exchange gains	4,691	
Other	326	5,338
Non-operating expenses:		
Interest expense	111	
Loss on investments in partnership	57	
Other	251	420
Ordinary loss		355
Extraordinary income:		
Gain on sales of fixed assets	423	
Other	2	425
Extraordinary loss:		
Loss on disposal of fixed assets	89	
Loss on revaluation of investment securities	413	
Impairment loss on fixed assets	1,614	
Integration expenses of consignment production base	343	
Other	120	2,581
Loss before income taxes and minority interests		2,511
Income taxes – current	725	
Income taxes – prior years	966	
Income tax – deferred	4,325	6,017
Net loss before minority interests		8,528
Minority interests in net income		13
Net loss		8,542

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(From April 1, 2012 to March 31, 2013)

(million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2012	31,307	33,272	111,384	(24,341)	151,623
Changes of items during the fiscal year					
Cash dividends			(1,705)		(1,705)
Net loss			(8,542)		(8,542)
Acquisition of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	-	-	(10,248)	(0)	(10,248)
Balance as of March 31, 2013	31,307	33,272	101,135	(24,341)	141,374

	Accumulated other comprehensive income (loss)			Stock acquisition rights	Minority interests	Total net assets
	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Total accumulated other comprehensive income (loss)			
Balance as of April 1, 2012	56	(28,917)	(28,861)	106	974	123,843
Changes of items during the fiscal year						
Cash dividends						(1,705)
Net loss						(8,542)
Acquisition of treasury stock						(0)
Net changes of items other than shareholders' equity	394	7,195	7,589	15	198	7,803
Total changes of items during the fiscal year	394	7,195	7,589	15	198	(2,445)
Balance as of March 31, 2013	451	(21,722)	(21,271)	122	1,173	121,398

=====

(Note) In the consolidated balance sheet, consolidated statement of operations and consolidated statement of changes in net assets, all figures are shown by discarding any fractions of the relevant units, respectively.

Copy of Accounting Auditor's Audit Report on Consolidated Financial Statements

[TRANSLATION]

INDEPENDENT AUDITOR'S REPORT

May 20, 2013

To: The Board of Directors
Funai Electric Co., Ltd.

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant

Motoo Nakamura

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant

Akira Nakata

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated balance sheet as of March 31, 2013, of Funai Electric Co., Ltd. (the "Company"), and consolidated subsidiaries and the related consolidated statements of income and changes in equity for the fiscal year from April 1, 2012 to March 31, 2013, and the related notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as of March 31, 2013, and the results of their operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

As described in the "Additional Information" (Acquisition of a Company by Acquisition of Shares), the Company determined on January 29, 2013, to acquire from Royal Philips Electronics ("Philips") the entire shares of a company assuming operations of Philips' Lifestyle Entertainment business during the fiscal year ending March 31, 2014, and entered into a share purchase agreement on the same day.

Our opinion is not qualified in respect of this matter.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

- END -

NON-CONSOLIDATED BALANCE SHEET

(As of March 31, 2013)

<u>ASSETS</u>	(million yen)
Current assets:	73,860
Cash and deposits.....	33,356
Notes receivable-trade	53
Accounts receivable-trade.....	30,988
Merchandise and finished goods.....	352
Raw materials and supplies.....	2,355
Prepaid expenses	1,421
Deferred tax assets	1,722
Short-term loans receivable	2,829
Other	809
Allowance for doubtful receivables	(30)
Fixed assets:	45,291
Tangible fixed assets:	7,587
Buildings	3,048
Structures	54
Machinery and equipment	38
Motor vehicles	0
Tools, furniture, and fixtures	244
Lands.....	4,037
Lease assets	164
Intangible assets:	2,498
Patents	2,078
Software	285
Lease assets.....	9
Software in process	111
Other	12
Investments and other assets:	35,205
Investment securities.....	2,369
Investment in subsidiaries and associated companies	25,566
Long-term loans receivable	14,480
Long-term prepaid expenses	1,310
Other	2,008
Allowance for doubtful receivables	(10,529)
TOTAL ASSETS	119,151
<u>LIABILITIES</u>	(million yen)
Current liabilities:	27,793
Accounts payable-trade.....	14,948
Current portion of long-term lease obligations.....	107

