

(Translation)

Securities Code: 6839  
June 7, 2019

NOTICE OF THE 67TH ORDINARY GENERAL MEETING  
OF SHAREHOLDERS

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Dear Shareholders:

We would like to express our appreciation for your continued support.

You are hereby notified that the 67th 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.

Note that if you are unable to attend, as a shareholder you may exercise your voting rights in writing. Please review the attached Reference Document for the General Meeting of Shareholders set forth below and exercise your voting rights as stipulated.

[Exercising voting rights in writing]

Send the enclosed voting form indicating your approval or disapproval of the propositions to us by return mail no later than 5:00 p.m. (JST) on June 25, 2019 (Tuesday).

[Exercising voting rights online, including Internet]

Access the designated website for exercising voting rights (<https://evote.tr.mufg.jp/>), use the code for exercising voting rights and the one-time password shown in the enclosed voting form and follow the instructions that appear on your screen. Submit your approval or disapproval of the propositions to us by no later than 5:00 p.m. (JST) on June 25, 2019 (Tuesday).

Refer to page 4. Instructions on exercising your voting rights online, including via Internet

when casting your vote online.

Yours very truly,

Hideaki Funakoshi  
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 26 (Wednesday), 2019, 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 audit reports on the consolidated financial statements by the independent auditors and the Audit and Supervisory Committee for the 67th fiscal year (from April 1, 2018 to March 31, 2019)
2. The nonconsolidated financial statements for the 67th fiscal year (from April 1, 2018 to March 31, 2019)

Matters to be resolved:

- Proposition No. 1: Reduction of Capital Reserve
- Proposition No. 2: Partial revision to the Articles of Incorporation
- Proposition No. 3: Election of six (6) Directors (excluding Directors who are Audit and Supervisory Committee Members)
- Proposition No. 4: Election of three (3) Audit and Supervisory Committee member
- Proposition No. 5: Election of one (1) substitute Audit and Supervisory Committee member
- Proposition No. 6: Payment of retirement benefits for retiring Directors
- Proposition No. 7: Issuance of share acquisition rights as a stock option

4. Decisions for convening the General Meeting of Shareholders

- In cases where a shareholder exercises their voting rights both in writing and electronically, including via the Internet, the voting rights exercised electronically will be deemed as the valid vote.
- In cases where a shareholder exercises their voting rights electronically, including via the Internet, more than once, only the last vote will be deemed as valid.

- END -

- In attending the meeting, please submit 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, “Notes to the consolidated financial statements” and “Notes to the nonconsolidated financial statements”, which are posted on our website (<http://www2.funai.co.jp/en/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 attached with this notice of the Ordinary General Meeting of

Shareholders. Therefore, the attached documents to this notice of the Ordinary General Meeting of Shareholders are a part of the consolidated financial statements and nonconsolidated financial statements that have been audited by the independent auditors to express their audit opinions.

- In the event of the revision to any matters 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 stated above.

## Reference Document for the General Meeting of Shareholders

### Propositions and reference information

#### **Proposition No. 1:** Reduction of Capital Reserve

##### 1. Reasons for reducing capital reserve

Pursuant to Article 448, Section 1 of the Companies Act, the Company shall reduce its capital reserve and transfer the amount by which it is reduced to other capital surplus to ensure the flexibility and mobility of its financial strategy going forward.

##### 2. Details of the reduction to the capital reserve

###### (1) Amount of capital reserve reduction

The capital reserve will be reduced by ¥3,000,000,000 from a total of ¥20,023,476,638, and the amount by which it is reduced will be transferred to other capital surplus. The amount of capital reserve after reduction will be ¥17,023,476,638.

###### (2) Date the capital reserve reduction will take effect

July 29, 2019

**Proposition No. 2:** Partial revision to the Articles of Incorporation

1. Reason for proposal

The Company and its subsidiaries aim to implement the expansion of business operations and deploy businesses going forward. In preparation for this, we plan to add new business objectives to Article 2 (Purpose) of the Articles of Incorporation.

Current Articles of Incorporation	After revision
<p>(Purpose)</p> <p>Article 2: The purpose of the Company is to conduct the following business operations.</p> <p>1.-3. (Text omitted)</p> <p style="padding-left: 40px;">(Newly added text)</p> <p>4.-7. (Text omitted)</p> <p>8. Product and merchandise repair and maintenance services in the preceding items (excluding items 2, 3 and 5)</p> <p>9. Products, merchandise, copyrights, software rental and leasing in the preceding items (excluding items 2, 3 and 8)</p> <p>10.-34. (Text omitted)</p> <p style="padding-left: 40px;">(Newly added text)</p> <p>35. (Text omitted)</p>	<p>(Purpose)</p> <p>Article 2: (No change)</p> <p>1.-3. (No change)</p> <p>4. Development, manufacturing, sales and import/export of automobiles (including electric vehicles and two-wheeled vehicles) and automotive parts</p> <p>5.-8. (No change)</p> <p>9. Product and merchandise repair, serving, inspection and maintenance services in the preceding items (excluding items 2, 3 and 6)</p> <p>10. Products, merchandise, copyrights, software rental and leasing in the preceding items (excluding items 2, 3 and 9)</p> <p>11.-35. (No change)</p> <p>36. Power generation business</p> <p>37. (No change)</p>

**Proposition No. 3:** Election of six (6) Directors (excluding Directors who are Audit and Supervisory Committee Members)

The term of office of all five (5) directors (excluding directors who are Audit and Supervisory Committee members; the same applies hereinafter in this proposition) currently in office will expire at the close of this Ordinary General Meeting of Shareholders.

Hence, it is hereby proposed that six (6) Directors, increasing one (1) outside Director, be elected in order to accelerate decision-making and increase management efficiencies.

The candidates for Director 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	Hideaki Funakoshi (September 30, 1965)	<p>April 1984      Joined Mitsubishi Electric Engineering Company, Limited</p> <p>January 1993    Joined the Company</p> <p>April 2006      General Manager of DVD Project of the Company</p> <p>February 2008   Executive General Manager of DVD Business Div. of the Company</p> <p>June 2010      Director of the Company Officer and General Manager of DVD Business Div. of the Company</p> <p>July 2011      Officer and Deputy General Manager of AV Business Headquarters of the Company</p> <p>May 2012      Officer, Deputy General Manager of AV System Business Headquarters and General Manager of Digital Media Business Div. of the Company</p> <p>April 2013      Officer, General Manager of AV System Business Headquarters and General Manager of Display Business Div. of the Company</p> <p>November 2014   Officer and General Manager of AV System Business Headquarters of the Company</p> <p>April 2016      Officer, General Manager of AV System Business Headquarters and General Manager of Display Business Div. of the Company</p> <p>June 2016      Director of the Company</p> <p>May 2017      Representative Director of the Company (To date) President &amp; CEO of the Company (To date)</p>	800 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	Takeshi Ito (September 10, 1960)	<p>April 1982      Joined the Company</p> <p>April 2003      Assumed the position of General Manager of the Company President of FUNAI CORPORATION, INC.</p> <p>April 2005      Executive General Manager of the Company</p> <p>August 2008     President of P&amp;F USA, Inc.</p> <p>October 2009    Officer of the Company(To date)</p> <p>April 2012      President of Funai India Private Limited</p> <p>October 2014    Officer and General Manager of Materials Headquarters of the Company</p> <p>June 2016      Director of the Company (To date)</p> <p>(Responsible)    General Manager, Sales Headquarters</p>	1,000 shares
3	Motoyoshi Adachi (January 26, 1955)	<p>April 1977      Joined Victor Company of Japan, Limited (currently JVC Kenwood Corporation)</p> <p>September 1998    General Manager of Marketing Promotion Dept., Overseas Sales Div. of Victor Company of Japan, Limited</p> <p>February 2003     Executive Vice President of JVC Canada Inc.</p> <p>September 2006    General Manager of AVC Accessory Dept. of Victor Company of Japan, Limited</p> <p>April 2007      Associate Director of Victor Company of Japan, Limited</p> <p>June 2008      Director of Victor Company of Japan, Limited</p> <p>September 2008    Director, Executive Officer of JVC Kenwood Holdings Inc. (currently, JVC Kenwood Corporation)</p> <p>September 2009    Director, Managing Officer of JVC Kenwood Holdings Inc.</p> <p>June 2011      Advisor of JVC Kenwood Holdings Inc.</p>	- share

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
		<p>May 2013      Joined the Company as Associate Director in charge of sales management</p> <p>April 2014      Associate Director and General Manager of HV Business Div., AV System Business Headquarters of the Company</p> <p>October 2014      Officer, General Manager of HV Business Div., AV System Business Headquarters of the Company (To date)</p> <p>January 2015      Officer, General Manager of Display System Business Div., AV System Business Headquarters of the Company</p> <p>April 2016      President of Funai Corporation, Inc. President of P&amp;F USA, Inc.</p> <p>April 2018      Officer, General Manager of Business Headquarters of the Company</p> <p>June 2018      Director of the Company (To date)</p> <p>(Responsible)      General Manager of AV Division</p>	

