

(Translation)

Securities Code: 6839
June 4, 2014

NOTICE OF THE 62ND ORDINARY GENERAL MEETING
OF SHAREHOLDERS

Dear Shareholders:

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

Please take notice that the 62nd 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 5:00 p.m. on June 19 (Thursday) in Japan time, 2014.

Yours very truly,

Yoshikazu Uemura
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 20 (Friday), 2014, 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. The business report, the consolidated financial statements, and the results of audits of the consolidated financial statements by the independent auditors and the Board of Corporate Auditors for the 62nd fiscal year (from April 1, 2013, to March 31, 2014)
2. The nonconsolidated financial statements for the 62nd fiscal year (from April 1, 2013, to March 31, 2014)

Matters to be resolved:

Proposition No. 1: Election of seven (7) Directors

Proposition No. 2: Election of three (3) Corporate Auditors

Proposition No. 3: Election of one (1) Alternate Corporate Auditor

Proposition No. 4: Issuance of stock acquisition rights as stock options

- END -

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

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 nonconsolidated financial statements, which are posted on our website (<http://www.funai.jp/jp/investors/>) 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 nonconsolidated financial statements that have been audited by the accounting auditors in preparing their account audit reports.

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 nonconsolidated financial statements, it will be posted on our website listed above.

(Attached documents)

BUSINESS REPORT

(April 1, 2013, to March 31, 2014)

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

(1) Development and results of business activities:

During the fiscal year under review, with respect to the United States, which is the Group’s mainstay market, while improvements in the job market began to slow, the economy generally continued to experience slow growth as the housing market showed a continuous recovery and personal consumption increased favorably. The European economy bottomed out as a result of several countermeasures to the debt crisis, while the Chinese economy decelerated. In Japan, capital investment and housing investment picked up as a result of improvements in business and consumer sentiments following the introduction of monetary easing measures by the Bank of Japan, and a gradual economic recovery continued, fueled in part by last-minute demand before the consumption tax increase.

In the consumer electronics industry, demand for smartphones, tablet devices, and cloud computing-related equipment has continued growing sharply. On the other hand, conventional products, such as mobile phones, PCs, digital still cameras, liquid crystal display (LCD) TVs, and DVD/BD (Blu-ray disc)-related products have declined in demand.

Under these circumstances, the Group posted net sales of ¥234,042 million, a 21.9% increase over the previous fiscal year.

On the profit front, due principally to profit deterioration of Philips-brand LCD TVs, audio accessory products, and other items in North America and Mexico, operating loss was ¥5,465 million (operating loss for the previous fiscal year was ¥5,273 million), ordinary loss was ¥2,253 million (ordinary loss for the previous fiscal year was ¥355 million), and net loss was ¥6,745 million (net loss for the previous fiscal year was ¥8,542 million).

Net sales by product group were as follows:

Audiovisual Equipment

In the audiovisual equipment sector, sales increased substantially in North America, where strong sales of LCD TVs were recorded in the year-end selling season. Sales of BD-related products also increased in comparison with the previous fiscal year. As a result, net sales of audiovisual equipment were ¥183,108 million, a 17.6% increase over the previous fiscal year.

Information Equipment

In the information equipment sector, an increase in printer orders and sales of ink cartridges resulted in net sales of ¥18,876 million, a 57.8% increase over the previous fiscal year.

Other

Net sales were ¥32,058 million, a 31.6% increase over the previous fiscal year, due principally to contributions of audio accessory products in North America.

<Consolidated net sales by product group>

Division	Net sales (millions of yen)	Component rate (%)
Audiovisual equipment	183,108	78.2
Information equipment	18,876	8.1
Other	32,058	13.7
Total	234,042	100.0

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

Investment in property, plant, and equipment by the Group during the fiscal year under review totaled ¥5,094 million, composed of ¥4,624 million by its manufacturing companies and ¥469 million by its sales companies. The amount was invested principally to improve manufacturing facilities.

(3) Finance:

During the fiscal year under review, a syndicated loan of ¥5,146 million was organized for the Group's operations.

(4) Issues to be addressed:

Within the consumer electronics industry, demand for smartphones, tablet devices, and cloud computing-related equipment has continued growing sharply. On the other hand, conventional products, such as mobile phones, PCs, digital still cameras, LCD TVs, and DVD/BD-related products have declined in demand.

Operating in this environment, the Group, facing such issues as specifically outlined below, will implement the following policies to address them:

(i) Increasing net sales and returning to profitability

The Group has positioned as its highest priority issue the increase of net sales and returning to profitability.

(Product strategy)

During the fiscal year under review, net sales increased in comparison with the previous fiscal year. On the profit front, however, the Group posted an operating loss due to losses attributable to factors such as disposal of inventories of Philips-brand LCD TVs and audio accessories in North America and Mexico.

For this reason, the Group is enhancing its PSI (“purchase, sales, and inventory”) management and has established a system to supply our products at competitive prices on a timely basis, with a view to augmenting sales and returning to profitability.

In addition, the Group recognizes that product development in new business areas is a pressing issue. Accordingly, to explore new possibilities, in April 2013, we reached an agreement with Lexmark International, Inc., to acquire its inkjet-related technology and assets. The acquisition enables the Group to start and grow its own ink-jet business (including manufacture and sale of more profitable ink cartridges), rather than operating as a contract manufacturer of ink-jet printer products. We are also proceeding with preparations for a smooth start-up of the business for self-developed printers.

(Market strategy)

The Group faces the challenges of reducing the risk of overemphasizing the U.S. market, as well as further smoothing production and sales throughout the year by mitigating the effects of seasonality, and increasing sales. To address these issues, we are considering ways to develop our business in expansionary emerging markets in Thailand and other ASEAN members and India as well as cultivating our market in Mexico.

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

(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 also have incorporated a production subsidiary, Funai Electric Philippines Inc., in the Philippines and are building a plant.

With regard to development, we are continuing our efforts to increase group-wide development efficiency in China and other Asian countries. We are also focusing on new business fields. One result of this effort was the selection in the fiscal year under review of the electric walking assistance cart, which is currently under development, for the Ministry of Economy, Trade, and Industry’s Project to Promote the Development and Introduction of Robotic Devices for Nursing Care.

