(Translation)

Securities Code: 6839
June 6, 2012

NOTICE OF THE 60TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

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

Please take notice that the 60th Ordinary General Meeting of Shareholders of Funai Electric Co., Ltd. (the "Company") will be held as described below and you are cordially invited to attend the meeting.

Since voting rights can be exercised in writing, even if you are not present at the meeting, please go over the Reference Document for the General Meeting of Shareholders set forth below and send us by return mail the enclosed voting form indicating your approval or disapproval of the propositions no later than 5:00 p.m. on June 21 (Thursday), 2012.

Yours very truly,

Tomonori Hayashi
Representative Director, President, and
Chief Executive Officer

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

Description

1. Date and hour:

   June 22 (Friday), 2012, 10:00 a.m.

2. Place:

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

3. Matters forming the objects of the meeting:

   Matters to be reported:

   1. Report on the business report, the consolidated financial statements, and the results of audit of the consolidated financial statements by the accounting auditors and the Board of Corporate Auditors for the 60th fiscal year (from April 1, 2011 to March 31, 2012)

   2. Report on the non-consolidated financial statements for the 60th fiscal year (from April 1, 2011 to March 31, 2012)

   Matters to be resolved:

   Proposition No. 1: Election of nine (9) Directors

   Proposition No. 2: Election of one (1) Corporate Auditor

   Proposition No. 3: Granting of retirement gratuities to retiring Director and Corporate Auditor

- END -

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

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

(Attached documents)

BUSINESS REPORT

(April 1, 2011 to March 31, 2012)

1. Current state of the Funai Group (the "Group")

(1) Development and results of business activities:

During the fiscal year ended March 31, 2012, the economy of the United States, which is the Group's principal market, was affected seriously in the first half by a sluggish housing market and a persistently high unemployment rate. In the second half, however, the job situation began to recover, mainly in the private sector, while personal consumption showed signs of improvement. Meanwhile, uncertainty remains regarding the impact of rising gasoline prices on personal consumption and the effect of the European debt crisis on the global economic conditions.

In the consumer electronics market, conditions were problematic. An unexpectedly high yen appreciation and supply chain disruptions stemming from the Great East Japan Earthquake as well as the flooding in Thailand depressed corporate results. Performance in Japan dropped as the effect of the home electronics eco-point system expired and the demand decreased in Europe and the United States for liquid crystal display (LCD) televisions (one of the Company's main production lines). Also, the rate of expansion which has been a growth driver in emerging markets leveled off.

As a result of the above factors, the Group posted net sales of ¥246,147 million, a 16.8% decrease compared with the same period last year.

On the profit front, operating income was ¥461 million, a decrease of 40.2% year on year; ordinary income was ¥174 million, a decrease of 86.5% year on year; and a net loss of ¥4,629 million (the net loss for the same period last year was ¥1,169 million).

Sales by product segment were as follows:

Audiovisual Equipment

In audiovisual equipment, revenues from sales of LCD televisions in Japan were down substantially, due to the expiration of the home electronics eco-point system and the completion of the transition to digital terrestrial broadcasting. In DVD-related equipment as well, although revenues from sales of Blu-ray disc recorders were up, revenues from sales of DVD players and Blu-ray disc players declined year on year. As a result, net sales of these equipment were ¥183,507 million, a decrease of 7.6% year on year.

Information Equipment

In the information equipment segment, decreases in orders for printers resulted in net sales of ¥30,013 million, a decrease of 46.8% year on year.

Others

Sales of other products that are not included in the above categories amounted to ¥32,627 million, a decrease of 20.3% year on year, as sales of antennas and related devices fell, reflecting the conclusion of the transition from analog to digital terrestrial broadcasting.

<Consolidated net sales by product>

Division	Net sales (million yen)	Component rate (%)
Audiovisual equipment	183,507	74.5
Information equipment	30,013	12.2
Others	32,627	13.3
Total	246,147	100.0

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

Investment in plant and equipment by the Group during the fiscal year under review totaled ¥3,931 million, composed of ¥3,405 million by its manufacturing companies and ¥526 million by its sales companies. The amount was spent principally to improve manufacturing facilities.

(3) Fund-raising by the Group:

Nothing to be reported.

(4) Issues to be tackled:

The consumer electronics market is globalizing with unprecedented speed. Amid such changes as business restructuring efforts that transcend traditional business borders, Internet proliferation and a growing societal focus on environmental issues, leading companies, posting net losses or near losses on an annual basis, are undergoing a process of selection and focus to survive as the industry undergoes major structural reforms.

Operating in this difficult environment, the Group faces such issues as increasing management speed while ensuring quality and price levels to compete against rival firms while expanding sales and recovering profitability by offering products that will sell. To achieve these aims, we will optimize our allocation of management resources and further enhance the Funai Production System, one of our core competencies. We will also embark on the development of new businesses, centered on eco-products, which have a bright future.

In this environment, we will endeavor to enhance the Group's corporate value by implementing the policies outlined below.