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
4	Makoto Ueshima (February 27, 1963)	<p>April 1986      Joined Daiwa Bank, Limited (now Resona Bank, Limited)</p> <p>October 2003    General Manager of Senri Branch of Resona Bank</p> <p>April 2006      Department Manager of the Seventh Osaka Sales Department, Osaka Sales Office, Resona Bank</p> <p>June 2007      Department Manager of the Sixth Tokyo Sales Department, Tokyo Sales Office, Resona Bank</p> <p>July 2009      Department Manager of the Second Sales Department, Toranomom Branch, Resona Bank</p> <p>July 2010      General Manager of Amagasaki Kita Branch and Amagasaki Area Manager, Resona Bank</p> <p>April 2014      General Manager of Osaka Nishi Branch, Resona Bank</p> <p>August 2015    General Manager of Pension Sales Department, Resona Bank</p> <p>April 2017      Loaned to the Company, Associate Director</p> <p>July 2017      General Manager of Administration Headquarters of the Company (To date)</p> <p>April 2018      Joined the Company</p> <p>May 2018      Officer of the Company (To date)</p> <p>June 2018      Director of the Company (To date)</p> <p>(Responsible)    General Manager of Administration Headquarters</p>	- share
5	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.</p> <p>June 2012      Outside Audit &amp; Supervisory Board Member of Oriental Chain Mfg. Co., Ltd. (To date)</p> <p>June 2018      Outside director of the Company (To date)</p>	100 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
		(Vice President and Director of T.P.S. Laboratory Co., Ltd.) (Outside Audit & Supervisory Board Member of Oriental Chain Mfg. Co., Ltd.)	
6	Candidate for Outside Director  Atsushi Shirakami (December 19, 1960)	<p>April 1983      Joined The Dai-Ichi Kangyo Bank, Limited (currently Mizuho Bank, Ltd.)</p> <p>June 1998      Deputy Branch Manager, London Office, Dai-Ichi Kangyo Bank</p> <p>April 2002      Assistant Sales Manager, Japanese Corporate Sales, Europe Branch, Mizuho Corporate Bank, Ltd., (currently Mizuho Bank, Ltd.)</p> <p>June 2003      General Manager, Financial Product Development, Mizuho Securities Co., Ltd.</p> <p>March 2005      General Manager, Sales Department, Medical Division, Nikkiso Co., Ltd.</p> <p>August 2007      General Manager, Corporate Planning, Executive Officer, Katokichi Co., Ltd. (currently TableMark Co., Ltd.)</p> <p>January 2010      Vice President, MT Lab January 2011      Strategic Dominance Co., Ltd. President (to date)</p> <p>(President, Strategic Dominance Co., Ltd.) (Director, Nippon Jigyo Senryaku Sogo Kenkyujo (Japan Business Strategy Research Institute))</p>	- share

- (Notes)
1. None of the candidates for Director have any special interests with the Company.
  2. Candidate for Director, Mr. Mitsuo Yonemoto, is a candidate for Outside Director.
  3. Reasons for the selection of the candidates for Director or Outside Director:
    - The Management expects Mr. Hideaki Funakoshi to use the wide range of knowledge and capabilities accumulated from his broad expertise and experience as a manager of the AV business, one of the Company's core businesses.
    - The Management expects Mr. Takeshi Ito to use the wide range of knowledge and

capabilities accumulated from his diverse business experience within the Company and extensive overseas business experience in the management of the Company.

- The Management expects Mr. Motoyoshi Adachi to make full use of the abilities and insight that he has developed from his abundant experience and achievements in the area of business management for many years in his previous career and at this Company.
- The Management expects Mr. Makoto Ueshima to make full use of his abilities and abundant insight in the area of banking and finance in the management of the Company.
- The Management expects Mr. Mitsuo Yonemoto to offer advice based on his broad experience as a management consultant and also enhance the transparency of management by participating in the Board of Directors as an independent officer.
- The Management expects Mr. Atsushi Shirakami to provide beneficial advice based on his wide range of knowledge and capabilities accumulated as a management consultant and also expects to use his diverse business experience and network within the Company.

4. Years of service of Outside Director of the Company:

Mr. Mitsuo Yonemoto will have served as an outside director for 20 years and nine months 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 limited liability agreement:

The Company has entered into an agreement with Non-executive Directors Mr. Tetsuro Funai and Mr. Mitsuo Yonemoto 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 Act, pursuant to Article 427, paragraph 1 of the said Act. If they are reelected, such agreement will be renewed. The Company and Mr. Atsushi Shirakami will enter into a limited liability agreement once he is elected.

**Proposition No. 4:** Election of three (3) Audit and Supervisory Committee member

The term of office for three (3) Directors, who are also Audit and Supervisory Committee members, will expire at the close of this Ordinary General Meeting of Shareholders. We would like to nominate three (3) Directors, who are also Audit and Supervisory Committee members, including two (2) Outside Directors.

Note that this proposition has been approved by the Audit and Supervisory Committee.

The candidate for directors who are also Audit and Supervisory Committee members 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	Fumiaki Kidera (January 31, 1951)	September 1969      Joined Sansui Electric Co., Ltd. November 1982      Director of Osaka Service Center of Quality Assurance Dept., of Sansui Company June 1988              General Manager of Service Dept., of FUNAI SALES CO., LTD. July 1997                President and Representative Director of FUNAI SERVICE CO., LTD. July 2003                Associate Officer of Products Reliability Div. of the Company July 2006                Officer of Products Reliability Div. of the Company June 2012                Resigned from the Company June 2017                Director (full-time Audit and Supervisory Committee member) (To date)	- 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
2	Hiroyuki Yamada (November 26, 1950)	<p>April 1973      Joined Chuo Accounting Office</p> <p>March 1982      Became a registered certified public accountant (CPA)</p> <p>August 1992      Employee, Chuo Shinko Audit Corporation</p> <p>May 1999      Senior Partner, Chuo Shinko Audit Corporation</p> <p>October 2006      Became a registered tax accountant</p> <p>                    Opened Yamada &amp; Partners Accounting Co., Ltd. and Yamada &amp; Partners Tax Accounting Co., Ltd. Representative (to date)</p> <p>April 2007      Outside Director, Takasho Co., Ltd. (to date)</p> <p>June 2007      Outside auditor, Denkyosha Co., Ltd. (to date)</p> <p>April 2008      Outside auditor, Imura Envelope Corporation (to date)</p> <p>June 2008      Outside auditor, KFC Ltd.</p> <p>October 2012      Director, Kansai University</p> <p>(President, Yamada &amp; Partners Accounting Co., Ltd.) (President, Yamada &amp; Partners Tax Accounting Co., Ltd.) (Outside Director, Takasho Co., Ltd.) (Outside auditor, Imura Envelope Corporation)</p>	- share
3	Takahiro Tanaka (January 17, 1973)	<p>April 2000      Lawyer registration (Osaka Bar Association)</p> <p>                    Joined the Nakanoshima Chuo Law Office</p> <p>January 2007      Became a partner at the law office above (to date)</p> <p>June 2010      Outside auditor, Shinko Wire Company, Ltd.</p> <p>June 2015      Outside Director, Shinko Wire Company, Ltd. (to date)</p> <p>(Partner, Nakanoshima Chuo Law Office) (Outside Director, Shinko Wire Company, Ltd.) (Professor, Graduate School of Intellectual Property, Osaka Institute of Technology)</p>	- share

1. Mr. Takahiro Tanaka, a candidate for Director who will also serve as an Audit and Supervisory Committee member, is a partner at Nakanoshima Chuo Law Office. The Company has a consulting contract with this law firm. Note that in the fiscal year ended March 31, 2019, the total amount of transactions with this law firm was around 2 million yen annually. Candidates for Director who will also serve as an Audit and Supervisory Committee member have no special interests in the Company.

2. Mr. Hiroyuki Yamada and Mr. Takahiro Tanaka are candidates for the position of Outside Director.

3. Reasons for the selection of the candidates for Directors, who will also serve as an Audit and Supervisory Committee member, or Outside Directors:

Mr. Fumiaki Kidera has many years of experience related to corporate management. Management expects Mr. Kidera to use his capabilities and knowledge in the audit system of the Company.

Mr. Hiroyuki Yamada has broad experience as a CPA and tax accountant and possesses specialized knowledge related to corporate accounting and taxes. Management expects Mr. Yamada to use these capabilities for conducting audits in the Company. Aside from his role as an Outside Director and Outside Auditor, Mr. Yamada has no direct involvement in the management of the Company. In light of the above reasons, Management believes that Mr. Yamada is a good candidate for executing duties as an Outside Director who is an Audit and Supervisory Committee member.

Mr. Takahiro Tanaka has broad experience as a lawyer and possesses specialized knowledge related to corporate law. Management expects Mr. Tanaka to use these capabilities to fortify compliance and for conducting audits at the Company. Aside from his role as an Outside Director and Outside Auditor, Mr. Tanaka has no direct involvement in the management of the Company. In light of the above reasons, Management believes that Mr. Tanaka is a good candidate for executing duties as an Outside Director who is an Audit and Supervisory Committee member.

4. The Company has designated Mr. Hiroyuki Yamada and Mr. Takahiro Tanaka as independent officers and plans to register them with the Tokyo Stock Exchange, Inc. Note that as stated above the Company has business transactions with Mr. Tanaka's law firm. However, it has been determined that this does not influence his independence in his duties as an officer.

5. Conclusion of limited liability agreement:

The Company has entered into an agreement with Mr. Fumiaki Kidera, who is a director and also an Audit and Supervisory Committee member, 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 Act, pursuant to Article 427, paragraph 1 of the said Act. If he is reelected, such agreement will be renewed. The Company will also enter into a limited liability agreement with Mr. Hiroyuki Yamada and Mr. Takahiro Tanaka, should they be newly elected.



**Proposition No. 5:** Election of one (1) substitute Director, who will also serve as an Audit and Supervisory Committee member

In accordance with the provisions stipulated in Article 329, paragraph 3 of the Companies Act, we propose that one (1) substitute Director, who will also serve as an Audit and Supervisory Committee member is elected in advance as a contingency for when the Company does not have the required number of Directors who are also Audit and Supervisory Committee members as prescribed by laws and ordinances.

Note that prior to taking office, the nomination can be terminated via consent by the Audit and Supervisory Committee and a vote by the Board of Directors.

This Audit and Supervisory Committee has consented to this proposition.