(iii) Training and appointment of human resources

The Group recognizes that improving each employee’s capabilities and more effectively leveraging the skill set of our workforce to bolster the strength of the Group will be critical for ensuring that 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, regardless of their age and career

by strengthening and expanding its internal or external training systems, including language training, among other things.

(5) Property and income/loss:

Fiscal year Item	59th (April 1, 2010, to March 31, 2011)	60th (April 1, 2011, to March 31, 2012)	61st (April 1, 2012, to March 31, 2013)	62nd (April 1, 2013, to March 31, 2014)
Net sales (millions of yen)	295,923	246,147	192,008	234,042
Ordinary (loss) income (millions of yen)	1,290	174	(355)	(2,253)
Net loss (millions of yen)	(1,169)	(4,629)	(8,542)	(6,745)
Net loss per share (yen)	(34.31)	(135.69)	(250.38)	(197.70)
Total assets (millions of yen)	193,910	176,607	194,524	181,341
Equity (millions of yen)	131,228	123,843	121,398	117,684
Book value per share (yen)	3,813.57	3,598.03	3,520.11	3,414.77

(Note) Net loss 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, BD players, and BD recorders
Information equipment	Printers
Other	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.
	FUNAI ELECTRIC EUROPE Sp.z o.o.	Poland	
	Production subsidiary	Funai Electric (HK) Ltd.	Hong Kong

(9) Employees of the Group:

Number of employees (persons)	As compared with the end of the previous fiscal year (+ or -) (persons)
5,112	+ 336

- (Notes) 1. The above number of employees represents those who actually at work.
2. The number of employees increased principally due to the commencement of operations of Funai Electric Cebu, Inc., acquired during the fiscal year.

(10) Major lenders:

Nothing to be reported.

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

The Company resolved to acquire from Koninklijke Philips N.V. (hereinafter, "Philips") all shares in a company that would succeed the operation of Philips' Lifestyle Entertainment Business and concluded a share purchase agreement on January 29, 2013. However, Philips filed a petition against the Company as of October 25, 2013, for arbitration to claim compensation for damages on the grounds of breach of the agreement by the Company and the petition was served on the Company by the International Chamber of Commerce on November 8, 2013.

With regard to this matter, the Company believes that there was no breach of the agreement on its part. Consequently, on December 6, 2013, the Company filed with the International Chamber of Commerce a counterclaim for claiming compensation for damages on the grounds of breach of the agreement and undue action by Philips.

On May 20, 2014, the Company was given notice of compensation for damages Philips brought forward against the Company in the amount of €171.8 million, as well as statutory interest thereon and arbitration expenses.

2. Matters concerning the shares of the Company

- (1) Total number of shares authorized: 80,000,000 shares
- (2) Total number of shares issued: 36,130,796 shares
(including 2,011,615 shares of treasury stock)
- (3) Number of shareholders: 10,845 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
Tetsuo Funai	1,079	3.16
Royal Bank of Canada Trust Company (Cayman) Limited	1,024	3.00
MSIP CLIENT SECURITIES	736	2.16
Japan Trustee Services Bank, Ltd. (Trust account)	649	1.90
Ftsu Limited Liability Company	470	1.38
FT Development Corporation	470	1.38
T&N Limited Liability Company	470	1.38
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	461	1.35

(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 shares of 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: 5,060 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: 506,000 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, 2006	Director	61	2	¥12,369	August 1, 2007, to July 31, 2014
The first stock acquisition rights for the year ended March 31, 2009	Director	76	2	¥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, 2014)

Title	Name	Business in charge and important concurrent office
Director and Chairman	Tetsuro Funai	Chairman of Funai Foundation for Information Technology; and Chairman of Funai Scholarship Foundation
Director and Vice Chairman	Tomonori Hayashi	
Representative Director; President and Chief Executive Officer (CEO)	Yoshikazu Uemura	
Director and Officer	Joji Okada	General Manager of Development & Technology Headquarters
Outside Director	Mitsuo Yonemoto	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	President and Representative Director of Be.com corporation
Full-time Corporate Auditor	Hiromu Ishizaki	
Outside Corporate Auditor	Shinichi Komeda	
Outside Corporate Auditor	Masahide Morimoto	

(Notes) 1. As of January 1, 2014, Representative Director, President, and CEO were changed as follows:

- Director Tomonori Hayashi retired from the office of Representative Director, President, and CEO and assumed the office of Director and Vice Chairman.
 - Director Yoshikazu Uemura retired from the office of Executive Officer in charge of sales and marketing and assumed the office of Representative Director, President, and CEO.
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 Tokyo Stock Exchange, Inc., and registered them with the exchange.
 4. The Company has established a Nomination Committee and a Compensation Committee (both of which are voluntary committees). The composition of each of the committees is as follows:
 - Nomination Committee: Tetsuro Funai (Chairman), Tomonori Hayashi, Yoshikazu Uemura, and Joji Okada
 - Compensation Committee: Yoshikazu Uemura (Chairman), Tetsuro Funai, Tomonori Hayashi, Joji Okada, and Mitsuo Yonemoto

(2) Directors and Corporate Auditors who retired during the fiscal year under review:

Name	Retirement date	Reason	Title, business in charge, and important concurrent office upon retirement
Toshio Ohtaku	June 21, 2013	Expiration of term of office	Director and Senior Executive Officer; and General Manager of New Business Div.
Hideaki Funakoshi	June 21, 2013	Expiration of term of office	Director and Officer; General Manager of AV System Headquarters; and General Manager of Display Business Div.
Shigeki Saji	June 21, 2013	Expiration of term of office	Director and Officer; and General Manager of Digital Media Business Div.

(For reference)

The Company has adopted a system of officers, and the officers as of April 1, 2014, who did not concurrently hold the office of Director were as follows:

Officer	Hideaki Funakoshi
Officer	Kazuo Uga
Officer	Takeshi Ito
Officer	Sei Kono
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)	9 (2)	¥110,834 thousand (¥10,600 thousand)
Corporate Auditor (Outside Corporate Auditor)	3 (2)	¥21,450 thousand (¥10,400 thousand)
Total (Outside Director/Corporate Auditor)	12 (4)	¥132,284 thousand (¥21,000 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:

- ¥13,508 thousand for nine Directors (including ¥1,000 thousand for two outside Directors)
- ¥1,650 thousand for three 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:

- ¥331 thousand for four Directors

3. The above-listed amount of payments includes the payments to three Directors who retired from office at the end of the 61st Ordinary General Meeting of Shareholders held on June 21, 2013.