Accounts payable-other	7,535
Accrued expenses	3,992
Accrued income taxes	14
Deposit received	720
Reserve for products warranty	169
Other	306
Long-term liabilities:	1,973
Long-term lease obligations.....	98
Deferred tax liabilities	804
Liabilities for directors' retirement benefits	1,069
Other	0
TOTAL LIABILITIES	29,766
 <u>EQUITY</u>	
Shareholders' equity	88,877
Common stock	31,307
Capital surplus:	33,272
Capital reserve	32,833
Other capital surplus	438
Retained earnings:	48,638
Legal reserve.....	209
Other retained earnings	48,428
Reserve for advanced depreciation of fixed assets	510
General reserve	23,400
Retained earnings carried forward.....	24,518
Treasury stock	(24,341)
Valuation and translation adjustments:	386
Unrealized gain on available-for-sale securities.....	386
Stock acquisition rights	122
TOTAL EQUITY	89,385
TOTAL LIABILITIES AND EQUITY	119,151

NON-CONSOLIDATED STATEMENT OF INCOME

(From April 1, 2012 to March 31, 2013)

(million yen)

Net sales		157,549
Cost of sales		142,559
Gross profit		14,989
Selling, general, and administrative expenses		20,594
Operating loss		5,604
Non-operating income:		
Interest and dividend gains	26,974	
Foreign exchange gains	4,888	
Other	115	31,977
Non-operating expenses:		
Interest expenses	0	
Transfer to allowance for doubtful accounts of related companies	980	
Transfer pricing taxation adjustments	6,046	
Other	110	7,137
Ordinary income		19,235
Extraordinary income:		
Gain on sales of fixed assets	331	
Other	2	333
Extraordinary loss:		
Loss on disposition of fixed assets	9	
Loss on revaluation of investment securities	399	
Impairment loss on fixed assets	1,614	
Other	92	2,115
Income before income taxes		17,454
Income taxes - current	87	
Income tax - deferred	4,253	4,340
Net income		13,113

NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(From April 1, 2012 to March 31, 2013)

(million yen)

	Shareholders' equity										
	Common stock	Capital surplus			Legal reserve	Retained earnings				Treasury stock	Total shareholders' equity
		Capital reserve	Other capital surplus	Total capital surplus		Other retained earnings			Total retained earnings		
						Reserve for advanced depreciation of fixed assets	General reserve	Retained earnings carried forward			
Balance as of April 1, 2012	31,307	32,833	438	33,272	209	520	23,400	13,100	37,230	(24,341)	77,469
Changes of items during the fiscal year											
Reversal of reserve for deferred income tax on fixed assets						(9)		9	-		-
Cash dividends								(1,705)	(1,705)		(1,705)
Net income								13,113	13,113		13,113
Acquisition of treasury stock										(0)	(0)
Net changes of items other than shareholders' equity											
Total changes of items during the fiscal year	-	-	-	-	-	(9)	-	11,407	11,407	(0)	11,407
Balance as of March 31, 2013	31,307	32,833	438	33,272	209	510	23,400	24,518	48,638	(24,341)	88,877

(million yen)

	Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Unrealized gain on available-for-sale securities	Total valuation and translation adjustments		
Balance as of April 1, 2012	7	7	106	77,584
Changes of items during the fiscal year				
Reversal of reserve for deferred income tax on fixed assets				-
Cash dividends				(1,705)
Net income				13,113
Acquisition of treasury stock				(0)
Net changes of items other than shareholders' equity	378	378	15	393
Total changes of items during the fiscal year	378	378	15	11,801
Balance as of March 31, 2013	386	386	122	89,385

=====
(Note) In the non-consolidated balance sheet, non-consolidated statement of income and non-consolidated statement of changes in net assets, all figures are shown by discarding any fractions of the relevant units, respectively.

INDEPENDENT AUDITOR'S REPORT

May 20, 2013

To: The Board of Directors
Funai Electric Co., Ltd.:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Motoo Nakamura

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Akira Nakata

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the financial statements, namely, the balance sheet as of March 31, 2013, of Funai Electric Co., Ltd. (the "Company"), and the related statements of income and changes in equity for the 61st fiscal year from April 1, 2012 to March 31, 2013, and the related notes and the accompanying supplemental schedules.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements and the accompanying supplemental schedules in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and the accompanying supplemental schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements and the accompanying supplemental schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the accompanying supplemental schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the accompanying supplemental schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and the accompanying supplemental schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and the accompanying supplemental schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the accompanying supplemental schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2013, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

As described in the "Additional Information" (Acquisition of a Company by Acquisition of Shares), the Company determined on January 29, 2013, to acquire from Royal Philips Electronics ("Philips") the entire shares of a company assuming operations of Philips' Lifestyle Entertainment business during the fiscal year ending March 31, 2014, and entered into a share purchase agreement on the same day.