The candidate for substitute Director, who will also serve as an Audit and Supervisory Committee member is as follows:

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
Mitsuo Yonemoto (March 18, 1939)	July 1995 Vice President and Director of T.P.S. Laboratory Co., Ltd. (to date)	100 shares
	September 1998 Outside Director of the Company (to date)	
	March 2009 Outside Director, THE SAILOR PEN CO., LTD.	
	June 2012 Outside Audit & Supervisory Board Member, Oriental Chain Mfg. Co., Ltd.	
	June 2018 Outside Director, Oriental Chain Mfg. Co., Ltd. (to date)	
	(Vice President, TPS Laboratory Co., Ltd.) (Outside Director, Oriental Chain Mfg. Co., Ltd.)	

1. The candidate for Director, who will also serve as an Audit and Supervisory Committee member, does not have any special interests in the Company.

2. Mr. Mitsuo Yonemoto is a candidate for substitute Outside Director.

3. Reasons for the selection as a candidate for substitute Outside Director, who will also serve as an Audit and Supervisory Committee member:

- Mr. Mitsuo Yonemoto has abundant experience as a management consultant and has many years of experience related to corporate management. Management expects Mr. Yonemoto to utilize these capabilities and knowledge in the audit system of the Company.

4. Years of service of Outside Director of the Company:

Mr. Mitsuo Yonemoto is currently an Outside Director of the Company and will have served as an Outside Director for 20 years and nine months at the close of this Ordinary General Meeting of Shareholders.

5. Conclusion of limited liability agreement:

The Company plans to enter into an agreement with Mr. Mitsuo Yonemoto, once elected, 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 Act, pursuant to Article 427, paragraph 1 of the said Act.

**Proposition No. 6:** Payment of retirement benefits for retiring Directors

Mr. Masahide Morimoto and Mr. Masakazu Funaishi will retire as directors who also serve as Audit and Supervisory Committee members as their term of office will end at the close of this Ordinary General Meeting of Shareholders. Both parties will be paid retirement benefits, within a set amount based on Company standards for their service during their respective terms in office.

Note that the specific amount, time of payment, method of payment and other conditions will be decided based the outcome of discussions by Directors who also serve as Audit and Supervisory Committee members.

A brief history of the retiring Directors who also serve as Audit and Supervisory Committee members is as follows:

Name	Career
Masahide Morimoto	June 2015 Outside Director (Audit and Supervisory Committee member) (to date)
Masakazu Funaishi	June 2017 Outside Director (Audit and Supervisory Committee member) (to date)

**Proposition No. 7:** Issuance of share acquisition subscription rights as a stock option

- END -

We request that the Ordinary General Meeting of Shareholders approve the above proposition to allow the Board of Directors to determine the details of an issuance of new share subscriptions rights as stock options for Directors of the Company and its subsidiaries (excluding Directors that are also Audit and Supervisory Committee members and Outside Directors), corporate officers and employees in accordance with Articles 236, 238, and 239 of the Companies Act.

This issuance of new share subscription rights is non-monetary compensation. We also ask that you approve the calculation method for allocating new share subscription rights to directors, as stipulated in Article 361 of the Companies Act.

Note that in the event that Proposition No. 3: Election of six (6) Directors (excluding Directors who are Audit and Supervisory Committee Members) is approved at the Ordinary General Meeting of Shareholders, four (4) Directors shall receive said allocation (excluding outside directors). Should the new share subscription rights be issued to Directors of the Company, the maximum number of new share subscription rights to be allocated is 500 new share subscription rights, taking into account the purpose of the stock option and the level of compensation for each Director (the maximum number of new share subscription rights to be allocated to persons other than Directors is the number stipulated in 2.(2) below, minus the number of new share subscription rights allocated to the Directors). The amount of compensation to be paid to the Directors in the form of new share subscription rights is the fair market value of the new share subscription rights, calculated using the Black Scholes model, multiplied by the total number of new share subscription rights to be allocated to the Directors (the annual 550 million yen Director compensation approved at the 63rd Ordinary General Meeting of Shareholders, held on June 25, 2015, is separate from this stock option). We also request approval to delegate to the Board of Directors the authority to decide on when to issue and distribute the new share subscription rights to each Director.

1. Reasons for offering certain individuals new share subscription rights based on special conditions

The issuance of new share subscription rights as a stock option aims to increase the corporate value of the Company by boosting motivation and morale to improve consolidated earnings performance, as well as by securing skilled personnel.

2. Details of new share subscription rights and ceiling (maximum number of subscription rights), etc. to be decided pursuant the delegation of authority to the Board of Directors at the Ordinary General Meeting of Shareholders

(1) Types and number of shares associated with new share subscription rights

The maximum number of common shares to be issued is 180,000 shares.

Should the Company conduct stock splits (including gratis stock issues) or consolidations that take effect after the close of the Ordinary General Meeting of Shareholders, the following method will be used to adjust the number of shares associated with each new share subscription right. However, such adjustments will only be made for new share subscription rights issued as part of this

announcement that have not been exercised as of the time of the adjustment. Furthermore, fractional sums of less than 1 share will be rounded off.

Number of shares after adjustment = number of shares before adjustment X split (or consolidation) ratio

Additionally, the number of shares associated with new share subscription rights may be adjusted within reason should the Company merge through acquisition or consolidation, absorb a split-off, incorporate a split-off, engage in stock swaps or equity transfers, or for other unavoidable reasons, that take effect after the of the Ordinary General Meeting of Shareholders.

(1) Number of new share subscription rights

The maximum number of new share subscription rights is 1,800.

Note that the share lot for each new share subscription right is 100. However, as stipulated in (1) above, this will also be adjusted in the event of a number of shares associated with new share subscription rights is adjusted.

(3) Payment in exchange for acquisition of the new share subscription rights

Payment is not required to acquire the new share subscription rights.

(4) Value and calculation method of assets to be paid in upon exercise of new share subscription rights

The value of assets to be paid in upon exercise of each new share subscription right shall be the per-share value (hereinafter “exercise price”) determined by the following method, multiplied by the number of shares associated with each new share subscription right defined previously in (2).

The exercise price shall be either the average closing price (hereinafter “closing price”) of the Company’s common stock on the Tokyo Securities Exchange of each trading day (except days when Company stock was not traded) in the month prior to the date of the new share subscription rights issuance (hereinafter “issue date”) multiplied by 1.05 (remainders of less than one yen will be rounded up) or the closing price on the issue date (or, if there is no closing price on the issue date, the closing price from the most recent trading day), whichever value is higher.

Note that should the Company conduct stock splits or consolidations, the exercise price will be adjusted according to the following formula, with remainders of less than one yen rounded up.

Exercise price after adjustment = exercise price before adjustment X 1 / (split (or consolidation) ratio)

Should the Company issue new shares or retire treasury shares at a price below market value (excluding the exercise of new share subscription rights or preemptive subscription rights), the exercise price will be adjusted according to the following formula, with remainders of less than one yen rounded up.

Exercise price after adjustment = exercise price before adjustment X  
(number of currently issued shares) +  
((number of newly issued shares X amount paid per share) / market value before new  
issuance) / (number of currently issued shares + number of newly issued shares)

The “number of currently issued shares” in the formula above is arrived at by subtracting the number of common Company treasury shares from the total number of outstanding common shares. Additionally, should the Company dispose of common treasury shares, “number of

newly issued shares” and “amount paid per share” shall be replaced by “number of treasury shares to be disposed of” and “retirement price per share,” respectively.

Furthermore, the exercise price may be adjusted within reason should the Company merge through acquisition or consolidation, absorb a split-off, incorporate a split-off, engage in stock swaps or equity transfers, or for other unavoidable reasons.

(5) Exercise period for new share subscription rights

In accordance with the decision by the Board of Directors, new share subscription rights may be exercised (allocated) from the date two years after the date of resolution by the Board of Directors related to the new share subscription rights to the date 10 years after the date of said resolution.

(9) Conditions for exercising new share subscription rights

① The number of new share subscription rights that may be exercised in a single year during the exercise period for new subscription rights shall be based upon standards determined by the Board of Directors.

Additionally, should the owner of the new share subscription rights fail to exercise all, or a portion of, eligible new share subscription rights during any year in the exercise period, his or her remaining new share subscription rights from that year may be carried over into subsequent fiscal years until the end of the exercise period.

② New share subscription rights may not be exercised in any year during the exercise period described above without the authorization of the Company.

③ Should a director, auditor, corporate officer or employee of the Company or an affiliate cease to be a director, auditor, corporate officer or employee of the Company or an affiliated company, he or she may no longer exercise his or her new share subscription rights.

④ The new share subscription rights cannot be transferred, pledged, or otherwise furnished as collateral to a third party.

(7) Notes concerning increases in capital and capital reserves should shares be issued due to the exercise of new share subscription rights

① The value of the capital increase due to the issuance of shares when new share subscription rights are exercised shall be 1/2 of the increase in capital value as calculated according to Article 17 Paragraph 1 of the Company accounting regulations, with remainders of less than one yen resulting from the calculations rounded up.

② The value of the capital reserve increase due to the issuance of shares when new share subscription rights are exercised shall be calculated by subtracting the increased capital value defined in ① from the increase in capital defined in ①.

(8) Limitations on acquisition of new share subscription rights through transfer

Acquiring new share subscription rights through a transfer requires the approval of the Board of Directors.

(9) Reasons for acquisition of new share subscription rights by the Company

① The Company may acquire unexercised new share subscription rights without payment on a date to be decided separately by the Company's Board of Directors should a measure to approve a merger agreement under which the Company will cease to exist, or a measure to approve an exchange of shares or equity transfer through which the Company will become a wholly owned subsidiary, be approved at a General Shareholders Meeting (upon approval by

the Company Board of Directors if approval at the General Shareholders Meeting is not required).

② The Company may acquire unexercised new share subscription rights without payment on a date to be decided separately by the Board of Directors should the exercise rights become lost in accordance with conditions stipulated above in (7).