(i) Increasing net sales and returning to profitability

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

(Product strategy)

In audiovisual equipment, revenues from sales of LCD televisions were down during the year. This stemmed from a sluggish Japanese market, due to the expiration of the home electronics eco-point system and completion of the transition to digital terrestrial broadcasting. Our inventory levels improved from the preceding fiscal year, as we maintained appropriate inventories of both products and LCD backlight panels, a mainstay component. We are enhancing our PSI management (PSI stands for "purchase, sales, and inventory"). We will continue to make our products more competitive price-wise through redesigns and by restructuring our component sourcing system, with the objective to recover profitability. For products related to Blu-ray discs, sales of players dropped off due to the growing popularity of video on demand, where content is distributed via Internet, but sales of recorders rose, centered on provision in Japan under OEM (Original Equipment Manufacturer) agreements. Going forward, we aim to boost sales by further strengthening our relationships with OEM customers.

During the year, we extended our brand licensing agreements with Royal Philips Electronics through December 31, 2015, for Philips consumer televisions and video products in the United States, Canada, Mexico, and select South American countries. We plan to increase sales by fostering demand for Philips brand products.

In addition, during the fiscal year, we purchased from IPG Electronics 503 Limited a portfolio of 360 patents applicable to its television and related businesses, augmenting our audiovisual segment's patent portfolio. This acquisition should aid our efforts to respond to competitors' patent claims.

Further in information equipment as well, orders of conventional products from OEM customers were down, lowering revenues during the fiscal year under review. In the future, we will strive to provide higher-value-added products to OEM customers by leveraging our base of expertise in mechatronics, as well as by commercializing printers developed in-house.

We have also embarked on the new business of providing LED lighting for the Chinese market. We expect to commence full-fledged production and sales activities in the upcoming fiscal year, and will work to develop cost-competitive products.

(Market strategy)

The Group faces the challenges of reducing the risk of over-emphasizing the U.S. market, mitigating the effects of seasonality by smoothing production and sales throughout the year, and increasing sales. To address these issues, we are considering ways to develop our business in expanding emerging markets in ASEAN as well as the Near and Middle East regions, besides in our existing markets in Europe, Japan, Mexico, and other Latin-American countries. In February 2012, we established Funai India Private Limited in Mumbai, India, and we are now preparing to begin sales at this subsidiary in the upcoming fiscal year.

Conversely, we have made the comprehensive decision to revise our position that prioritized development of the Brazilian market. We will forgo this development for the time being.

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

(ii) Reinforcing manufacturing and development systems

The Group's manufacturing structure is highly dependent on China, and we recognize this as a risk that must be mitigated. Consequently, during the year, we augmented FUNAI (THAILAND) CO., LTD., a production base that will become core to our provision of products in the Indian market. We also plan to continue looking into production in other regions.

To increase group-wide development efficiency, we moved forward with efforts to expand our development facilities in Asian countries, while establishing a development facility in China during the year.

(iii) Training and appointment of human resources

The Group recognizes that improving each employee's capabilities and being able to link this to bolstering the strength of the Group will be critical for ensuring that the Group continues to lead in the new era of global competition while implementing the Group's medium- to long-term business strategy. Therefore, the Company's policy is to actively train and assign employees, without regard to whether they are younger employees or mid-career staff, by strengthening and expanding its internal or external training systems.

(5) Property and income/loss:

Item \ Fiscal year	57th (April 1, 2008 to March 31, 2009)	58th (April 1, 2009 to March 31, 2010)	59th (April 1, 2010 to March 31, 2011)	60th (April 1, 2011 to March 31, 2012)
Net sales (million yen)	302,777	314,911	295,923	246,147
Ordinary income (million yen)	1,226	11,684	1,290	174
Net (loss) income (million yen)	(17,364)	10,328	(1,169)	(4,629)
Net (loss) income per share (yen)	(509.33)	302.97	(34.31)	(135.69)
Total assets (million yen)	199,882	204,057	193,910	176,607
Equity (million yen)	135,596	142,779	131,228	123,843
Book-value per share (yen)	3,963.72	4,164.86	3,813.57	3,598.03

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

(6) Major subsidiaries:

Trade name	Capital stock	Ratio of equity participation of the Company (%)	Main business
DX Antenna Co., Ltd.	¥363 million	91.40	Manufacturing and sales of electronic equipment related to receivers
FUNAI CORPORATION, INC.	U.S.$68.5 million	100.0	Sales of the Company’s products
P&F USA, Inc.	U.S.$55 million	100.0	Sales of the Company’s products
FUNAI ELECTRIC (HK) LIMITED	HK$115 million	100.0	Manufacturing of the Company’s products

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

(7) Major businesses of the Group:

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

(8) Major business sites of the Group:

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

(9) Employees of the Group:

Number of employees	As compared with the end of the previous fiscal year (+ or -) (persons)
3,990	+ 1,129

(Notes) 1. The above number of employees represents those actually at work.

2. The number of employees increased principally due to operation of Zhong Yue FUNAI Electron co. established in the preceding fiscal year.

(10) Major lenders:

Nothing to be reported.