Our opinion is not qualified in respect of these matters.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language and "the accompanying supplemental schedules" referred to in this report are not included in the attached financial documents.

- END -

AUDIT REPORT

We, the Board of Corporate Auditor of Funai Electric Co.,Ltd. (the “Company”), after deliberation based upon the audit report prepared by each Corporate Auditor on the execution by Directors of their duties during the 61st fiscal year from April 1, 2012 through March 31, 2013, have prepared this audit and hereby report as follows;

1. Method of audits by the Corporate Auditors and the Board of Corporate Auditor and the particulars thereof:

The Board of Corporate Auditors determined the audit policy, audit plans, etc., received from each Corporate Auditor reports on the state of his performance of audits and the results thereof, and also received from the Directors, etc., and the accounting auditors reports on the state of execution of their duties and demanded their explanations whenever necessary.

Each Corporate Auditor, in accordance with the auditing standards for the Corporate Auditors determined by the Board of Corporate Auditors and pursuant to the audit policy, audit plans, etc., maintained constant communication with the Directors, the internal audit division and other employees, etc., in an effort to collect information and improve the environment for auditing; attended meetings of the Board of Directors and other important meetings; received from the Directors and employees, etc., reports on the state of execution of their duties; demanded their explanations whenever necessary; inspected important decision documents, etc.; and made investigations into the state of activities and property at the head office and principal business offices of the Company. With regard to the details of the resolutions of the Board of Directors for establishing systems to secure that the execution by the Directors of their duties will comply with laws or ordinances and the Articles of Incorporation and such other systems provided for in Article 100, paragraphs 1 and 3 of the Regulations to Enforce the Companies Act of Japan as necessary to secure the adequacy of business of joint-stock corporations, as well as the status of the systems (internal control systems) established pursuant to such resolutions, which are described in the business report, we periodically received from the Directors and employees, etc., reports, demanded their explanations and expressed our opinions whenever necessary, on the state of formulation and operation thereof. With regard to its subsidiaries, we maintained constant communication and exchanged information with the Directors, Corporate Auditors, etc., thereof and required the subsidiaries to render reports on their business operations whenever necessary. In accordance with such methods, we investigated the business report and its accompanying detailed statements for the fiscal year under review.

We also monitored and verified whether the accounting auditors had maintained an independent position and conducted adequate audits, and received from the accounting auditors reports on the state of execution of their duties and demanded their explanations whenever necessary. In addition, we received from the accounting auditors a notice that the “systems to secure adequate execution of duties” (as listed in the items of Article 131 of the

Regulations on Corporate Accounts) had been established in accordance with the “Standard for Quality Control Concerning Audits” (ASBJ, October 28, 2005) and demanded their explanations whenever necessary.

In accordance with such methods, we investigated the non-consolidated financial statements (the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity, and the notes to non-consolidated financial statements) and their accompanying supplemental schedules, as well as the consolidated financial statements (the consolidated balance sheet, the consolidated statement of operations, the consolidated statement of changes in equity and the related notes), for the fiscal year under review.

2. Results of audit:

(1) Results of audit of the business report, etc.:

We are of the opinion:

- (i) That the business report and its accompanying detailed statements present fairly the state of the Company in accordance with laws and ordinances and the Articles of Incorporation,
- (ii) That in connection with the execution by the Directors of their duties, no dishonest act or material fact of violation of laws or ordinances or the Articles of Incorporation exists, and
- (iii) That the details of the resolutions of the Board of Directors on internal control systems are proper and that the descriptions in the business report and the execution by the Directors of their duties concerning such internal control systems contain nothing to be pointed out

(2) Results of audit of the non-consolidated financial statements and their accompanying supplemental schedules:

We are of the opinion that the method and results of the audit made by the accounting auditors, Deloitte Touche Tohmatsu LLC, are proper.