③ Should a holder of new share subscription rights abandon all, or a portion, of his or her new share subscription rights, the Company may acquire those rights without payment on a date to be decided separately by the Board of Directors.

(10) Handling of new share subscription rights should the Company be restructured  
Should the Company merge (limited to cases in which the Company would cease to exist due to merger), absorb a split-off, incorporate a split-off, engage in share swaps or equity transfers (hereinafter collectively “restructuring”), the Company may issue new share subscription rights for the company created under “i” to “ho” of Article 236, Paragraph 1, Item 8 of the Companies Act (hereinafter “restructured company”) to holders of unexercised new share subscription rights as of the effective date of restructuring based upon the conditions below. In this case, the unexercised new share subscription rights would cease to exist and the restructured company would newly issue its own new share subscription rights.

However, issuances of new share subscription rights from the restructured company in accordance with the conditions below are limited to instances in which they are defined in merger agreements, split-off absorption agreements, split-off incorporation plans, share swap agreements and equity swap plans.

① Number of restructured company new share subscription rights to be issued

The number of restructured company new share subscription rights issued shall be the same as the number of unexercised Company new share subscriptions rights held.

② Types of restructured company shares associated with new share subscription rights  
Shares shall be common shares of the restructured company.

③ Number of restructured company shares associated with new share subscription rights  
To be decided based upon (1) above after giving consideration to the conditions of the restructuring.

④ Value of assets to be paid in upon exercise of new share subscription rights

The value of assets to be paid in upon exercise of each allocated new share subscription right shall, after giving consideration to the conditions of the restructuring, be determined by multiplying the price to be paid after restructuring, calculated by adjusting the exercise price as defined earlier in (4), by the number of restructured company shares associated with the new share subscription right as defined above in ③

⑤ Exercise period for new share subscription rights

The exercise period shall extend from either the starting date of the exercise period for new share subscriptions defined in (5) above or the effective restructuring date, whichever is later, to the expiration of the exercise period for new share subscriptions defined in (5) above.

⑥ Conditions for exercising new share subscription rights

To be determined according to (6) above.

⑦ Notes concerning increases in capital and capital reserves should shares be issued due to the exercise of new share subscription rights

To be determined according to (7) above.

⑧ Limitations on acquiring new share subscription rights through assignment

Acquiring new share subscription rights through assignment shall require the approval of the restructured company.

⑨ Reasons for acquisition of new share subscription rights

To be determined according to (9) above.

(11) Handling of fractional shares resulting from the exercise of new share subscription rights

Fractional sums of less than 1 share arising when shares are issued to a holder of new share subscription rights as a result of the exercising of his or her rights shall be rounded off.

(12) Other

Other matters regarding new share subscription rights shall be determined by the Board of Directors.



(Attached documents)

## BUSINESS REPORT

(April 1, 2018 to March 31, 2019)

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

#### **(1) Development and results of business activities:**

In the United States, the Group’s mainstay market, the economy is trending firmly, reflecting an increase in private consumption and capital investment, and improvement in the employment and income environment. Despite this overall tone, the pace of economic growth slowed at one point due in part to the government shutdown and drop in stock prices. Going forward, sufficient consideration should be given to risks stemming from uncertainties related to U.S. government policy, including trade issues, such as U.S.-China trade friction, and a potential change in the Federal Reserve Board’s monetary tightening policy.

In Europe, although private consumption is trending firmly on the back of improvements to employment and incomes, turmoil triggered by Brexit negotiations, slowing economies outside of Europe, and political risks are weighing heavily on the region. In light of this, the outlook for the EU economy remains murky.

Meanwhile, in Japan, the economy is modestly recovering, owing to an improvement in employee and incomes, as well as a rebound in private consumption. On top of this, special demand is anticipated owing to the Tokyo Olympic and Paralympic Games, which will be held in July 2020. However, there is a concern that private consumption and investment are brittle due to growing risk of an economic downturn reflecting uncertainties related to overseas economic trends and government policies, including trade issue trends and impact, and the economic outlook for countries in Asia, including China.

Amid this backdrop, the Group worked steadily to achieve its vision—to become a company that creates products that are the choice of people around the world. The vision was promoted in the FY2018 management policy as a measure to shed losses. As its basic strategy, the Group tackled (1) market share expansion in North America, (2) Funai brand penetration in Japan, and (3) new business development.

Consequently, the Group booked net sales of ¥105,549 million (a decrease of 18.9% year on year). The overall decline reflects negative trends in North America, the Group’s mainstay sales market. Sales in North America faltered due to ongoing inventory adjustments along distribution channels, especially in the first quarter of the period under review, and sales of surplus inventory took precedence, mainly at large mass merchandisers. In addition, sales in Japan were impacted in part by the withdrawal of an OEM partner from consumer electronics. However, sales did increase at large mass merchandisers in the United States and in Canada owing to the development of new business partners. This paves the way for future expansion in market share. In Japan, sales to Yamada Denki Co., Ltd., with which the Group has an exclusive distribution agreement, were in line with plans.

In the profit front, the Group posted operating income of ¥682 million (versus an operating loss of ¥10,885 million a year earlier). Operating income improved sharply year on year reflecting a decline in component costs, including those for LCD panels, the Group’s review of its business model and unprofitable product sales, and a certain scale of benefit from a reduction in manufacturing and selling, general and administrative expenses. Ordinary income totaled ¥1,392 million (in contrast with a ¥11,909 ordinary loss a year earlier). This is

attributable to aforementioned factors as well as an increase in foreign exchange translation gains and interest income. Meanwhile, profit attributable to owners of the parent stood at ¥2,613 million (in comparison with a ¥24,709 million loss attributable to owners of the parent a year earlier). This mainly reflects the posting of income taxes-deferred (profit) associated with the merger of sales companies in North America.

Net sales by product sector were as follows:

### **Audiovisual Equipment**

In the audiovisual equipment segment, The decline in sales of LCD TVs due to the influence of the distribution inventory adjustment phase in the North American market, in particular the decline in DVD / BD related products due to the decline in demand for DVD players and the rise of low price products by Chinese companies Sales decreased due to the impact of the withdrawal of black goods from Japan. As a result, net sales amounted to ¥97,059 million, down 20.8% year on year.

### **Information Equipment**

In the information equipment segment, Sales decreased by approximately ¥ 17 billion compared with plan due to the reduction of sales of inkjet printers, which are unprofitable products for North America, and the sale of new products, large-capacity inkjet printers and multi-printers for China, to the next period have become. On the other hand, net sales amounted to ¥ 3,306 million due to the continued sales of inkjet printer cartridges, increased sales of label printers and nail art printers, and increased sales of commercial ink cartridges.

### **Other**

In other equipment segment, sales of automotive backlights, sales of LCD modules, and sales of medical and healthcare related products such as dental CT and nursing bed modules increased. As a result, net sales amounted to ¥5,183 million, a growth of 22.7% year on year.

<Consolidated net sales by product group>

Group	Net sales (millions of yen)	Component rate (%)
Audiovisual equipment	97,059	92.0
Information equipment	3,306	3.1
Other	5,183	4.9
Total	105,549	100.0

(2) Investment in property, plant and equipment:

Investment in property, plant and equipment during the fiscal year under review totaled ¥1,424 million, which comprised of ¥1,195 million by its manufacturing companies and ¥229 million by its sales companies. Such investments were mainly for the improvement of the manufacturing facilities.

(3) Finance:

Nothing to be reported.

(4) Status of major organizational restructuring, etc.

On April 1, 2018 consolidated subsidiary Funai Corporation, Inc. and P&F USA, Inc. were merged with the goal of improvement earnings strength and fortifying operational strength in North America.

Note that the surviving company, P&F USA, Inc., changes its corporate name on the same date to Funai Corporation, Inc.

(5) Issues to be addressed:

In the market environment in which Funai operates its consumer electronics business, competition is expected to further intensify due to ongoing uncertainties in the North America market, the mainstay market. In addition, the market for DVD and BD related products is shrinking faster than forecast due to the spread of online video streaming services. Amid this business environment, the Company aims to tackle the following issues.

(i) Sales expansion and recovery of earnings strength

Sales expansion and the recovery of earnings strength are positioned as two key priorities.

In Audiovisual Equipment, the Company aims to expand its market share by increasing sales in Mexico, where it has completed a revision of its business model, and by fortifying measures for the Christmas season in the market in North America. In Japan, sales of FUNAI brand products, which were launched in 2017, are trending steadily. Given anticipation for replacement demand for audio-visual equipment, mainly ahead of the 2020 Tokyo Olympic and Paralympic Games, the Company aims to achieve further brand penetration, and focus management resources into the development of products for the Japanese market.

In the Office Solutions business, the Company is planning to achieve sales and profit growth by expanding sales of OEM and in-house brand CISS (large-capacity cartridge ink-jet printers), label printers, and nail art printers to China.

In new businesses, Funai plans to cultivate new fields and deploy new products, including automotive products and specialty printers that apply technologies that were fostered over many years. In addition, the Company aims to secure an earnings base in markets that it has full-filled market entry. Also, the Company aims to actively introduce to market new products including direct automotive backlights, for which technological development was completed, and products in the commercial signage business, and the medical and healthcare-related fields. The Company also plans to launch sales of jointly-developed derivative products that utilize microfluidics (micro fluid control technology), and existing developed items for the world's largest general consumer products manufacturer.

In the operating income front, Funai aims to pursue economies of scale on one hand while pouring energies into sales promotions of high-margin products. On top of this, the Company aims to curb valuation losses on product, component and raw material inventories by deploying a purchasing strategy that corresponds to actual sales at retailers to thoroughly implement PSI management. Funai aims to become a company that creates products that are chosen by people around the world. The Company plans to focus on reducing the product return rate as well as minimize losses in tandem with the disposal of returned products. Through these measures, the Company aims to build a system that will consistently secure profits.