(11) 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 issuable shares: 80,000,000 shares

(2) Total number of issued shares: 36,130,796 shares
(including 2,011,607 shares of treasury stock)

(3) Number of shareholders: 10,247 persons

(4) Principal shareholders (top 10):

Name	Number of shares held (thousand shares)	Shareholding ratio (%)
Tetsuro Funai	12,709	37.25
The FUNAI Foundation for Information Technology	1,540	4.51
Japan Trustee Services Bank, Ltd. (Trust account)	1,495	4.38
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	1,296	3.80
Tetsuo Funai	1,079	3.16
The Master Trust Bank of Japan, Ltd. (Trust account)	1,074	3.15
THE BANK OF NEW YORK TREATY JASDEC ACCOUNT	606	1.78
F2 Limited Liability Company	470	1.38
T&N Limited Liability Company	470	1.38
Funai Kosan Co., Ltd.	470	1.38

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

2. Each shareholding ratio is obtained by deducting 2,011 thousand 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: 11,068 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: 1,106,800 shares of common stock (100 shares per stock acquisition right)

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

Issue	Category	Number of rights	Holder	Exercise price	Exercise period
The first stock acquisition rights for the year ended March 31, 2004	Director	64	4	¥13,646	August 1, 2005 to July 31, 2012
	Outside Director	28	1		
	Corporate Auditor	14	1		
The first stock acquisition rights for the year ended March 31, 2005	Director	82	4	¥16,167	August 1, 2006 to July 31, 2013
The first stock acquisition rights for the year ended March 31, 2006	Director	103	4	¥12,369	August 1, 2007 to July 31, 2014
	Corporate Auditor	24	1		
The first stock acquisition rights for the year ended March 31, 2009	Director	176	5	¥1,609	August 1, 2010 to July 31, 2017

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

Nothing to be reported.

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

Nothing to be reported.

4. Matters concerning officers of the Company:

(1) Directors and Corporate Auditors (as of March 31, 2012)

Title	Name	Business in charge and important concurrent office
Director; Officer; Chairman	Tetsuro Funai	Member (Chairman) of the Nomination Committee; Member of the Compensation Committee; Chairman of the FUNAI Foundation for Information Technology; Chairman of Funai Scholarship Foundation
Representative Director; President and Chief Executive Officer (CEO)	Tomonori Hayashi	Chairman of the Board of Directors; Member of the Nomination Committee, Member (Chairman) of the Compensation Committee
Director; Senior Executive Officer	Toshio Ohtaku	General Manager of New Business Div.
Director; Officer	Yoshikazu Uemura	General Manager of AV (Audiovisual) Headquarters; General Manager of TV Business Div.; Member of the Nomination Committee; Member of the Compensation Committee; President and Representative Director of P&F USA, INC.
Director; Officer	Joji Okada	General Manager of Development & Technology Headquarters; Member of the Nomination Committee; Member of the Compensation Committee
Director; Officer	Hideaki Funakoshi	Deputy General Manager of AV Headquarters; General Manager of DVD Business Div.; Member of the Nomination Committee; Member of the Compensation Committee
Director; Officer	Shigeki Saji	General Manager of New Business Preparatory Office, Development & Technology Headquarters; Member of the Nomination Committee; Member of the Compensation Committee
Outside Director	Mitsuo Yonemoto	Member of the Compensation Committee; Vice President and Director of T.P.S. Laboratory Co., Ltd.; Outside Director of THE SAILOR PEN CO., LTD.
Outside Director	Yasuhisa Katsuta	Outside Corporate Auditor of Otsuka Pharmaceutical Co., Ltd.; Chairman of Osaka University of Economics
Full-time Corporate Auditor	Akitaka Inoue	
Outside Corporate Auditor	Shinichi Komeda	

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

(Notes) 1. Full-time Corporate Auditor, Akitaka Inoue, who is qualified as a certified public accountant, has considerable knowledge of finance and accounting.

2. The Company has designated Outside Director, Mitsuo Yonemoto, and Outside Corporate Auditor, Shinichi Komeda, as independent officers in accordance with the rules of the Tokyo Stock Exchange and the Osaka Securities Exchange and registered them with such exchanges.

3. The Company has established a Nomination Committee and a Compensation Committee (both of which are voluntary committees).

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

Name	Retirement date	Reason	Title, business in charge, and important concurrent office upon retirement
Takashi Kiyomoto	June 22, 2011	Expiration of term of office	Director; Senior Executive Officer, General Manager of Production Headquarters
Hideo Nakai	June 22, 2011	Expiration of term of office	Director; Senior Executive Officer, General Manager of Development & Technology Headquarters
Shinji Seki	June 22, 2011	Expiration of term of office	Director; Executive Officer; General Manager of AV Headquarters

(For reference)

The Company has adopted a system of officers, and the Officers as of March 31, 2012 who did not concurrently hold the offices of Directors were as follows:

Officer	Takashi Kiyomoto
Officer	Hideo Nakai
Officer	Fumiaki Kidera
Officer	Nobuhisa Uchikawa
Officer	Susumu Nojii
Officer	Kazuo Uga
Officer	Takeshi Ito
Officer	Hisao Tatsumi
Officer	Sei Kono

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

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

Category	Number of recipients	Amount of payments (thousand yen)
Director (Outside Director)	12 (2)	244,602 (12,850)
Corporate Auditor (Outside Corporate Auditor)	3 (2)	23,250 (10,400)
Total (Outside Director/Corporate Auditor)	15 (4)	267,852 (23,250)

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

- ¥28,275 thousand for twelve Directors (including ¥1,000 thousand for two outside Directors)
- ¥1,800 thousand for three Corporate Auditors (including ¥800 thousand for two outside Corporate Auditors)

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

- ¥1,642 thousand for nine Directors

3. The above-listed amount of payments includes the following amount of officers' bonuses for the fiscal year under review:

- ¥1,700 thousand for two Directors

4. The above-listed amount of payments includes amount for three Directors who retired on June 22, 2011, at the 59th Ordinary General Meeting of Shareholders

(4) Other important matters concerning officers:

Nothing to be reported.