4. In addition, the officers' retirement gratuities paid to the Directors who retired from office at the end of the 61st Ordinary General Meeting of Shareholders held on June 21, 2013, are as follows:

- ¥17,800 thousand for three Directors

(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.
- Director Yoshiaki Bannai is President and Representative Director of Be.com corporation. The Company has no special relationship with Be.com corporation.

(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	13	13	-	-
Director Yoshiaki Bannai	13	12	-	-
Corporate Auditor Shinichi Komeda	13	12	13	12
Corporate Auditor Masahide Morimoto	13	13	13	13

(Note) 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 four 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 a technical 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 independent auditors:

(1) Names of the independent auditors:

Deloitte Touche Tohmatsu LLC

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

(i) Remuneration, etc., of the independent auditors for the fiscal year under review: ¥44 million

(ii) Total amount of cash and other proprietary benefits payable to the independent auditors by the Company and its subsidiaries: ¥64 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 independent 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 independent auditors of the Company) other than the independent auditors of the Company.

(3) Content of nonauditing 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 nonreappointment of the independent auditors:

In the event that the independent 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 independent auditors. In addition, in the event that there arises any problem with the performance by the independent 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 nonreappointment of the independent 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 propriety of business activities:

- (i) Systems to ensure that the Directors perform their duties in compliance 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 ensure that the Directors perform their duties in compliance 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 that the Directors shall attend, circular decision documents and other documents and information necessary to secure the propriety 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 ensure that employees perform their duties in compliance 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 ensure that employees perform their duties in compliance with laws, ordinances, and the Articles of Incorporation.

In addition, the Company shall establish a whistle-blowing system

independent of its regular reporting channels and strengthen its compliance system.

- (vi) Systems to secure the propriety 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 with regard to their important matters while giving regard to their autonomy and independence, and secure the propriety of business activities of the whole Group.

- (vii) Matters concerning the employees assisting the Corporate Auditors in the execution of their duties when the Corporate Auditors request the assignment thereof

When the Corporate Auditors request employees to assist them in the execution of 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 in 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 their 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., concerning 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 independent 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 its business relationship with such client.

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, on a specific basis set up by the Company, be determined 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, on a specific basis set up by the Company, be determined 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 and on a specific basis set up by the Company, be determined by the Compensation Committee 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 management base and maintaining a constant payment of dividends.

In concrete terms, the Company will implement its dividend policy proactively, based on the dividend on an equity ratio 1.0% 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.

(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 loss per share and book value per share are shown by rounding off to two decimal places.

CONSOLIDATED BALANCE SHEET

(As of March 31, 2014)

(millions of yen)

ASSETS:

Current assets:	144,041
Cash and deposits	49,167
Notes and accounts receivable-trade	37,681
Merchandise and finished goods	31,665
Work in process	1,182
Raw materials and supplies	16,427
Deferred tax assets	2,504
Other	5,622
Allowance for doubtful accounts.....	(210)
Fixed assets:	37,300
Property, plant, and equipment:	21,905
Buildings and structures.....	9,026
Machinery, equipment, and motor vehicles	3,693
Tools, furniture, and fixtures	2,053
Land	6,178
Lease assets	127
Other	825
Intangible assets	6,574
Patents	4,654
Other	1,920
Investments and other assets:	8,819
Investment securities.....	4,364
Deferred tax assets	400
Asset for retirement benefits.....	335
Other	4,015
Allowance for doubtful accounts	(296)
TOTAL ASSETS	181,341

(millions of yen)

LIABILITIES:

Current liabilities:	53,692
Notes and accounts payable-trade	32,942
Short-term bank loans.....	4,526
Accounts payable-other	11,571
Current portion of long-term lease obligations.....	88
Income taxes payable.....	414
Accrued bonuses.....	258
Reserve for products warranty.....	1,033
Other	2,857
Long-term liabilities:	9,964
Long-term bank loans.....	6,121
Long-term lease obligations	64
Deferred tax liabilities	1,153
Deferred tax liabilities on revaluation of land.....	226
Liabilities for directors' and corporate auditors' retirement benefits...	1,088
Liability for retirement benefits.....	775
Other	535
TOTAL LIABILITIES	63,656
<u>EQUITY:</u>	
Shareholders' equity:	133,435
Common stock	31,307
Capital surplus	33,272
Retained earnings.....	93,196
Treasury stock.....	(24,341)
Accumulated other comprehensive income (loss):	(16,925)
Unrealized gain on available-for-sale securities	672
Foreign currency translation adjustments	(17,495)
Defined retirement benefit plans.....	(103)
Stock acquisition rights:	132
Minority interests:	1,042
TOTAL EQUITY	117,684
TOTAL LIABILITIES AND EQUITY	181,341

CONSOLIDATED STATEMENT OF OPERATIONS

(from April 1, 2013, to March 31, 2014)

(millions of yen)

Net sales		234,042
Cost of sales		201,456
Gross profit		32,586
Selling, general, and administrative expenses		38,052
Operating loss		5,465
Nonoperating income:		
Interest and dividend income	268	
Foreign exchange gains	3,477	
Other	622	4,369
Nonoperating expenses:		
Interest expense	193	
Compensation expenses	529	
Other	434	1,156
Ordinary loss		2,253
Extraordinary income:		
Gain on sales of fixed assets	0	
Gain on bargain purchase	8	
Other	1	10
Extraordinary loss:		
Loss on disposal of fixed assets	170	
Loss on revaluation of investment securities	222	
Loss on revaluation of investment in nonconsolidated subsidiaries and associated companies	290	
Impairment loss on fixed assets	266	
Business structure improvement expenses	1,281	
Advisory fees	1,165	3,397
Loss before income taxes and minority interests		5,640
Income taxes – current	518	
Income taxes – deferred	549	1,068
Net loss before minority interests		6,708
Minority interests in net income		37
Net loss		6,745