(ii) Reinforcement of the manufacturing systems

The Group has production sites in China, Thailand, the Philippines and Mexico. By concentrating production activities in the most optimal regions, the Group makes concerted efforts to enhance the local content ratio, improve production efficiency and reduce costs throughout all processes up to the delivery of end products.

(iii) Training and appointment of human resources

The Group recognizes that it is important to bolster the Group's capabilities by improving each employee's capabilities and more effectively leveraging its skills to win out against the global competition in the new era and implementing the Group's medium- to long-term business strategy. Therefore, the Group is actively training and assigning employees, regardless of their age and career, by strengthening and expanding its internal and external training systems, such as language training.

(iv) Significant events concerning the assumptions of the going concern

Given the Group recorded a significant operating loss, ordinary loss, loss attributable to owners of the parent and negative operating cash flow in the previous consolidated fiscal year, at this stage there are events and circumstances that cast significant doubt on the Company's viability as a going concern.

There are no significant concerns about fundraising as the current balance of cash and deposits will sufficiently satisfy working capital needs for the time being.

In addition, the Group formulated a medium-term management policy, for which FY2018 is the first year of implementation. In line with the basic policy, the Group posted operating cash flow of ¥3,507 million. Moreover, the Company aims to gradually implement measures in line with the following policies for each of its businesses going forward. In light of this, the Group believes that a resolution of the matter can be achieved.

(A) Display business (LCD-TV business)

- Further expand market share at new mass retailers and enhance total competitiveness such as quality and cost
- Reduce returns and discards by strengthening efforts to the North American Christmas sales battle and improving internal and external service business processes
- The Japanese market sells TVs with built-in advanced BS tuners, and gains market share in the Mexican market by restructuring business models

(B) Digital media business (DVD and BD business)

- Develop a niche strategy with BD players that other companies withdrew in the North American market and capture market share
- Strengthen cooperation with OEMs in the Japanese market and strengthen lineup of FUNAI brand products

(C) Office solution business (information equipment-related business)

- Improve profitability by expanding sales of OEM and own brand of nail art printer
- Expand sales of label printers and high-capacity inkjet printers
- Expand sales by bringing to market derivative products that make use of microfluidics (microflow control technology)

(D) New businesses

- Expanded sales channels for automotive backlights (existing edge type and new direct type)
- Sales expansion of medical and healthcare related module products in addition to dental CT and securing of revenue base
- Strengthen alliance strategy through EV business and start mass production and sales of new products for commercial display

As a result of the foregoing, it has been determined that significant uncertainty concerning the assumptions of the going concern is not deemed to exist as of the end of the fiscal year under review.

(6) Property and income/loss:

Fiscal year Item	64rd (April 1, 2015 to March 31, 2016)	65th (April 1, 2016 to March 31, 2017)	66th (April 1, 2017 to March 31, 2018)	67th (April 1, 2018 to March 31, 2019)
Net sales (millions of yen)	170,041	133,838	130,130	105,549
Ordinary income (loss) (millions of yen)	(13,653)	(7,726)	(11,909)	1,392
Net income (loss) attributable to owners of the parent (millions of yen)	(33,839)	(6,745)	(24,709)	2,613
Net income (loss) per share (yen)	(991.81)	(197.70)	(724.21)	76.59
Total assets (millions of yen)	154,186	108,655	80,265	83,293
Equity (millions of yen)	84,439	76,656	50,717	54,057
Equity per share (yen)	2,442.28	2,242.38	1,485.96	1,583.46

(Note) 1. Net income (loss) per share is calculated based on the average of the total number of shares issued and outstanding during the fiscal year. Equity 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.

2. The Company began implementing the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ No. 28, February 16, 2018) at the start of the fiscal year ended March 31, 2019. The above revised standards have been retroactively applied to financial indicators and other data for Terms 64, 65 and 66.

(7) Major subsidiaries:

Trade name	Capital stock	Ratio of equity participation of the Company (%)	Main business
FUNAI CORPORTION, INC.	US\$123.5 million	100.00	Sale of the Company's products
FUNAI (THAILAND) CO., LTD.	THB1,568 million	100.00	Manufacture of the Company's products
Funai Electric Philippines Inc.	PHP1,176 million	100.00	Manufacture of the Company's products

(Note) FUNAI CORPORATION, INC. Merged with P & F USA, INC. On April 1, 2018, and the

surviving company P & F USA, INC. On the same date, changed its trade name to FUNAI CORPORATION, INC.

(8) Major businesses of the Group:

Division	Principal products
Audiovisual equipment	LCD-TVs, OLED, DVD players, DVD recorders, BD players and BD recorders
Information equipment	Large capacity ink jet printer, Label printers, Nail art printers and ink cartridges
Other	automotive backlight unit, CT for dental clinics, bed modules for the nursing care field, Other equipment

(9) Major business sites of the Group:

Category	Name	Location
Funai Electric Co., Ltd.	Head Office	Daito City, Osaka
	Tokyo Branch	Chiyoda-ku, Tokyo
Sales subsidiaries	FUNAI CORPORATION, INC.	U.S.A.
	P&F MEXICANA. S.A. DE C.V.	Mexico
Production subsidiaries	Funai Electric (HK) Ltd.	Hong Kong
	FUNAI (THAILAND) CO., LTD.	Thailand
	Funai Electric Cebu, Inc .	Philippines
	Funai Electric Philippines Inc.	Philippines
	Funai Manufacturing S.A.DE C.V.	Mexico
	Chugoku Funai Electric Co., Ltd.	Fukuyama City, Hiroshima

(10) Employees of the Group:

Number of employees (persons)	Change from the end of the previous fiscal year (+ or -) (persons)
2,383	-25

(Note) 1. The above number of employees represents those actively at work.

2. The number of employees decreased from the previous fiscal year mainly due to natural reduction.

(11) Major lenders:

Nothing to be reported.

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



Nothing to be reported.

## 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 2,011,830 shares of treasury stock)
- (3) Number of shareholders: 8,616 persons
- (4) Principal shareholders (top 10):

Name	Number of shares held (thousands of share)	Shareholding ratio (%)
Tetsuo Funai	13,438	39.39
Funai Information Science Promotion Foundation	1740	5.10
SSBTC Client Omnibus Account	998	2.93
BNY CGM CLIENT ACCOUNT JPRD AC ISG(FE-AC)	985	2.89
State Street Bank and Trust Company 505223	934	2.74
GOLDMAN SACHS INTERNATIONAL	854	2.50
Northern Trust Co. (AVFC) Sub A/C USL Non-Treaty	837	2.46
Japan Trustee Services Bank, Ltd. (trust account 9)	477	1.40
EFUTSU Co., Ltd.	470	1.38
T&N Co., Ltd.	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 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: 2,721 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: 272,100 shares of common stock (100 shares per stock acquisition right)

(iii) Stock acquisition rights held by Directors by category:

Issue	Category	Number of rights	Holder	Exercise price per share	Exercise period
The first stock acquisition rights for the year ended March 31, 2015	Director (other than Audit and Supervisory Committee Member) (other than Outside Director)	40	1	¥1,296	September 1, 2016 to August 31, 2023
The first stock acquisition rights for the year ended March 31, 2017	Director (other than Audit and Supervisory Committee Member) (other than Outside Director)	144	3	¥1,019	September 1, 2018 to August 31, 2023
The first stock acquisition rights for the year ended March 31, 2018	Director (other than Audit and Supervisory Committee Member) (other than Outside Director)	180	2	¥947	September 1, 2019 to August 31, 2024

(2) Stock acquisition rights allotted 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 (as of March 31, 2019)

Title	Name	Business in charge and important concurrent office
Representative Director and President & CEO	Hideaki Funakoshi	
Director and Officer	Takeshi Ito	General Manager of Materials Headquarters
Director and Officer	Motoyoshi Adachi	General Manager of Business Headquarters
Director and Officer	Makoto Ueshima	General Manager of Administration Headquarters
Outside Director	Mitsuo Yonemoto	Executive Vice President and Director, TPS Co., Ltd. Outside Corporate Auditor, Oriental Chain Mfg. Co., Ltd.
Director (Audit and Supervisory Committee Member, full time)	Fumiaki Kidera	Chairman of the Audit and Supervisory Committee
Outside Director (Audit and Supervisory Committee Member)	Masahide Morimoto	
Outside Director (Audit and Supervisory Committee Member)	Masakazu Funaishi	

- (Notes)
1. The Company has appointed Fumiaki Kidera as a full-time member of the Audit and Supervisory Committee with the aim of enhancing the effectiveness of audits through reinforcement of the Committee's information gathering capability and collaboration with internal audit units, etc. and by further strengthening its audit and supervisory functions.
  2. The Company has designated Outside Director Mitsuo Yonemoto as an Independent Officer in accordance with the rules of the Tokyo Stock Exchange, Inc. and registered him with the exchange.
  3. 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: Hideaki Funakoshi (Chairman), Takeshi Ito, Motoyoshi Adachi and Makoto Ueshima
    - Compensation Committee: Hideaki Funakoshi (Chairman), Takeshi Ito, Motoyoshi Adachi, Makoto Ueshima, Mitsuo Yonemoto

##### (2) Directors who retired during the fiscal year under review:

Name	Retirement date	Reason	Title, business in charge and important concurrent office upon retirement
Hiroyuki Makiura	June 27, 2018	Expiration of term of office	Director, Officer, General Manager of Sales Headquarters

(For reference)

The Company has adopted a “System of Officers” and the Officers as of April 1, 2019 who did not concurrently hold the offices of Directors were as follows:

Officer Hisaharu Oura

(3) 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 Non-executive Directors Mitsuo Yonemoto, Fumiaki Kidera, Masahide Morimoto and Masakazu Funaishi to limit their 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.