(5) Matters concerning outside officers:

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

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

- Director Yasuhisa Katsuta is Chairman of Osaka University of Economics. The Company has no special relationship with Osaka University of Economics.

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

- Director Mitsuo Yonemoto is outside Director of The Sailor Pen Co., Ltd. The Company has no special relationship with The Sailor Pen Co., Ltd.

- Director Yasuhisa Katsuta is outside Corporate Auditor of Otsuka Pharmaceutical Co., Ltd.
  The Company has no special relationship with Otsuka Pharmaceutical Co., Ltd.

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

Nothing to be reported.

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

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

Name		Board of Directors		Board of Corporate Auditors	
		Number of meetings	Number attended	Number of meetings	Number attended
Director	Mitsuo Yonemoto	6	6	-	-
Director	Yasuhisa Katsuta	6	6	-	-
Corporate Auditor	Shinichi Komeda	6	6	17	17
Corporate Auditor	Masahide Morimoto	6	6	17	17

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

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

(v) Outline of liability limitation agreements:

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

5. Matters concerning accounting auditors:

(1) Names of the accounting auditors:

Deloitte Touche Tohmatsu LLC

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

(i)	Remuneration, etc., of the accounting auditors for the fiscal year under review:	¥46 million
(ii)	Total amount of cash and other proprietary benefits payable to the accounting auditors by the Company and its subsidiaries:	¥78 million

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

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

(3) Content of non-auditing services:

Nothing to be reported.

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

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

(5) Outline of liability limitation agreements:

Nothing to be reported.

6. Systems and policies of the Company

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

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

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

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

With regard to the storage and management of information on the execution by the Directors of their duties, minutes of meetings of the Board of Directors and other important meetings, circular decision documents, and other documents and information necessary to secure the properness of business activities shall be stored and managed pursuant to acts, ordinances, and the "document management regulations."

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(xi) System to ensure reliability of financial reporting

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

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

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

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

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

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

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

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

In concrete terms, the Company will implement its dividend policy, based on the dividend on equity ratio 1% for consolidated basis, while taking into consideration business conditions and other factors.

With regard to a year-end dividend per share for the fiscal year under review, the Company has determined to pay an ordinary dividend of ¥40 per share in accordance with the aforementioned basic policy. In addition, the Company celebrated its 50th anniversary of incorporation on August 9, 2011. Therefore, to commemorate the anniversary and thank its shareholders for their continued support, the Company will pay a commemorative dividend of ¥10 per share. As a result, the year-end dividend per share for the fiscal year under review will total ¥50.

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(Note) In this business report, amounts and the number of shares are indicated by discarding any fraction of the indicated unit, and rates are indicated by rounding fractions of a half or more of the indicated unit upward and the rest downward unless otherwise indicated. Net income (loss) per share and book-value per share are indicated by rounding upward five-thousandths of one yen or more to the nearest one-hundredth of one yen.

CONSOLIDATED BALANCE SHEET

(As of March 31, 2012)

(million yen)

ASSETS:

Current assets:	**145,689**
Cash and deposits	68,146
Notes and accounts receivable-trade	32,296
Marketable securities	4,500
Merchandise and finished goods	22,387
Work in process	1,570
Raw materials and supplies	10,005
Deferred tax assets	2,915
Other	3,989
Allowance for doubtful receivables	(120)
Fixed assets:	**30,917**
Tangible fixed assets:	**14,785**
Buildings and structures	5,406
Machinery, equipment, and motor vehicles	1,749
Tools, furniture, and fixtures	2,025
Land	5,170
Lease assets	352
Other	80
Intangible assets:	**4,795**
Patents	3,813
Other	982
Investments and other assets:	**11,336**
Investment securities	4,641
Deferred tax assets	3,661
Other	3,331
Allowance for doubtful receivables	(297)
TOTAL ASSETS	**176,607**

(million yen)

LIABILITIES:	
Current liabilities:	**50,054**
Notes and accounts payable-trade	29,623
Short-term bank loans	4,583
Current portion of long-term lease obligations	224
Accounts payable-other	11,158
Income taxes payable.	325
Deferred tax liabilities	1
Accrued bonuses	248
Reserve for products warranty	798
Other	3,091
Long-term liabilities:	**2,708**
Long-term lease obligations	281
Deferred tax liabilities	4
Deferred tax liabilities on revaluation of land	226
Liabilities for retirement benefits	1,038
Liabilities for directors' retirement benefits	1,069
Other	87
TOTAL LIABILITIES	**52,763**
EQUITY:	
Shareholders' equity:	**151,623**
Common stock	31,307
Capital surplus	33,272
Retained earnings	111,384
Treasury stock	(24,341)
Accumulated other comprehensive Income (loss):	**(28,861)**
Unrealized gain on available-for-sale securities	56
Foreign currency translation adjustments	(28,917)
Stock acquisition rights:	**106**
Minority interests:	**974**
TOTAL EQUITY	**123,843**
TOTAL LIABILITIES AND EQUITY	**176,607**

CONSOLIDATED STATEMENT OF OPERATIONS

(from April 1, 2011 to March 31, 2012)

(million yen)