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(from April 1, 2013, to March 31, 2014)

(millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2013	31,307	33,272	101,135	(24,341)	141,374
Changes of items during the fiscal year					
Cash dividends			(1,194)		(1,194)
Net loss			(6,745)		(6,745)
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	-	-	(7,939)	-	(7,939)
Balance as of March 31, 2014	31,307	33,272	93,196	(24,341)	133,435

	Accumulated other comprehensive income (loss)				Stock acquisition rights	Minority interests	Total equity
	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Defined retirement benefit plans	Total accumulated other comprehensive income (loss)			
Balance as of April 1, 2013	451	(21,722)	-	(21,271)	122	1,173	121,398
Changes of items during the fiscal year							
Cash dividends							(1,194)
Net loss							(6,745)
Net changes of items other than shareholders' equity	221	4,227	(103)	4,345	10	(130)	4,225
Total changes of items during the fiscal year	221	4,227	(103)	4,345	10	(130)	(3,714)
Balance as of March 31, 2014	672	(17,495)	(103)	(16,925)	132	1,042	117,684

=====

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

Copy of Independent Auditor's Report on Consolidated Financial Statements

[TRANSLATION]

INDEPENDENT AUDITOR'S REPORT

May 21, 2014

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

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

Akihiro Okada

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, 2014, of Funai Electric Co., Ltd. (the "Company"), and its consolidated subsidiaries and the related consolidated statement of operations and changes in equity for the fiscal year from April 1, 2013, to March 31, 2014, and the related notes.

Management's Responsibility for Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance 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 auditor considers 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, 2014, and the results of their operations for the year then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

As discussed in the "Notes to the Consolidated Balance Sheet: 4. Contingent liability," Koninklijke Philips N.V. filed against the Company a petition for arbitration to claim compensation for damages and the petition was served on the Company by the International Chamber of Commerce. With regard to this matter, the Company filed with the International Chamber of Commerce a counterclaim for claiming compensation for damages against Koninklijke Philips N.V. The petition and counterclaim may have an effect on the operating results of the Company and its consolidated subsidiaries. However, it is not possible to make a reasonable estimate of the effect of the arbitration proceedings, and the effect thereof, if any, on the operating results, and financial position of the Company and its consolidated subsidiaries remains unclear.

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 -

NONCONSOLIDATED BALANCE SHEET

(As of March 31, 2014)

(millions of yen)

ASSETS:

Current assets:	71,363
Cash and deposits	17,626
Notes receivable-trade	23
Accounts receivable-trade	43,838
Merchandise and finished goods	69
Raw materials and supplies	1,820
Prepaid expenses	1,598
Deferred tax assets	1,649
Short-term loans receivable.....	5,454
Other.....	380
Allowance for doubtful accounts	(1,100)
Fixed assets:	51,997
Property, plant, and equipment:	7,345
Buildings	2,901
Structures.....	47
Machinery and equipment.....	37
Motor vehicles.....	0
Tools, furniture, and fixtures.....	232
Land.....	4,034
Lease assets	91
Intangible assets:	5,550
Patents	4,654
Software	260
Lease assets	2
Other.....	633
Investments and other assets:	39,101
Investment securities	1,863
Investment in subsidiaries and associated companies.....	31,097
Long-term loans receivable.....	17,216
Long-term prepaid expenses	1,453
Asset for retirement benefits	916
Other.....	346
Allowance for doubtful accounts	(13,792)
TOTAL ASSETS	123,361

(millions of yen)

LIABILITIES:

Current liabilities:	32,507
Accounts payable-trade	19,162
Current portion of long-term lease obligations.....	60
Accounts payable-other	6,460
Accrued expenses	5,833
Income taxes payable.....	99
Deposit received	708
Reserve for products warranty.....	84
Other	98
Long-term liabilities:	7,686
Long-term bank loans	5,146
Long-term lease obligations	46
Deferred tax liabilities	955
Liabilities for directors' and corporate auditors' retirement benefits...	1,069
Other	469
TOTAL LIABILITIES	40,193

EQUITY

Shareholders' equity	82,449
Common stock	31,307
Capital surplus:	33,272
Capital reserve	32,833
Other capital surplus	438
Retained earnings:	42,211
Legal reserve.....	209
Other retained earnings.....	42,001
Reserve for advanced depreciation of fixed assets.....	501
General reserve.....	23,400
Retained earnings brought forward	18,099
Treasury stock	(24,341)
Valuation and translation adjustments:	585
Unrealized gain on available-for-sale securities	585
Stock acquisition rights	132
TOTAL EQUITY	83,167
TOTAL LIABILITIES AND EQUITY	123,361

NONCONSOLIDATED STATEMENT OF OPERATIONS

(from April 1, 2013, to March 31, 2014)

(millions of yen)

Net sales		177,848
Cost of sales		157,573
Gross profit		20,275
Selling, general, and administrative expenses		23,099
Operating loss		2,823
Nonoperating income:		
Interest and dividend gains	315	
Foreign exchange gains	4,350	
Other	541	5,208
Nonoperating expenses:		
Interest expenses	0	
Allowance for doubtful accounts of subsidiaries and associated companies	3,249	
Other	125	3,376
Ordinary loss		991
Extraordinary income:		
Gain on sales of fixed assets	0	
Gain on bargain purchase	160	
Other	1	162
Extraordinary loss:		
Loss on disposition of fixed assets	70	
Loss on revaluation of investment securities	222	
Loss on revaluation of investment in subsidiaries and associated companies	1,712	
Business structure improvement expenses	1,083	
Advisory fees	1,165	4,253
Loss before income taxes		5,082
Income taxes - current	35	
Income taxes - deferred	114	150
Net loss		5,232

NONCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(from April 1, 2013, to March 31, 2014)

(millions of 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 brought forward			
Balance as of April 1, 2013	31,307	32,833	438	33,272	209	510	23,400	24,518	48,638	(24,341)	88,877
Changes of items during the fiscal year											
Reversal of reserve for deferred income tax on fixed assets						(8)		8	-		-
Cash dividends								(1,194)	(1,194)		(1,194)
Net loss								(5,232)	(5,232)		(5,232)
Net changes of items other than shareholders' equity											
Total changes of items during the fiscal year	-	-	-	-	-	(8)	-	(6,418)	(6,427)	-	(6,427)
Balance as of March 31, 2014	31,307	32,833	438	33,272	209	501	23,400	18,099	42,211	(24,341)	82,449