(4) Total amount of remuneration, etc. for Directors

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

Category	Number of recipients (persons)	Amount of payments (million yen)
Director (other than Director being Audit and Supervisory Committee Member) (Outside Director)	6 (1)	70 (4)
Director (Audit and Supervisory Committee Member) (Outside Director)	3 (2)	18 (9)
Total (Outside Director)	9 (3)	88 (14)

(Notes) 1. The above-listed amounts include payments to one director (excluding directors who were members of the Audit and Supervisory Committee) who retired during the fiscal year under review.

2. The above-listed amount of payments includes the following amount of allowance for Officers' retirement benefits recorded as expenses for the fiscal year under review:

- ¥4,937 thousand for five Directors (other than Directors being Audit and Supervisory Committee Members) (including ¥362 thousand for one outside Director)
- ¥1,425 thousand for three Directors (Audit and Supervisory Committee Members) (including ¥725 thousand for two outside Directors)

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

- ¥2,492 thousand for three Directors (other than Audit and Supervisory Committee Members)

(ii) Director retirement benefits paid in the fiscal year ended March 31, 2019

The following are the retirement benefits paid in accordance with the approval granted at the 66th Ordinary General Meeting of Shareholders held on June 27, 2018:

Retirement benefits were paid out to one (1) director (excluding those who are also Audit and Supervisory Committee members): 389 million yen

(The above amount is included in the provision for director retirement benefits, which is the total amount of compensation, etc. for directors (excluding those who are also Audit and Supervisory Committee members) disclosed in business reports for past years.)

(5) Other important matters concerning Officers:

Nothing to be reported.

(6) 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 an Outside Audit & Supervisory Board Member of Oriental Chain Mfg. Co., Ltd. The Company has no special relationship with 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 and speeches at the meetings of the Board of Directors and the Audit and Supervisory Committee:

Name	Attendance and Speeches
Director  Mitsuo Yonemoto	He attended 8 of the 8 meetings (attendance rate: 100%) of the Board of Directors held during the fiscal year under review and expressed opinions principally from the standpoint of a management consultant, and from an objective standpoint as an Independent Officer.
Director (Audit and Supervisory Committee Member)  Masahide Morimoto	He attended 8 of the 8 meetings (attendance rate: 100%) of the Board of Directors and 16 of 16 meetings (attendance rate: 100%) of the Audit and Supervisory Committee held during the fiscal year under review.  He expressed opinions at the meetings of the Board of Directors and the Audit and Supervisory Committee principally from the standpoint of a veteran top executive, and from the technical standpoint of finance and securities.
Director (Audit and Supervisory Committee Member)  Masakazu Funaiishi	He attended 8 of the 8 meetings (attendance rate: 100%) of the Board of Directors and 16 of 16 meetings (attendance rate: 100%) of the Audit and Supervisory Committee held during the fiscal year under review. He expressed opinions at the meetings of the Board of Directors and the Audit and Supervisory Committee principally from the standpoint of a veteran top executive.

(Note) In addition to the number of 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 three occasions.



## 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: ¥84 million

(ii) Total amount of cash and other proprietary benefits payable to the independent auditors: ¥84 million

(Notes) 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.

(3) Content of non-auditing services:

Nothing to be reported.

(4) Reasons for the Audit and Supervisory Committee to consent to the remuneration, etc., of the independent auditors:

The Audit and Supervisory Committee, based on the “Practical Guidance on Cooperation with Independent Auditors” issued by the Japan Audit & Supervisory Board Members Association, verified the changes in audit hours and audit remuneration by audit item and the status of audit plans and audit results for the previous fiscal year and investigated whether the estimates of audit hours and remuneration for the fiscal year under review were appropriate. As a result, the Audit and Supervisory Committee consented to the remuneration, etc. of the independent auditors pursuant to Article 399, paragraph 1 of the Companies Act.

(5) Policy on the determination of dismissal or non-reappointment 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 and are considered appropriate to be dismissed, the Audit and Supervisory Committee shall, upon unanimous consent of the Audit and Supervisory Committee Members, dismiss the independent auditors. In addition, in the event that any problem is found to arise with the performance by the independent auditors of their proper audits, the Audit and Supervisory Committee shall determine the content of a proposition for the dismissal or non-reappointment of the independent auditors to be submitted to a General Meeting of Shareholders.

(6) 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 and employees perform their duties in compliance with laws, ordinances and the Articles of Incorporation

In the “Funai Group Charter of Conduct”, the “Regulations of Officers’ Compliance” and “Regulations of Compliance”, the Company shall specify the acts to be taken by the Directors, Officers and employees to comply with laws and ordinances and ensure that the Directors, Officers and employees perform their duties in compliance with laws, ordinances and the Articles of Incorporation. The Company has also formulated the “Whistleblower Protection Regulations” to prohibit unfavorable treatment of whistleblowers.

- (ii) Systems for the storage and management of information concerning the performance of the Directors’ duties

With regard to the storage and management of information concerning the performance of the Directors’ duties, the minutes of meetings of the Board of Directors and other important meetings that the Directors shall attend, circular decision documents and other necessary documents and information to ensure that the Directors perform their duties appropriately are stored and managed in compliance with laws, ordinances and the “Document Management Regulations”.

- (iii) Regulations and other system for management of risk of loss

The Company has instituted “Risk Management Regulations” for management of risk of loss and appointed Officers responsible for risk management to properly grasp and evaluate risks to the Company and manage risks related to their respective operations in charge.

- (iv) Systems to ensure that the Directors perform their duties effectively

To ensure that the management performs decision-making swiftly and effectively, the Company has introduced a “System of Officers”, and place Officers under the control 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 has appointed outside Directors and instituted an Audit and Supervisory Committee.

- (v) Systems to secure the propriety of business activities of the corporate group composed of the Company and its subsidiaries

- (a) Systems of reports to the Company on the matters concerning the performance by Directors, etc. of its subsidiaries of their duties

To grasp the management of the subsidiaries appropriately, the Company has instituted the “Affiliated Companies Management Regulations” to set the materiality thresholds and the matters to be reported for the subsidiaries. Accordingly, the Company requires the subsidiaries to submit operating results and financial reports on a monthly basis.

(b) Regulations and other system to manage the subsidiaries’ risks of loss

To control and manage the operations and administration of its subsidiaries, the Company has instituted the “Affiliated Companies Management Regulations” and with regard to the matters that may affect the finance and administration of the subsidiaries through the relationships of funding, technology, personnel, transactions, etc., set required matters to consult with the Company, and establish a system of consultation between the Company and its subsidiaries.

(c) Systems to ensure that the Directors, etc. of the subsidiaries perform their duties effectively

To ensure that the subsidiaries manage business effectively, the Company has instituted corporate regulations and established a system in accordance with the “Affiliated Companies Management Regulations” that allow the subsidiaries to manage business in respect of their managerial autonomy and independence.

(d) Systems to ensure that the Directors, employees, etc. perform their duties in compliance with laws, ordinances and the Articles of Incorporation

The Company has instituted the “Funai Group Charter of Conduct” as a code of conduct for all Officers and employees of the Funai Group, as well as the “Funai Group Procurement Policies” and “Regulations of Compliance” based on the Charter of Conduct, and clarified the acts to be taken by the Directors, employees, etc. of the subsidiaries to comply with law, thereby ensuring that the performance of their duties complies with laws, ordinances and the Articles of Incorporation.

(vi) Matters concerning the employees assisting the Audit and Supervisory Committee to perform its duties

To allow the Audit and Supervisory Committee to properly perform its duties, the Company shall institute a Secretariat to the Audit and Supervisory Committee and assign employees to assist the Audit and Supervisory Committee.

(vii) Matters concerning the independence of the employees to assist the duties of the Audit and Supervisory Committee, from the other Directors (other than Directors being Audit and Supervisory Committee Members)

When the employees to assist the duties of the Audit and Supervisory Committee are transferred to the Secretariat to the Audit and Supervisory Committee, the Company shall assign employees who shall not be subjected to direct instructions and orders from other Directors (other than Directors being Audit and Supervisory Committee Members) to secure their independence from other Directors. The Company shall respect the opinions of the Audit and Supervisory Committee with regard to their transfer and personnel evaluations.

- (viii) Matters concerning the securing of the propriety of directions by the Audit and Supervisory Committee to employees assisting the Audit and Supervisory Committee

The Audit and Supervisory Committee shall directly give instructions and orders to, and receive reports from, the employees to assist the Audit and Supervisory Committee to secure the propriety of directions.

- (ix) Matters concerning reports to the Audit and Supervisory Committee
  - (a) System of reporting by the Directors (other than Directors being Audit and Supervisory Committee Members), Officers and employees of the Company to the Audit and Supervisory Committee

If the Directors (other than Directors being Audit and Supervisory Committee Members), Officers and employees of the Company find any fact that has inflicted or may inflict material damage on the Company, they shall immediately report the fact to the Audit and Supervisory Committee.

- (b) System of reporting by the Directors, Audit & Supervisory Board Members, Officers and employees of the subsidiaries to the Audit and Supervisory Committee of the Company

In the event that the Directors, Officers and employees of the subsidiaries are requested to give reports on business by the Director being Audit and Supervisory Committee Member appointed by the Audit and Supervisory Committee of the Company, they shall immediately do so unless there is any justifiable reason to the contrary. If the Directors, Audit & Supervisory Board Members, Officers and employees of the subsidiaries find any violation of law or any fact that has inflicted or may inflict material damage on the Company, they shall report the fact to the Audit and Supervisory Committee of the Company.