Net sales		246,147
Cost of sales		208,779
Gross profit		37,368
Selling, general, and administrative expenses		36,906
Operating income		**461**
Non-operating income:		
Interest and dividend income	334	
Other	233	567
Non-operating expenses:		
Interest expense	126	
Foreign exchange loss	378	
Loss on investments in partnership	141	
Other	207	854
Ordinary income		**174**
Special gain:		
Gain on sales of fixed assets	9	
Gain on sales of investment securities	3	12
Special loss:		
Loss on disposal of fixed assets	30	
Impairment loss on fixed assets	396	
Loss on sales of investment securities	313	
Other	7	748
Loss before income taxes and minority interests		**560**
Income taxes – current	1,385	
Income taxes - prior years	935	
Income taxes - deferred	1,617	3,939
Net loss before minority interests		**4,500**
Minority interests in net income		129
Net loss		**4,629**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(from April 1, 2011 to March 31, 2012)

(million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2011	31,300	33,265	116,738	(24,341)	156,962
Changes of items during the fiscal year					
Exercise of stock options	7	7			14
Cash dividends			(1,364)		(1,364)
Net loss			(4,629)		(4,629)
Adjustment of retained earnings due to change in scope of consolidation			639		639
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	7	7	(5,354)	-	(5,339)
Balance as of March 31, 2012	31,307	33,272	111,384	(24,341)	151,623

	Accumulated other comprehensive Income (loss)			Stock acquisition rights	Minority interests	Total
	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Total accumulated other comprehensive Income (loss)			
Balance as of April 1, 2011	612	(27,486)	(26,874)	87	1,052	131,228
Changes of items during the fiscal year						
Exercise of stock options						14
Cash dividends						(1,364)
Net loss						(4,629)
Adjustment of retained earnings due to change in scope of consolidation						639
Net changes of items other than shareholders' equity	(555)	(1,430)	(1,986)	19	(77)	(2,045)
Total changes of items during the fiscal year	(555)	(1,430)	(1,986)	19	(77)	(7,384)
Balance as of March 31, 2012	56	(28,917)	(28,861)	106	974	123,843

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Notes on Matters Forming the Basis of Presentation of Consolidated Financial Statements

1. Matters concerning the scope of consolidation

(1) Number of consolidated subsidiaries: 13

(2) Names of major consolidated subsidiaries:

DX Antenna Co., Ltd., FUNAI CORPORATION, INC., and FUNAI ELECTRIC (HK) LIMITED.

FUNAI ELECTRIC (MALAYSIA) SDN. BHD. is excluded from the scope of consolidation as from the fiscal year under review as its liquidation has been completed.

(3) Name of major non-consolidated subsidiary:

FGS Co., Ltd.

(Reason for exclusion from consolidation)
The non-consolidated subsidiary is a small company and its aggregated amount of total assets, net sales, net income (based on the Company's equity interest), and retained earnings (based on the Company's equity interest) are not material to the consolidated financial statements.

2. Matters concerning the application of equity method

(1) Number of non-consolidated subsidiaries to which the equity method is applicable: 1

(2) Name of the non-consolidated subsidiary to which the equity method is applicable: Highsonic Industrial Ltd.

(3) Name of the major non-consolidated subsidiary and affiliates to which the equity method is not applicable:

Non-consolidated subsidiary:	FGS Co., Ltd.
Affiliate:	Digitec Industrial Ltd.

(Reason for exclusion from the equity method)
The non-consolidated subsidiary and affiliate have no material impact on net income (based on the Company's equity interest) and retained earnings (based on the Company's equity interest) and generally, they are not material.

(4) As the fiscal year end of Highsonic Industrial Ltd., a non-consolidated subsidiary to which the equity method is applicable, differs from the consolidated fiscal year end, its financial statements compiled for its fiscal year are used.

(5) Fiscal years of consolidated subsidiaries

The consolidated subsidiaries whose fiscal year ends differ from the consolidated fiscal year end are as follows:

Name	Fiscal year end
DX Antenna Co., Ltd.	February 29
P&F MEXICANA, S.A. DE C.V.	December 31
Zhong Yue FUNAI Electron co.	December 31

For DX Antenna Co., Ltd., and P&F MEXICANA, S.A. DE C.V. listed above, their financial statements compiled as of their respective fiscal year ends are used to tabulate consolidated results. However, significant transactions that occur between that time and the consolidated fiscal year end are reflected in the consolidated financial statements as so required.

For Zhong Yue FUNAI Electron co., its financial statements compiled based on the provisional settlement of account made as of its group's consolidated fiscal year end are used to tabulate consolidated results.

3. Matters concerning accounting policies

(1) Valuation basis and methods for major assets:

(i) Securities:

Available-for-sale securities:

Marketable securities:

Stated at fair value on the balance sheet date of the fiscal year. (Unrealized gain or loss and net of applicable taxes are reported in a separate component of equity. Costs of securities sold are determined by the moving average method).

Non-marketable securities:

Stated at cost determined by the moving average method

(ii) Inventories:

As to the Company and its Japanese consolidated subsidiaries, merchandise and finished goods and work-in-process are stated principally at cost-under-the-average method (book value is written down to net realizable value if not profitable). Raw materials are stated principally at cost by the first-in, first-out method (book value is written down to net realizable value if not profitable).

As to the overseas consolidated subsidiaries, finished goods, work-in-process, and raw materials are stated principally at the lower of cost or market determined by the first-in, first-out method.

(2) Method of depreciation of major fixed assets:

(i) Tangible fixed assets (excluding lease assets):

The declining-balance method is adopted by the Company and its Japanese consolidated subsidiaries (however, with regard to the buildings (excluding appurtenances thereto) acquired on or after April 1, 1998, the straight-line method has been adopted). The straight-line method is adopted by the overseas consolidated subsidiaries.