(3) Results of audit of the consolidated financial statements:

We are of the opinion that the method and results of the audit made by the accounting auditors, Deloitte Touche Tohmatsu LLC, are proper.

May 20, 2013

Funai Electric Co., Ltd.
The Board of Corporate Auditors

Hiromu Ishizaki _____ (seal)
Full-time Corporate Auditor

Shinichi Komeda _____ (seal)
Outside Corporate Auditor

Masahide Morimoto _____ (seal)
Outside Corporate Auditor

- END -

Reference Document for the General Meeting of Shareholders

Propositions and reference information

Proposition No. 1: Election of six (6) Directors

The term of office of all the nine (9) Directors currently in office will expire at the close of this Ordinary General Meeting of Shareholders. Hence, it is hereby proposed that six (6) Directors, including two (2) outside Directors, be elected to enhance the transparency of the Board of Directors and allow it to make decisions with agility.

The candidates for Directors are as follows:

Cand i-date No.	Name (Date of birth)	Brief history, post in the Company and business in charge (and important concurrent office)	Number of shares of the Company held by candidate
1.	Tetsuro Funai (January 24, 1927)	<p>April 1951 Established Funai Sewing Machine Company</p> <p>December 1952 Representative Director of Funai Sewing Machine Co., Ltd.</p> <p>August 1961 Founding President and Representative Director of Funai Electric Co., Ltd. (the "Company")</p> <p>June 2005 Director of the Company, President and CEO of the Company</p> <p>June 2008 Director of the Company (to date), Chairman and Officer of the Company</p> <p>June 2010 Chairman and Officer of the Company</p> <p>June 2012 Chairman of the Company (to date) (Chairman of Funai Information Science Promotion Foundation) (Chairman of Funai Scholarship Foundation)</p>	12,709,288 shares

Cand i-date No.	Name (Date of birth)	Brief history, post in the Company and business in charge (and important concurrent office)	Number of shares of the Company held by candidate
2.	Tomonori Hayashi (March 13, 1947)	<p>April 1969 Joined the Company</p> <p>October 2002 Officer of the Company</p> <p>June 2005 Executive Officer of the Company</p> <p>March 2006 CEO of FUNAI CORPORATION INC.</p> <p>June 2007 Senior Executive Officer of the Company</p> <p>March 2008 General Manager of AV Headquarters of the Company</p> <p>June 2008 Director of the Company, President and CEO of the Company</p> <p>June 2010 Representative Director of the Company (to date), President and CEO of the Company (to date)</p>	15,400 shares
3.	Candidate for Outside Director Mitsuo Yonemoto (March 18, 1939)	<p>July 1995 Vice President and Director of T.P.S. Laboratory Co., Ltd. (to date)</p> <p>September 1998 Outside Director of the Company (to date)</p> <p>March 2009 Outside Director of The Sailor Pen Co., Ltd. (to date)</p> <p>June 2012 Outside Corporate Auditor of Oriental Chain Mfg. Co., Ltd. (to date)</p> <p>(Vice President and Director of T.P.S. Laboratory Co., Ltd.)</p> <p>(Outside Director of The Sailor Pen Co., Ltd.)</p> <p>(Outside Corporate Auditor of Oriental Chain Mfg. Co., Ltd.)</p>	100 shares

Cand i-date No.	Name (Date of birth)	Brief history, post in the Company and business in charge (and important concurrent office)	Number of shares of the Company held by candidate
4.	Yoshikazu Uemura (June 27, 1958)	<p>January 1992 Joined the Company</p> <p>July 2004 General Manager of DVD Marketing Dept. of the Company</p> <p>April 2007 COO of FUNAI CORPORATION, INC.</p> <p>October 2009 Officer of the Company</p> <p>June 2010 Director of the Company (to date)</p> <p>September 2010 Chairman and Representative Director of FUNAI CORPORATION, INC.</p> <p>October 2010 Officer and General Manager of TV Business Div. of the Company</p> <p>December 2010 President and Representative Director of P&F USA, Inc. (to date)</p> <p>April 2011 Officer and General Manager of AV Headquarters of the Company</p> <p>July 2011 Officer and General Manager of AV Business Div. of the Company</p> <p>May 2012 Officer and General Manager of AV System Business Div. and General Manager of Display Business Div. of the Company</p> <p>November 2012 Executive Officer and General Manager of AV System Business Div. and General Manager of Display Business Div. of the Company</p> <p>April 2013 Executive Officer of the Company, in charge of sales and marketing (to date)</p>	700 shares