(millions of yen)

	Valuation and translation adjustments		Stock acquisition rights	Total equity
	Unrealized gain on available-for-sale securities	Total valuation and translation adjustments		
Balance as of April 1, 2013	386	386	122	89,385
Changes of items during the fiscal year				
Reversal of reserve for deferred income tax on fixed assets				-
Cash dividends				(1,194)
Net loss				(5,232)
Net changes of items other than shareholders' equity	199	199	10	209
Total changes of items during the fiscal year	199	199	10	(6,217)
Balance as of March 31, 2014	585	585	132	83,167

=====
(Note) In the nonconsolidated balance sheet, nonconsolidated statement of income, and nonconsolidated statement of changes in equity, all figures are shown by discarding any fractions of the relevant units, respectively.

Copy of Independent Auditor's Report on Nonconsolidated Financial Statements

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

May 21, 2014

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

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

Akihiro Okada

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, 2014, of Funai Electric Co., Ltd. (the "Company"), and the related statement of operations and changes in equity for the 62nd fiscal year from April 1, 2013, to March 31, 2014, and the related notes and the accompanying supplemental schedules.

Management's Responsibility for Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements and the accompanying supplemental schedules in accordance 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, 2014, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

As discussed in the "Notes to the Nonconsolidated Balance Sheet: 3. Contingent liabilities, (arbitration)," Koninklijke Philips N.V. filed against the Company a petition for arbitration to claim compensation for damages, and the petition was served on the Company by the International Chamber of Commerce. With regard to this matter, the Company filed with the International Chamber of Commerce a counterclaim for claiming compensation for damages against Koninklijke Philips N.V. The petition and counterclaim may have an effect on the operating results of the Company. However, it is not possible to make a reasonable estimate of the effect of the arbitration proceedings, and the effect thereof, if any, on the operating results, and financial position of the Company remains unclear.

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, and “the accompanying supplemental schedules” referred to in this report are not included in the attached financial documents.

- END -

Copy of Audit Report of the Board of Corporate Auditors

AUDIT REPORT

We, the Board of Corporate Auditors 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 62nd fiscal year from April 1, 2013, through March 31, 2014, have performed our audits and hereby report as follows.

1. Method of audits by the Corporate Auditors and the Board of Corporate Auditors 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 independent 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 ensure 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 ensure 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 independent auditors had maintained an independent position and conducted adequate audits, and received from the independent auditors reports on the state of execution of their duties and demanded their explanations whenever necessary. In addition, we received from the independent 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” (the Accounting Standards Board of Japan, October 28, 2005) and demanded their explanations whenever necessary.

In accordance with such methods, we investigated the nonconsolidated financial statements (the nonconsolidated balance sheet, the nonconsolidated statement of operations, the nonconsolidated statement of changes in equity, and the notes to nonconsolidated 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 nonconsolidated financial statements and their accompanying supplemental schedules:

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

May 21, 2014

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

Hironu 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 seven (7) Directors

The term of office of all the six (6) Directors currently in office will expire at the close of this Ordinary General Meeting of Shareholders. Hence, it is hereby proposed that their number be increased by one (1) and seven (7) Directors, including two (2) outside Directors, be elected to enhance the transparency of the Board of Directors and reinforce and improve the management base.

The candidates for Directors are as follows:

Candi- 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 Foundation for Information Technology) (Chairman of Funai Scholarship Foundation)</p>	12,709,288 shares

Candi- 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; President and CEO of the Company</p> <p>January 2014 Director of the Company (to date); Vice Chairman 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

Candi- 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.</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</p> <p>January 2014 Representative Director of the Company (to date); President and CEO of the Company (to date)</p>	700 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
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., and 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
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 and Marketing of Zoran Corporation (U.S.A.)</p> <p>January 2012 Advisor of the Company</p> <p>June 2012 Outside Director of the Company (to date)</p> <p>July 2012 President and Representative Director of Be.com corporation (to date)</p> <p>(President and Representative Director of Be.com corporation)</p>	- share

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
7.	(New) Tetsuhiro Maeda (July 4, 1954)	<p>April 1980 Joined Sanyo Electric Co., Ltd.</p> <p>October 1998 General Manager of Technical Engineering Dept., Personnel Communication Business Div. of Sanyo Electric Co., Ltd.</p> <p>April 2002 Managing Director of Sanyo Telecommunications Co., Ltd.</p> <p>April 2005 Vice President, Telecom Company of Sanyo Electric Co., Ltd.</p> <p>April 2006 Executive Officer of Sanyo Electric Co., Ltd.</p> <p>April 2008 Executive Officer and General Manager of Solar Business Div. of Sanyo Electric Co., Ltd.</p> <p>April 2011 Managing Executive Officer of Sanyo Electric Co., Ltd.</p> <p>August 2012 Joined the Company</p> <p>January 2013 Executive Manager of Strategic Technology Department, Development Technology Headquarters of the Company</p> <p>April 2013 Officer and General Manager of Business Department, New Business Div. of the Company</p> <p>April 2014 Officer and General Manager of Corporate Planning Div. and General Manager of Business Department, New Business Div. of the Company (to date)</p>	- share

- (Notes)
1. None of the candidates for Directors have any special interests with the Company.
 2. Candidates for Directors Messrs. Mitsuo Yonemoto and Yoshiaki Bannai are candidates for outside Directors.
 3. 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.
 4. Years of service of outside Directors of the Company:

Mr. Mitsuo Yonemoto will have served as outside Director for 16 years at the close of this Ordinary General Meeting of Shareholders.

Mr. Yoshiaki Bannai will have served as outside Director for two years at the close of this

Ordinary General Meeting of Shareholders.

5. Designation of independent officer:

The Company has designated Mr. Mitsuo Yonemoto as an independent officer in accordance with the rules of Tokyo Stock Exchange, Inc., and registered him with such exchange.

6. 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 their 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: Election of three (3) Corporate Auditors

The term of office of all the three (3) Corporate Auditors currently in office will expire at the close of this Ordinary General Meeting of Shareholders. Hence, it is hereby proposed that three (3) Corporate Auditors be elected.