The main useful lives are as follows:

Buildings and structures:	3–50 years
Machinery, equipment, and motor vehicles:	3–10 years
Tools, furniture, and fixtures:	1–20 years

(ii) Intangible assets (excluding lease assets):

Stated by the straight-line method by the Company and its consolidated subsidiaries. However, depreciation of goodwill is made equally for five years; depreciation of patent rights is made by the straight-line method based on the estimated economically usable period; and depreciation of software for internal use is made by the straight-line method based on the internal usable years (five years).

(iii) Lease assets:

Lease assets related to finance lease transactions that do not transfer ownership are depreciated by the straight-line method based on the assumption that the useful life equals to the lease term and the residual value equals to zero.

Any finance lease transaction that does not transfer ownership, which became effective prior to the fiscal year during which the “Accounting Standard for Lease Transactions” (Accounting Standards Board of Japan (ASBJ) Statement No. 13) first became applicable, is treated similarly to the manner in which ordinary lease transactions are treated.

(3) Standards for providing important allowances:

(i) Allowance for doubtful receivables:

To meet losses from loan default, the Company sets aside an estimated uncollectible amount by taking into consideration the actual loss rate in respect of general credits and the individual possibilities of collection in respect of possible non-performing credits and other specific claims.

(ii) Accrued bonuses:

To meet the payment of bonuses to employees, some consolidated subsidiaries set aside the portion for each fiscal year of an estimated amount of bonuses to be paid in the future.

(iii) Reserve for products warranty:

To meet expenses of after-sales services with regard to the products sold, the Company sets aside an estimated amount based on the past sales record.

(iv) Liabilities for retirement benefits:

To meet the payment of retirement benefits to employees, the Company provides an amount based on estimated retirement benefit obligations and plan assets as of the end of the fiscal year.

The total transitional obligation, determined as of April 1, 2000, was charged to income when first adopted, except that of certain subsidiaries which is amortized by the straight-line method over 15 years.

Prior service cost is amortized by the straight-line method over a period within the average remaining years of service of the employee (10 years).

Actuarial gains or losses are amortized by the straight-line method over a period within the average remaining years of service of the employee (10 years) starting from the following period.

(Additional information)

As from the fiscal year under review, the Company and its Japanese consolidated subsidiaries have changed their respective retirement benefits plans, from the tax-qualified pension plan to defined benefits pension plans. The changes of the plans have no significant impact on net income or loss.

(v) Liabilities for directors' retirement benefits:

To provide for the payment of retirement gratuities to officers, an amount payable at the end of the fiscal year under the Company's internal rules is reserved.

(4) Other significant accounting policies forming the basis of presentation of consolidated financial statements:

(i) Standards for recognizing revenue and costs of completed construction work:

Construction work of the outcome of which is deemed certain during the course of activity by the end of the fiscal year:

By the percentage-of-completion method (the percentage of completion at the end of the fiscal year shall be estimated by the method of comparison of incurred cost to date with estimated total contract costs.)

Other construction work:

By the completed-contract method

(ii) Method and period of amortization of goodwill:

Goodwill is amortized by the straight-line method over a period of five years, except for insignificant goodwill.

(iii) Accounting for consumption taxes, etc.:

By the tax-exclusive method

Notes to Consolidated Balance Sheet

1. Accumulated depreciation of assets

Accumulated depreciation of tangible fixed assets: ¥36,311 million

2. Accumulated impairment loss on assets

Accumulated depreciation of assets includes accumulated impairment loss on assets.

3. In accordance with the Act on Revaluation of Land (Act No. 34, promulgated on March 31, 1998) of Japan, one of the consolidated subsidiaries revaluated its land used for business. The applicable taxes of the revaluation difference were ¥226 million as revalued deferred tax liabilities. Also, the revaluation difference is eliminated in consolidation, and so it is not presented in equity.

4. Contingent liabilities

A consolidated subsidiary, FUNAI EUROPE GmbH, is under investigation by the German tax authorities with regard to transfer pricing taxation on transactions with the Company and FUNAI ELECTRIC EUROPE Sp. z o.o., which is also a consolidated subsidiary. So far, the results of this investigation are inconclusive. As at present, it is not possible to rationally estimate the amount of impact such an investigation could have, this factor has not been reflected in the Group's consolidated financial statements.

Notes to Consolidated Statement of Operations

1. Impairment losses

During the fiscal year under review, the Funai Electric Group recorded losses on impairment in the following asset groups:

Use	Location	Type
Business assets	DX Antenna Co., Ltd. (Hyogo-ku, Kobe City)	Buildings and structures
Business assets	DX Antenna Co., Ltd. (Ono City, Hyogo Pref.)	Buildings and structures
Research facility	DX Antenna Co., Ltd. (Tarumi-ku, Kobe City)	Buildings and structures, lands

In principle, the Funai Electric Group groups business assets by company, while idle assets are grouped by individual asset.

During the fiscal year under review, we reduced the book values of structures earmarked for demolition and land scheduled for sale to their recoverable values. These reductions, along with estimated removal costs associated with demolition, were recorded as a loss on impairment (¥396 million) and posted as a special loss. This loss breaks down into ¥353 million on buildings and structures, and ¥43 million on land.