Cand i-date No.	Name (Date of birth)	Brief history, post in the Company and business in charge (and important concurrent office)	Number of shares of the Company held by candidate
5.	Joji Okada (August 27, 1954)	<p>April 1977 Joined Hitachi, Ltd.</p> <p>April 1990 Chief Engineer, Hitachi, Ltd.</p> <p>April 1999 General Manager of Development Office, System LSI Business Dept., Semiconductor Group of Hitachi, Ltd.</p> <p>April 2003 General Manager of Global Marketing Dept. of Renesas Technology Corp.</p> <p>February 2004 Representative Director of Applause Technologies Co., Ltd.</p> <p>December 2005 Joined the Company</p> <p>April 2007 Executive Manager of Development & Technology Headquarters of the Company</p> <p>October 2009 Officer and Deputy General Manager of Development & Technology Headquarters of the Company</p> <p>June 2010 Director of the Company (to date)</p> <p>June 2011 Officer and General Manager of Development & Technology Headquarters of the Company (to date)</p>	500 shares

Candidate No.	Name (Date of birth)	Brief history, post in the Company and business in charge (and important concurrent office)	Number of shares of the Company held by candidate
6.	Candidate for Outside Director Yoshiaki Bannai (August 3, 1954)	<p>April 1979 Joined TDK Corporation</p> <p>June 2000 President and Representative Director of Terra Logic Japan Inc. (renamed Zoran Japan Corporation in August 2003)</p> <p>June 2005 Country General Manager and Vice President in charge of Japan area Sales & Marketing of Zoran Corporation (USA)</p> <p>January 2012 Adviser of the Company</p> <p>June 2012 Outside Director of the Company (to date)</p>	- share

- (Notes)
- The Company has dealings with candidate for Director Mr. Tetsuro Funai with regard to its lands, buildings, and shares. None of the other candidates for Directors has any special interests with the Company.
 - Candidates for Directors Messrs. Mitsuo Yonemoto and Yoshiaki Bannai are candidates for outside Directors.
 - Reasons for the selection of the candidates for outside Directors:
Management has judged that Mr. Mitsuo Yonemoto will be able to offer advice based on his broad experience as a management consultant.

Management has judged that Mr. Yoshiaki Bannai will be able to use his broad knowledge and experience in corporate management and the creation of new businesses.
 - Years of service of outside Directors of the Company:

Mr. Mitsuo Yonemoto will have served as outside Director for 15 years at the close of this Ordinary General Meeting of Shareholders.

Mr. Yoshiaki Bannai will have served as outside Director for a year at the close of this Ordinary General Meeting of Shareholders.
 - Designation of independent officer:

The Company has designated Mr. Mitsuo Yonemoto as an independent officer in accordance with the rules of the Tokyo Stock Exchange and the Osaka Securities Exchange and registered him with such exchanges.
 - Conclusion of liability limitation agreements:

The Company has entered into an agreement with each of outside Directors Mr. Mitsuo Yonemoto and Mr. Yoshiaki Bannai to limit his liability for any damage as provided for in Article 423, paragraph 1 of the Companies Act of Japan within the aggregate amount as provided for in the items of Article 425, paragraph 1 of the said law, pursuant to Article 427, paragraph 1 of the said law. If they are reelected, such agreements will be renewed.

Proposition No. 2: Granting of retirement gratuities to retiring Directors

It is hereby proposed that retirement gratuities be granted to Messrs. Toshio Ohtaku, Hideaki Funakoshi, and Shigeki Saji, who will retire upon expiration of the term of office as Directors, respectively, at the close of this Ordinary General Meeting of Shareholders, in appreciation of services rendered by them while in office, within the extent of a reasonable amount in accordance with the established standards of the Company and that determination of the actual amount, the time and method of presentation, etc., be left to the Compensation Committee upon authorization by the Board of Directors.

The brief histories of the retiring Directors are as follows:

Name	Brief history
Toshio Ohtaku	June 2010 Director of the Company (to date)
Hideaki Funakoshi	June 2010 Director of the Company (to date)
Shigeki Saji	June 2010 Director of the Company (to date)

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