The Board of Corporate Auditors has consented to this proposition.
The candidates for Corporate Auditors are as follows:

Candidate No.	Name (Date of birth)	Brief history and post in the Company (and important concurrent office)	Number of shares of the Company held by candidate
1.	Hiromu Ishizaki (March 23, 1946)	<p>September 1968 Joined the Company</p> <p>June 1993 General Manager of Business Administration Dept., Accounting Div. of the Company</p> <p>October 2000 General Manager of Administration Dept., Administration Div. of the Company</p> <p>October 2005 General Manager of Corporate Planning Dept. of the Company</p> <p>June 2007 Director of New DAT Japan Inc.</p> <p>October 2007 General Manager of Strategy Planning Dept. of the Company</p> <p>February 2011 Outside Corporate Auditor of DX ANTENNA Co., Ltd.</p> <p>May 2012 Advisor of the Company</p> <p>June 2012 Full-time Corporate Auditor of the Company (to date)</p>	1,000 shares

Candi- date No.	Name (Date of birth)	Brief history and post in the Company (and important concurrent office)	Number of shares of the Company held by candidate
2.	Candidate for Outside Corporate Auditor Shinichi Komeda (May 15, 1937)	<p>April 1962 Joined Nichimen Corporation (now Sojitz Corporation)</p> <p>July 1987 General Manager of Dept. I of Electronic Information Headquarters, Osaka Head Office of Nichimen Corporation</p> <p>September 1990 Vice President and General Manager of Chicago Branch of Nichimen U.S.A.</p> <p>May 1991 Outside Director of Navigation Technologies Corp. (now NAVTEQ Corp.)</p> <p>March 1995 President and Representative Director of Nichimen Electric Parts Co., Ltd.</p> <p>March 2001 President and Representative Director of TOKYO DEN-ON Co., Ltd.</p> <p>February 2006 Representative Director of NAVTEQ Corp.</p> <p>May 2010 Director of NAVTEQ Corp.</p> <p>June 2010 Outside Corporate Auditor of the Company (to date)</p>	- share

Candidate No.	Name (Date of birth)	Brief history and post in the Company (and important concurrent office)	Number of shares of the Company held by candidate
3.	Candidate for Outside Corporate Auditor Masahide Morimoto (August 27, 1944)	<p>April 1967 Joined Daiwa Securities Co. Ltd.</p> <p>June 1991 Director, General Manager of Higashi-Tokyo Headquarters and General Manager of Tokyo Metropolitan-West Sales Headquarters of Daiwa Securities Co. Ltd.</p> <p>September 1995 Managing Director and General Manager of Osaka-Kinki-Shikoku Sales Headquarters of Daiwa Securities Co. Ltd.</p> <p>April 1999 Senior Managing Director, Representative Director and General Manager of Osaka Branch of Daiwa Securities SMBC Co. Ltd. (now Daiwa Securities Co. Ltd.)</p> <p>June 2001 President and Representative Director of Daiwa Tochi Tatemono Co., Ltd. (now Daiwa Property Co., Ltd.)</p> <p>June 2002 President and Representative Director, Daiwa Sanko Co., Ltd. (now Daiwa Office Service Co., Ltd.)</p> <p>April 2007 Special Advisor of Daiwa Property Co., Ltd.</p> <p>June 2010 Outside Corporate Auditor of the Company (to date)</p>	2,000 shares

- (Notes)
1. None of the candidates for Corporate Auditors have any special interests in the Company.
 2. Candidates for Corporate Auditors Messrs. Shinichi Komeda and Masahide Morimoto are candidates for outside Corporate Auditors.
 3. Reasons for the selection of the candidates for outside Corporate Auditors:
Management has judged that Messrs. Shinichi Komeda and Masahide Morimoto, who have been long engaged in corporate management, will be able to use their capabilities and knowledge for the audit systems of the Company.
 4. Years of service of Corporate Auditors:
Messrs. Shinichi Komeda and Masahide Morimoto, who are currently outside Corporate Auditors of the Company, will have served as Corporate Auditors for four years at the close of this Ordinary General Meeting of Shareholders, respectively.
 5. Designation of independent officer:
The Company has designated Mr. Shinichi Komeda as an independent officer in accordance with the rules of Tokyo Stock Exchange, Inc., and registered him with such

exchange.

6. Conclusion of liability limitation agreements:

The Company has entered into an agreement with each of outside Corporate Auditors Mr. Shinichi Komeda and Mr. Masahide Morimoto to limit their 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. 3: Election of one (1) Alternate Corporate Auditor

To prepare in advance in case the number of Corporate Auditors falls below the number stipulated by law, it is hereby proposed that one (1) Alternate Corporate Auditor be elected in accordance with the provision of Article 329, paragraph 2 of the Companies Act of Japan.

With regard to the effectiveness of the election, it may be repealed by resolution of the Board of Directors upon consent thereto by the Board of Corporate Auditors only before he assumes office.

The Board of Corporate Auditors has consented to this proposition.

The candidate for Alternate Corporate Auditor is as follows:

Name (Date of birth)	Brief history (and important concurrent office)	Number of shares of the Company held by candidate
Naganori Tanaka (November 13, 1938)	April 1961	- share
	March 1989	
	March 1992	
	November 1993	
	October 2000	
	March 2002	

- (Notes) 1. Candidate for Alternate Corporate Auditor has no special interests with the Company.
2. Candidate for Alternate Corporate Auditor Mr. Naganori Tanaka is a candidate for Alternate Outside Corporate Auditor.

3. Reasons for the selection of the candidate for Alternate Outside Corporate Auditor:

Management has judged that Mr. Naganori Tanaka, who has been long engaged in corporate management, will be able to use his capabilities and knowledge for the audit systems of the Company.

4. Conclusion of liability limitation agreements:

When Mr. Naganori Tanaka assumes the office of Corporate Auditor, the Company will enter into an agreement with him 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.