We reduced to zero the recoverable value of those assets that are slated for demolition. For assets scheduled for sale, we reduced their recoverable value to their net sale value based on real estate appraisal values.

2. Disposition of supplementary tax assessment based on the application of tax system for dealing with tax havens

(1) On June 28, 2005 and June 16, 2008, we received a notice from the Osaka Regional Taxation Bureau regarding the implementation of a corrective action. This notice indicated a decision regarding our subsidiary in Hong Kong, suggesting that it did not satisfy the conditions for exclusion from application of the tax system for dealing with tax havens. The notification furthermore indicated that the Osaka Regional Taxation Bureau decided to incorporate the income generated by our subsidiary in Hong Kong into the income of the Company for the duration of three years, from

April 1, 2001 to March 31, 2004 and from April 1, 2004 to March 31, 2007, for taxation purposes. Because the Company objected to this corrective action, we applied for assessments by the Osaka National Tax Tribunal on July 25, 2006 and again on August 6, 2008. Thereafter, we received written verdicts on this case on July 3, 2008, and again on July 23, 2009, indicating that our assertions had been dismissed. We filed an appeal to have the action cancelled with the Osaka District Court on November 16, 2006 and again on November 14, 2008, and hearings by consolidation of those actions had been held since November 26, 2008. The court dismissed the claims of the Company on June 24, 2011. Thereafter, as the Company was unable to accept the Osaka District Court's judgment, we filed a notice of appeal at the Osaka High Court on July 7, 2011.

The additional tax amounted to ¥16,651 million (¥19,184 million including incidental taxes) and ¥15,038 million (¥16,838 million including incidental taxes), including corporate income taxes, inhabitant taxes and enterprise taxes. We processed these amounts in the respective fiscal years ended March 31, 2007 and 2009 as "Income taxes - prior years," since the accounting procedures relating to additional tax amounts have been clarified through the amendment of the "Treatment of Accounting and Presentation of Taxes for the Purpose of Audits" (JICPA Audit and Assurance Practice Committee Report No. 63).

(2) On June 29, 2011, we received a notice from the Osaka Regional Taxation Bureau suggesting that our subsidiary in Hong Kong did not satisfy the conditions for exclusion from application of the tax system for dealing with tax havens and indicating its decision to incorporate the income generated by the subsidiary into the income of the Company for the duration of three years from April 1, 2007 to March 31, 2010, for taxation purposes. Because the Company objected to this corrective action, we applied for assessments by the Osaka National Tax Tribunal on August 25, 2011.

The additional tax, including corporate, residential, and business taxes, amounted to ¥825 million (¥935 million including incidental taxes). This amount has been processed as expenses under the category of "Income taxes - prior years" in the fiscal year under review.

(3) With regard to the actions the Company filed with the Osaka District Court on June 28, 2005 and June 16, 2008, seeking the rescission of supplementary tax assessments, on June 24, 2011, a decision was reached in which the court dismissed the claims of the Company. Accordingly, the Company treated this amount as an expense during the fiscal year under review, which is the fiscal year following the year to which the assessment was applied.

Notes to Consolidated Statement of Changes in Equity

1. Matters concerning the classes and total number of issued shares, and the classes and number of shares of treasury stocks

(thousand shares)

	Number of shares as of April 1, 2011	Increase in the number of shares during the year	Decrease in the number of shares during the year	Number of shares as of March 31, 2012
Issued shares				
Shares of common stock (Note)	36,123	7	-	36,130
Total	36,123	7	-	36,130
Shares of treasury stock				
Shares of common stock	2,011	-	-	2,011
Total	2,011	-	-	2,011

(Note) The number (7 thousand) of shares of common stock issued by the Company increased as a result of the exercise of stock acquisition rights (stock options).

2. Matters concerning dividends from surplus

(1) Amount of dividends paid:

Resolution	Class of shares	Total amount of dividends (million yen)	Amount of dividend per share (yen)	Record date	Effective date
Meeting of the Board of Directors held on May 23, 2011	Shares of common stock	1,364	40	March 31, 2011	June 14, 2011

(2) Dividends for which the record date falls during the fiscal year under review, but the effective date falls during the next fiscal year:

Resolution	Class of shares	Total amount of dividends (million yen)	Source of dividends	Amount of dividend per share (yen)	Record date	Effective date
Meeting of the Board of Directors held on May 21, 2012	Shares of common stock	1,705	Retained earnings	50	March 31, 2012	June 14, 2012

3. Matters concerning stock acquisition rights

Description of stock option	Class of shares to be issued or transferred upon exercise of stock option	Number of shares for stock option (share)
		As of March 31, 2012
The first stock option for the year ended March 31, 2004	Shares of common stock	378,500
The first stock option for the year ended March 31, 2005	Shares of common stock	359,900
The second stock option for the year ended March 31, 2005	Shares of common stock	25,600
The first stock option for the year ended March 31, 2006	Shares of common stock	346,400
The first stock option for the year ended March 31, 2009	Shares of common stock	360,500
Total	-	1,470,900

Notes to financial instruments

1. Matters relating to the status of financial instruments

The Group raises funds by bank loans and invests funds by short-term deposits. In principle, the Group has a policy of not using derivatives.

With regard to customers’ credit risks relating to notes and accounts receivable-trade, the Group has stipulated its sales management rules to manage trading terms and credit lines by client.

Marketable securities are negotiable certificates of deposit. The Group manages them by ensuring the safety thereof.