- (x) Systems to ensure that any party who has given a report to the Audit and Supervisory Committee will not suffer unfavorable treatment because of giving such report

By instituting the “Regulations of Compliance” and the “Whistleblower Protection Regulations”, the Company prohibits unfavorable treatment of whistleblowers. The Company shall also ensure that any party who has

given a report to the Audit and Supervisory Committee will not suffer unfavorable treatment because of giving such report.

- (xi) Matters concerning policies on the treatment of expenses to be incurred in the performance by Audit and Supervisory Committee Members of their duties

In the event that Audit and Supervisory Committee Members request payments for expenses in performing their duties, the Company shall make such payments unless such expenses are not necessary for the performance of their duties.

- (xii) Other systems to ensure that the Audit and Supervisory Committee performs its audits effectively

To ensure that the Audit and Supervisory Committee performs its audits effectively, the Audit and Supervisory Committee shall closely cooperate with the independent auditors, and regularly meet the Representative Directors, Directors of the subsidiaries, etc. to confirm the management policy and exchange opinions on the risks and issues surrounding the Company.

- (xiii) System to ensure the reliability of financial reporting

The Company shall establish a “Basic Policy for Internal Control over Financial Reporting” to ensure the reliability of financial reporting and the effective and appropriate disclosure of “Internal Control Reports”. In accordance with the Basic Policy, the Company shall establish an “Internal Control Committee”, which shall be chaired by the Representative Director, President, and CEO, and shall be responsible for continuous improvement, administration and evaluation of internal control over financial reporting and promptly implement a correction when any defect is found.

- (xiv) 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 unjust 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 terminate 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 and control the information centrally. To make its Officers and employees comply with its fundamental policy, the Company shall also define it clearly in its related rules and regulations and establish an education system therefor. In addition, the Company shall prepare countermeasures to prevent damages from antisocial forces, if necessary.

In the event that any unjust claim is requested 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) Summary of the operation status of the systems to secure the propriety of business activities:

(i) Compliance

By instituting the “Funai Group Charter of Conduct” as a code of conduct, as well as the “Regulations of Compliance” and keeping all Officers and employees informed about compliance, the Company has clarified the fundamental policy on compliance with law and ensured their performance of duties conducted in compliance with laws, ordinances and the Articles of Incorporation. The Company has also established a whistleblower system to prevent violations of law and swiftly detect problems.

During the fiscal year under review, the Company conducted two study sessions for directors and division managers, and one study session for employees, as part of educational activities to raise the compliance awareness of the Company’s officers and employees.

(ii) Risk management

To minimize losses and disadvantages in business activities, the Company has made continuous risk management by instituting the “Risk Management Regulations”, developing the system for risk management and monitoring periodically.

(iii) Directors’ performance of duties

The Board of Directors, which consists of 8 Directors (three of whom are Directors being Audit and Supervisory Committee Members), including three outside Directors, makes decisions on the matters required by laws or ordinances and important matters concerning management, and supervises the execution of business. During the fiscal year under review, the Board of Directors held 8 meetings. In addition, the Investment and Loan Committee held one session, the Nomination Committee held one session and the Compensation Committee held two sessions.

(iv) The Audit and Supervisory Committee Members’ performance of duties

The Audit and Supervisory Committee Members attend meetings of the Board of Directors, as well as monthly financial reporting meetings. During the fiscal year under review, 16 meetings of the Audit and Supervisory Committee were held.

(3) Policies for the determination of Directors’ remuneration, etc.:

Remuneration for Directors (other than Directors being Audit and Supervisory Committee Members) and Directors being Audit and Supervisory Committee Members shall be determined within the range of their respective maximum total amounts of remuneration determined by resolution of the General Meeting of Shareholders.

The amount of monthly remuneration for Directors (other than Directors being Audit and Supervisory Committee Members) shall be determined by the Compensation Committee upon authorization by the Board of Directors based on the Company's rules. The amount of monthly remuneration of Directors being Audit and Supervisory Committee Members shall be determined upon consultation among the Directors being Audit and Supervisory Committee Members.

Bonuses for Directors (other than Directors being Audit and Supervisory Committee Members) shall be determined by the Compensation Committee upon authorization by the Board of Directors based on the Company's rules. Bonuses for Directors serving as Audit and Supervisory Committee Members shall be determined upon consultation among the Directors being Audit and Supervisory Committee Members.

Regarding the retirement benefits for Directors, upon the approval of granting such benefits to Directors (other than Directors serving as Audit and Supervisory Committee Members) and Directors being Audit and Supervisory Committee Members by resolution of the General Meeting of Shareholders and based on the Company's rules, the benefits for Directors (other than Directors serving as Audit and Supervisory Committee Members) shall be determined by the Compensation Committee upon authorization by the Board of Directors, and the benefits for Directors serving as Audit and Supervisory Committee Members shall be determined by consultation among the Directors being Audit and Supervisory Committee Members.

- (4) Policy for the determination of distribution of retained earnings, etc., by the Board of Directors:

The Company recognizes the return of earnings to its shareholders as one of the most important missions of management and strives to maintain a steady dividend as well as reinforcement of its management base.

Specifically, the Company implements an active dividend policy, based on the plan to pay dividends with a dividend on equity ratio of 1.0% on a consolidated basis, considering business conditions and other factors.

For the fiscal year under review, we regret to announce that the Company decided not to pay year-end dividends. The Company will strive to resume dividend payments at an early point by improving business performance and the Company's financial position.

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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 per share, net loss per share and equity per share are shown by rounding off to two decimal places.

## CONSOLIDATED BALANCE SHEET

(As of March 31, 2019)

(millions of yen)

### ASSETS:

<b>Current assets:</b>	<b>69,958</b>
Cash and deposits .....	35,417
Notes and accounts receivable-trade .....	7,724
Merchandise and finished goods .....	13,517
Work in process .....	681
Raw materials and supplies .....	11,059
Other .....	2,276
Allowance for doubtful accounts .....	(718)
<b>Fixed assets:</b>	<b>13,335</b>
<b>Property, plant and equipment:</b>	<b>8,159</b>
Buildings and structures .....	4,393
Machinery, equipment, and motor vehicles .....	72
Tools, furniture, and fixtures .....	506
Land .....	2,955
Lease assets .....	173
Other .....	57
<b>Intangible assets:</b>	<b>68</b>
Other .....	68
<b>Investments and other assets:</b>	<b>5,107</b>
Investment securities .....	1,273
Deferred tax assets .....	1,201
Assets for retirement benefits .....	1,881
Other .....	819
Allowance for doubtful accounts .....	(68)
<b>TOTAL ASSETS</b>	<b>83,293</b>

(millions of yen)

LIABILITIES:

<b>Current liabilities:</b>	<b>28,121</b>
Notes and accounts payable-trade .....	15,618
Accounts payable-other .....	8,287
Current portion of long-term lease obligations.....	217
Income taxes payable.....	126
Reserve for product warranty .....	1,056
Other .....	2,815
<b>Long-term liabilities:</b>	<b>1,114</b>
Long-term lease obligations .....	102
Deferred tax liabilities .....	617
Liabilities for Directors' and Audit & Supervisory Board Members' retirement benefits .....	27
Liabilities for retirement benefits .....	33
Other .....	333
<b>TOTAL LIABILITIES</b>	<b>29,236</b>

EQUITY:

<b>Shareholders' equity:</b>	<b>65,153</b>
Common stock .....	31,307
Capital surplus .....	33,603
Retained earnings.....	24,583
Treasury stock .....	(24,341)
<b>Accumulated other comprehensive income (loss):</b>	<b>(11,127)</b>
Unrealized gain on available-for-sale securities .....	1
Foreign currency translation adjustments.....	(11,609)
Defined retirement benefit plans .....	480
<b>Stock acquisition rights:</b>	<b>31</b>
<b>TOTAL EQUITY</b>	<b>54,057</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>83,293</b>

**CONSOLIDATED STATEMENT OF OPERATIONS**

(from April 1, 2018 to March 31, 2019)

(millions of yen)

<b>Net sales</b>		<b>105,549</b>
<b>Cost of sales</b>		<b>91,849</b>
<b>Gross profit</b>		<b>13,700</b>
<b>Selling, general, and administrative expenses</b>		<b>13,018</b>
<b>Operating Income</b>		<b>682</b>
<b>Non-operating income:</b>		
Interest and dividend income	402	
Foreign exchange income	539	
Other	201	1,142
<b>Non-operating expenses:</b>		
Interest expense	10	
Compensation expenses	320	
Compensation for damage	51	
Other	51	433
<b>Ordinary income</b>		<b>1,392</b>
<b>Extraordinary income:</b>		
Gain on sales of noncurrent assets	48	
Gain on liquidation of subsidiaries and affiliates	163	
Other	4	215
<b>Extraordinary loss:</b>		
Loss on disposal of fixed assets	48	
Impairment loss	177	226
<b>Income before income taxes</b>		<b>1,381</b>
Income taxes – current	(310)	
Income taxes – deferred	(921)	(1,231)
<b>Net income</b>		<b>2,613</b>
<b>Net income attributable to owners of the parent</b>		<b>2,613</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(from April 1, 2018 to March 31, 2019)

(millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2018	31,307	33,603	21,970	(24,341)	62,539
Changes of items during the period					
Net income attributable to owners of the parent			2,613		2,613
Purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	-	-	2,613	(0)	2,613
Balance as of March 31, 2019	31,307	33,603	24,583	(24,341)	65,153

	Accumulated other comprehensive income (loss)				Stock acquisition rights	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, 2018	13	(12,305)	451	(11,840)	17	50,717
Changes of items during the period						
Net income attributable to owners of the parent						2,613
Purchase of treasury stock						(0)
Net changes of items other than shareholders' equity	(12)	696	29	713	13	726
Total changes of items during the fiscal year	(12)	696	29	713	13	3,340
Balance as of March 31, 2019	1	(11,609)	480	(11,127)	31	54,057

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

## NONCONSOLIDATED BALANCE SHEET

(As of March 31, 2019)