Proposition No. 4: Issuance of stock acquisition rights as stock options

It is hereby proposed to the shareholders to approve, pursuant to the provisions of Article 236, Article 238 and Article 239 of the Companies Act of Japan, the determination of the terms and conditions of the offering for subscription for stock acquisition rights to be issued as stock options to the Directors (not including outside Directors), Officers, and employees of the Company and its subsidiaries be left to the Board of Directors of the Company.

The issuance of stock acquisition rights to the Directors of the Company falls under nonpecuniary remuneration, etc. Hence, pursuant to Article 361 of the Companies Act of Japan, it is also proposed to the shareholders to approve the method of calculating the stock acquisition rights to be allotted to the Directors.

In the event that Proposition No. 1 (Election of seven (7) Directors) is approved, the number of Directors to be allotted stock acquisition rights will be five (5) (not including outside Directors) and when the stock acquisition rights are issued to the Directors, the maximum number of stock acquisition rights to be allotted to them shall be 200 (the maximum number of stock acquisition rights to be allotted to the persons other than the Directors shall be the number obtained by deducting from the number listed in Section 2. (2) below which describes the number of stock acquisition rights allotted to the Directors of the Company). The amount of compensation expense in connection with the stock acquisition rights will be an amount obtained by multiplying the fair value of each stock acquisition right calculated by using the Black-Scholes model based on the various conditions on the Allotment Date, by the total number of stock acquisition rights to be allotted to the Directors. It is also proposed that when the stock acquisition rights are to be issued to the Directors of the Company, the determination of the dates of issuance, distribution, etc., thereof to each Director be left to the Board of Directors.

1. Reason for the necessity to make an offering for subscription for stock acquisition rights to subscribers on specifically favorable conditions:

To afford incentives and raise the morale from achieving much improved results of the Company on a consolidated basis, secure good human resources, and enhance corporate value, management intends to issue stock acquisition rights as stock options.

2. Content of the stock acquisition rights with respect to which the terms and conditions of the offering may be determined as authorized by resolution of this Ordinary General Meeting of Shareholders, and the maximum number thereof:

- (1) Class and number of shares to be issued or transferred upon exercise of stock acquisition rights:

Not exceeding 120,000 shares of common stock of the Company.

In the event that the Company makes a stock division (which shall include scrip issues; the same applies hereinafter) or stock consolidation that shall become effective after the close of this Ordinary General Meeting of Shareholders, the said number of shares to be issued or transferred upon exercise of the stock acquisition rights shall be adjusted in accordance with the following formula. Such adjustment shall be made only to the number of shares with respect to which the said stock acquisition rights have not been exercised then, with any fraction of one share occurring upon such adjustment discarded.

$$\text{Number of shares as adjusted} = \text{Number of shares before adjustment} \times \text{Division (or consolidation) ratio}$$

In addition, in the event that the Company makes a merger, consolidation, corporate division to transfer business or incorporate a corporation, share exchange, or share transfer which shall become effective after the close of this Ordinary General Meeting of Shareholders or otherwise for any inevitable reason, the said number of shares to be issued or transferred upon exercise of the stock acquisition rights shall be adjusted to a reasonable extent.

- (2) Number of stock acquisition rights:

Not exceeding 1,200 rights.

The number of shares to be issued or transferred upon exercise of each stock acquisition right shall be 100 shares; provided, however, that in the event of an adjustment to the number of shares as set forth in paragraph (1) above, the total number of shares to be issued or transferred upon exercise of stock acquisition rights shall also be adjusted similarly.

- (3) Cash to be paid in for stock acquisition rights:

No cash shall be required to be paid in for stock acquisition rights.

- (4) Amount of property to be contributed upon exercise of a stock acquisition right or the method of determination thereof:

The amount of property to be contributed upon exercise of a stock acquisition right shall be an amount obtained by multiplying the paid-in amount per share to be determined below (the “Exercise Price”), multiplied by the number of shares to be issued or transferred for each stock acquisition right as set forth in paragraph (2) above.

The Exercise Price shall be the higher of (i) an amount obtained by multiplying by 1.05 the average of the daily closing prices (the “Closing Price”) (regular way) of the shares of common stock of the Company on Tokyo Stock Exchange, Inc. for the days (exclusive of any day on which transactions are not validly made) of the month immediately preceding the month under which the date on which the stock acquisition rights shall be allotted (the “Allotment Date”) falls (with any fraction of one yen rounded upward to the nearest one yen) and (ii) the Closing Price on the Allotment Date (if the Closing Price is not available on that day, the Closing Price on any trading day immediately preceding that day).

In the event that after the Allotment Date for the stock acquisition rights, the Company makes a stock division or stock consolidation, the said Exercise Price shall be adjusted in accordance with the following formula, with any fraction of one yen occurring upon such adjustment rounded upward to the nearest one yen:

$$\text{Exercise Price as adjusted} = \frac{\text{Exercise Price before adjustment}}{\text{Division (or consolidation) ratio}} \times \frac{1}{\text{Division (or consolidation) ratio}}$$

In the event that after the Allotment Date for the stock acquisition rights, the Company issues new shares or disposes of its shares of treasury stock at a price lower than the current market price, the said Exercise Price shall be adjusted in accordance with the following formula, with any fraction of one yen occurring upon such adjustment rounded upward to the nearest one yen:

$$\text{Exercise Price as adjusted} = \frac{\text{Exercise Price before adjustment} \times \left(\frac{\text{Number of already issued shares}}{\text{Number of already issued shares}} + \frac{\text{Number of newly issued shares} \times \text{Paid-in price per share}}{\text{Current market price before the issuance of new shares}} \right)}{\text{Number of already issued shares} + \text{Number of newly issued shares}}$$

In the above calculation formula, “Number of already issued shares” represents the number of shares obtained by deducting the number of shares of treasury stock of the Company with respect to the shares of common stock of the Company from the total number of shares of common stock of the Company issued and outstanding, and in the event that the shares of treasury stock are disposed of with respect to the shares of

common stock of the Company, “Number of newly issued shares” shall be read “Number of shares of treasury stock disposed” and “Paid-in price per share” shall be read “Disposal price per share.”

In addition, in the event that the Company makes a merger, consolidation, corporate division to transfer business or incorporate a corporation, share exchange or share transfer, or otherwise for any inevitable reason, the said Exercise Price shall be adjusted to a reasonable extent.

(5) Exercise period of the stock acquisition rights:

From September 1, 2016, to August 31, 2023, provided, however, that if the final day of such period falls on a holiday of the Company, the immediately preceding business day shall be the final day.

(6) Terms and conditions of the exercise of stock acquisition rights:

(i) The number of stock acquisition rights exercisable by any person entitled to exercise stock acquisition rights in any given year (from September 1 through August 31 of the following year) during the period for exercising stock acquisition rights shall be governed by the rule to be established by the Board of Directors.

If any person entitled to exercise his/her stock acquisition rights does not exercise all or any part of his/her rights exercisable in any given year during the period for exercising stock acquisition rights, the rights remaining unexercised in such any given year may be carried over to any subsequent year until the period for exercising stock acquisition rights expires.

(ii) Any person entitled to exercise stock acquisition rights cannot exercise his/her rights in any given year (from September 1 through August 31 of the following year) during the period for exercising stock acquisition rights unless he/she obtains approval of the Company therefor in such any given year.

(iii) Any person entitled to exercise stock acquisition rights shall be a Director, Officer or employee of the Company or its subsidiaries when he/she exercise his/her stock acquisition rights.

(iv) Any stock acquisition right shall not be transferred, offered as a pledger or any other collateral, or inherited.

(7) Matters concerning capital and capital reserve to be increased in the event that the Company issues shares upon exercise of the stock acquisition rights:

(i) In the event that the Company issues shares upon exercise of the stock acquisition rights, the amount of capital to be increased shall be a half of the maximum increase amount of capital calculated pursuant to Article 17, paragraph 1 of the Regulations on Corporate Accounts, with any fraction of one yen rounded upward to the nearest one yen.

- (ii) In the event that the Company issues shares upon exercise of the stock acquisition rights, the amount of capital reserve to be increased shall be an amount obtained by deducting the amount of capital to be increased as set forth in item (i) above from the maximum increase amount of capital set forth in item (i) above.

(8) Restriction on acquisition of the stock acquisition rights by transfer:

Any acquisition of the stock acquisition rights by transfer shall be subject to the approval of the Board of Directors of the Company.

(9) Events of acquisition of stock acquisition rights:

- (i) In the event that before any person entitled to exercise stock acquisition rights exercises his/her rights, a proposition for the approval of a merger agreement under which the Company shall be merged, or a proposition for the approval of a share exchange agreement or a share transfer plan under which the Company shall become a wholly owned subsidiary is approved at a General Meeting of Shareholders (or a resolution therefor is adopted by the Board of Directors of the Company when such resolution of the General Meeting of Shareholders is not required), the Company may acquire the stock acquisition rights without consideration on a day separately specified by its Board of Directors.
- (ii) In the event that before any person entitled to exercise stock acquisition rights exercises his/her rights, he/she ceases to be entitled to do so due to any of the terms and conditions set forth in paragraph (6) above, the Company may acquire the stock acquisition rights without consideration on a day separately specified by its Board of Directors.
- (iii) In the event that any person entitled to exercise stock acquisition rights waives all or any part of his/her rights, the Company may acquire the stock acquisition rights without consideration on a day separately specified by its Board of Directors.

(10) Treatment of stock acquisition rights upon reorganization by the Company:

In the event that the Company is merged or consolidated (as a result of which, the Company shall be dissolved), is divided to transfer business or incorporate a corporation, makes a share exchange or makes a share transfer (collectively, “reorganization”), the Company shall deliver to any person entitled to exercise the stock acquisition rights outstanding (the “Outstanding Rights”) on the day on which the reorganization becomes effective, stock acquisition rights of relevant corporations (“reorganizing companies”) listed in Article 236, paragraph 1, item 8 (a) through (e) of the Companies Act, in accordance with the following terms and conditions. In such case, the Outstanding Rights shall become null and void and the reorganizing companies shall issue new stock acquisition rights, only if and when the delivery of

stock acquisition rights of the reorganizing companies in accordance with the following terms and conditions is stipulated in the relevant merger agreement, consolidation agreement, agreement of corporate division to transfer business, plan for corporate division to incorporate a company, share exchange agreement, or share transfer plan:

- (i) Number of stock acquisition rights of reorganizing company to be delivered:

The same number as that of the stock acquisition rights held by each person entitled to exercise the Outstanding Rights.

- (ii) Class of shares of reorganizing company to be issued or transferred upon exercise of stock acquisition rights:

Shares of common stock of the reorganizing company.

- (iii) Number of shares of reorganizing company to be issued or transferred upon exercise of stock acquisition rights:

The number of shares shall be determined in accordance with paragraph (1) above, taking into account the terms and conditions of the reorganization.

- (iv) Amount of property to be contributed upon exercise of a stock acquisition right:

The amount of property to be contributed upon exercise of each stock acquisition right to be delivered shall be an amount obtained by multiplying by the number of shares of the reorganizing company to be issued or transferred upon exercise of each such stock acquisition right determined as set forth in item (iii) above, the paid-in amount after the reorganization obtained by adjustment to the Exercise Price set forth in paragraph (4) above by taking into account the terms and conditions of the reorganization.

- (v) Exercise period of stock acquisition rights:

From later of the first day of the exercise period of stock acquisition rights set forth in paragraph (5) above and the day on which the reorganization becomes effective, to the last day of the exercise period of stock acquisition rights set forth in paragraph (5) above.

- (vi) Terms and conditions of the exercise of stock acquisition rights:

To be determined in accordance with paragraph (6) above.

- (vii) Matters concerning capital and capital reserve to be increased in the event that shares are issued upon exercise of the stock acquisition rights:

To be determined in accordance with paragraph (7) above.

(viii) Restriction on acquisition of stock acquisition rights by transfer:

Any acquisition of stock acquisition rights by transfer shall be subject to the approval of the reorganizing company.

(ix) Events of acquisition of stock acquisition rights:

To be determined in accordance with paragraph (9) above.

(11) Treatment of fractions of a share upon exercise of the stock acquisition rights:

For the purpose of delivery of shares to any person entitled to exercise stock acquisition rights who exercises his/her rights, any fraction of one share shall be discarded.

(12) Other matters:

Other matters concerning the stock acquisition rights shall be determined by resolution of the Board of Directors.

- END -