(millions of yen)

### ASSETS:

<b>Current assets:</b>	<b>36,702</b>
Cash and deposits .....	23,498
Accounts receivable-trade .....	15,053
Merchandise and finished goods .....	457
Raw materials and supplies .....	1,884
Prepaid expenses .....	219
Other .....	496
Allowance for doubtful accounts .....	(4,907)
<b>Fixed assets:</b>	<b>33,988</b>
<b>Property, plant and equipment:</b>	<b>4,381</b>
Buildings .....	1,835
Structures.....	22
Machinery and equipment .....	0
Motor vehicles.....	0
Tools, furniture, and fixtures .....	47
Land.....	2,302
Lease assets .....	173
<b>Intangible assets:</b>	<b>55</b>
Software .....	32
Lease assets .....	9
Other.....	12
<b>Investments and other assets:</b>	<b>29,551</b>
Investment securities .....	279
Investment in subsidiaries and associated companies.....	22,230
Long-term loans receivable .....	18,201
Long-term prepaid expenses .....	32
Prepaid pension cost.....	1,247
Other.....	161
Allowance for doubtful accounts .....	(12,600)
<b>TOTAL ASSETS</b>	<b>70,691</b>

(millions of yen)

LIABILITIES:

<b>Current liabilities:</b>	<b>16,589</b>
Accounts payable-trade .....	7,434
Current portion of long-term lease obligations.....	114
Accounts payable-other .....	5,028
Accrued expenses .....	2,001
Income taxes payable.....	5
Deposits received.....	380
Reserve for product warranty .....	822
Other .....	801
<b>Long-term liabilities:</b>	<b>1,767</b>
Long-term loans payable .....	887
Lease obligations .....	86
Deferred tax liabilities .....	432
Liabilities for Directors' retirement benefits .....	27
Other .....	333
<b>TOTAL LIABILITIES</b>	<b>18,357</b>

EQUITY

<b>Shareholders' equity</b>	<b>52,301</b>
<b>Common stock</b>	<b>31,307</b>
<b>Capital surplus:</b>	<b>33,272</b>
Capital reserve .....	20,023
Other capital surplus .....	13,248
<b>Retained earnings:</b>	<b>12,063</b>
Other retained earnings.....	12,063
Reserve for advanced depreciation of fixed assets.....	113
General reserve.....	10,971
Retained earnings brought forward .....	978
<b>Treasury stock</b>	<b>(24,341)</b>
<b>Valuation and translation adjustments:</b>	<b>1</b>
<b>Unrealized gain on available-for-sale securities</b>	<b>1</b>
<b>Stock acquisition rights</b>	<b>31</b>
<b>TOTAL EQUITY</b>	<b>52,334</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>70,691</b>

**NONCONSOLIDATED STATEMENT OF OPERATIONS**

(from April 1, 2018 to March 31, 2019)

(millions of yen)

<b>Net sales</b>		<b>97,910</b>
<b>Cost of sales</b>		<b>87,996</b>
<b>Gross profit</b>		<b>9,914</b>
<b>Selling, general, and administrative expenses</b>		<b>9,461</b>
<b>Operating income</b>		<b>452</b>
<b>Non-operating income:</b>		
Interest and dividend income	487	
Foreign exchange income	651	
Other	94	1,232
<b>Non-operating expenses:</b>		
Interest expense	29	
Provision to the allowance for doubtful accounts for affiliates	270	
Compensation for damage	51	
Other	93	443
<b>Ordinary income</b>		<b>1,241</b>
<b>Extraordinary income:</b>		
Gain on sales of fixed assets	0	
Gain on reversal of subscription rights to shares	4	4
<b>Extraordinary loss:</b>		
Loss on valuation of shares of subsidiaries and associates	245	
Impairment loss	37	282
<b>Income before income taxes</b>		<b>962</b>
Income taxes – current	14	
Income taxes – deferred	(22)	(8)
<b>Net income</b>		<b>970</b>



**NONCONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

(from April 1, 2018 to March 31, 2019)

(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, 2018	31,307	32,833	438	33,272	209	120	23,400	(12,637)	11,092	(24,341)	51,331
Changes of items during the fiscal year											-
Transfer to other capital surplus from legal capital surplus		(12,810)	12,810	-							-
Reversal of legal retained earnings					(209)			209	-		-
Deficit disposition							(12,428)	12,428	-		-
Reversal of reserve for advanced depreciation of fixed assets						(7)		7	-		-
Net income								970	970		970
Acquisition of treasury stock										(0)	(0)
Net changes of items other than shareholders' equity											
Total changes of items during the fiscal year	-	(12,810)	12,810	-	(209)	(7)	(12,428)	13,615	970	(0)	970
Balance as of March 31, 2019	31,307	20,023	13,248	33,272	-	113	10,971	978	12,063	(24,341)	52,301

(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, 2018	13	13	17	51,362
Changes of items during the fiscal year				
Transfer to other capital surplus from legal capital surplus				-
Reversal of legal retained earnings				-
Deficit disposition				-
Reversal of reserve for advanced depreciation of fixed assets				-
Net income				970
Acquisition of treasury stock				(0)
Net changes of items other than shareholders' equity	(12)	(12)	13	1
Total changes of items during the fiscal year	(12)	(12)	13	972
Balance as of March 31, 2019	1	1	31	52,334

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

Copy of Independent Auditor's Report on Consolidated Financial Statements

(TRANSLATION)

**INDEPENDENT AUDITOR'S REPORT**

May 22, 2019

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

Deloitte Touche Tohmatsu LLC

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

Akira Nakata

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

Akihiro Okada

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

Yuichiro Katsura

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, 2019 of Funai Electric Co., Ltd. (the "Company") and its consolidated subsidiaries, and the related consolidated statements of operations and changes in equity for the fiscal year from April 1, 2018 to March 31, 2019, 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 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 Funai Electric Co., Ltd. and its consolidated subsidiaries as of March 31, 2017, and the results of their operations for the year then ended in accordance with accounting principles generally accepted in Japan.

### **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-

Copy of Independent Auditor's Report on Nonconsolidated Financial Statements

(TRANSLATION)

**INDEPENDENT AUDITOR'S REPORT**

May 22, 2019

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

Deloitte Touche Tohmatsu LLC

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

Akira Nakata

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

Akihiro Okada

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

Yuichiro Katsura

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, 2019 of Funai Electric Co., Ltd. (the "Company"), and the related statements of operations and changes in equity for the 67th fiscal year from April 1, 2018 to March 31, 2019, 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 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 Funai Electric Co., Ltd. as of March 31, 2017, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in Japan.

### **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 Audit and Supervisory Committee

AUDIT REPORT

We, the Audit and Supervisory Committee of Funai Electric Co., Ltd. (the “Company”), have performed our audits on the execution by Directors of their duties during the 67th fiscal year from April 1, 2018, through March 31, 2019. We hereby report the audit method and results as follows.

1. Methods of audits and the particulars thereof:

With regard to the details of the resolutions of the Board of Directors on the matters provided in Article 399-13, paragraph 1, item 1 (b) and (c) of the Companies Act of Japan and the systems established pursuant to such resolutions (internal control systems), we periodically received reports from the Directors and employees, etc., demanded their explanations as necessary, and expressed our opinions, on the state of formulation and operation thereof and conducted our audits in the following methods.

- (i) Working in collaboration with the internal audit division, we attended important meetings, received the execution of duties from the Directors and employees, etc., demanded their explanations as necessary, inspected important decision-making documents, etc., and investigated the state of business operations and property at the head office and principal business offices of the Company, pursuant to the audit policy, task allocation, etc. determined by us. With regard to its subsidiaries, we maintained constant communication and exchanged information with the directors, Audit & Supervisory Board Members, etc. and required the subsidiaries to report on their business operations as necessary.
- (ii) In addition to monitoring and verifying whether the independent auditors had maintained an independent position and conducted adequate audits, we received reports on the state of execution of duties from the independent auditors and demanded their explanations, as necessary. Moreover, we received from the independent auditors a notice that a “system to secure adequate execution of duties” (as listed in the items of Article 131 of the Ordinance on Accounting of Companies) has been established in accordance with the “Quality Control Standards Concerning Audits” (the Accounting Standards Board of Japan, October 28, 2005) and demanded their explanations, as necessary.

In accordance with such methods, we investigated the business report and its accompanying supplemental schedules, the nonconsolidated financial statements (the nonconsolidated balance sheet, the nonconsolidated statements of operations and changes in equity, and the related notes) and their accompanying supplemental schedules, as well as the consolidated financial statements (the consolidated balance sheet, the consolidated statements of operations and 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.:

- (i) We confirm that the business report and its accompanying supplemental schedules present fairly the state of the Company in accordance with laws and ordinances and the Articles of Incorporation.
- (ii) We confirm that in connection with the execution of duties of the Directors, no misconduct or material fact of violation of laws or ordinances or the Articles of Incorporation was found.
- (iii) We confirm that the details of the resolutions of the Board of Directors on internal control systems are proper. We did not find anything that should be mentioned with respect to the information in the business report and the execution of duties of the Directors concerning such internal control systems.

(2) Results of audit of the nonconsolidated financial statements and their accompanying supplemental schedules:

We confirm that the audit method and results performed by the independent auditors, Deloitte Touche Tohmatsu LLC, are proper.

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

We confirm that the audit method and results performed by the independent auditors, Deloitte Touche Tohmatsu LLC, are proper.

May 23, 2019

Funai Electric Co., Ltd.  
The Audit and Supervisory Committee

Fumiaki Kidera (seal)  
Outside Audit and Supervisory Committee Member

Masahide Morimoto (seal)  
Outside Audit and Supervisory Committee Member

Masakazu Funaishii (seal)  
Outside Audit and Supervisory Committee Member

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