Investment securities are exposed to market risks. With regard to such risks, the market values and the financial positions of the issuers are reviewed periodically and reported to the Investment and Loan Committee, an internal organ.

Notes and accounts payable-trade and accounts payable-other shall mostly become due and payable within one year.

Both short-term loans payable and long-term loans payable are funds procured in relation to business transactions. The Group has a policy of not using derivatives. However, as floating-rate loans are exposed to interest rate risk, the Group may utilize derivatives (interest rate swap agreements) as hedging instruments according to individual loan contracts. To trade in derivatives, such derivatives are executed and managed in accordance with the internal rules. To avert credit risk, the Group enters into transactions solely with financial institutions receiving high ratings.

2. Matters concerning fair values, etc., of financial instruments

The following chart shows amounts for items recorded in the consolidated balance sheet as of March 31, 2012, along with their fair values and the variances:

(million yen)

		Balance sheet amount*	Fair value*	Variance
(1)	Cash and deposits	68,146	68,146	-
(2)	Notes and accounts receivable-trade	32,296	32,296	-
(3)	Marketable securities:			
	Available-for-sale securities	4,500	4,500	-
(4)	Investment securities:			
	Available-for-sale securities	1,366	1,366	-
(5)	Notes and accounts payable-trade	(29,623)	(29,623)	-
(6)	Short-term bank loans	(4,583)	(4,583)	-
(7)	Accounts payable-other	(11,158)	(11,158)	-
(8)	Derivatives	-	-	-

* The items recognized as liabilities are shown in parentheses.

(Notes) 1. Matters concerning the calculation method of the fair values of financial instruments, as well as securities and derivatives:

(1) Cash and deposits and (2) Notes and accounts receivable-trade:

The book value is used for these items, as the fair value is nearly equal to the book value as a result of their short settlement periods.

(3) Marketable securities:

The book value is used for negotiable certificates of deposit, as the fair value is nearly equal to the book value as a result of their short settlement periods.

(4) Investment securities:

The fair value of stocks is determined by the prices of the stocks traded on an exchange.

(5) Notes and accounts payable-trade, (6) Short-term loans payable, and (7) Accounts payable-other:

The book value is used for these items, as the fair value is nearly equal to the book value as a result of their short settlement periods.

(8) Derivatives:

The Group does not utilize any derivatives. Hence, this item is not applicable.

2. Unlisted shares (¥3,275 million in the balance sheet) have no market price and it is impossible to estimate their future cash flow. As determining the market value is recognized as being extremely difficult, they are not included in “(4) Investment in securities – Available-for-sale securities.”

Notes on the information per share

Book-value per share:	¥3,598.03
Net loss per share:	¥135.69

Other notes

Additional Information

Application of “Accounting Standard for Accounting Changes and Error Corrections”

For any accounting change and the correction of any error in the past to be made as from the beginning of the fiscal year under review, the “Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Statement No. 24, December 4, 2009) and “Implementation Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Implementation Guidance No. 24, December 4, 2009) are applied.

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(Note) All figures in the consolidated balance sheet, consolidated statement of operations, consolidated statement of changes in equity, and notes to consolidated financial statements are shown by disregarding any fractions of the relevant units. Book-value per share and net loss per share are shown by rounding off to two decimal places.

Copy of Accounting Auditors' Audit Report on Consolidated Financial Statements
(TRANSLATION)

INDEPENDENT AUDITORS' REPORT

May 21, 2012

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

Deloitte Touche Tohmatsu LLC

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

Fumihiko Kimura

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

Masaki Mizoguchi

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, 2012, of Funai Electric Co., Ltd. (the "Company") and consolidated subsidiaries and the related consolidated statements of income and changes in equity for the fiscal year from April 1, 2011 to March 31, 2012, and the related notes.

Management's Responsibility for the Consolidated Financial Statements

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

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

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

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as of March 31, 2012, and the results of their operations for the year then ended in conformity 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 -

NON-CONSOLIDATED BALANCE SHEET

(As of March 31, 2012)

ASSETS	(million yen)
Current assets:	**66,283**
Cash and deposits	18,676
Notes receivable-trade	63
Accounts receivable-trade	35,826
Marketable securities	4,500
Merchandise and finished goods	171
Raw materials and supplies	2,037
Prepaid expenses	1,333
Deferred tax assets	1,810
Other	1,900
Allowance for doubtful receivables	(36)
Fixed assets:	**46,433**
Tangible fixed assets:	**7,904**
Buildings	3,145
Structures	60
Machinery and equipment	55
Motor vehicles	0
Tools, furniture, and fixtures	310
Land	4,086
Lease assets	245
Intangible assets:	**4,348**
Patents	3,813
Software	496
Lease assets	26
Other	12
Investments and other assets:	**34,181**
Investment securities	1,882
Investment in subsidiaries and associated companies	23,676
Long-term loans receivable	12,100
Long-term prepaid expenses	1,259
Deferred tax assets	3,572
Other	1,292
Allowance for doubtful receivables	(9,602)
TOTAL ASSETS	**112,717**

LIABILITIES (million yen)

Current liabilities:	**33,887**
Accounts payable-trade	22,023
Current portion of long-term lease obligations	143
Accounts payable-other	7,041
Accrued expenses	3,658
Accrued income taxes	35
Deposit received	799
Reserve for products warranty	185
Other	0
Long-term liabilities:	**1,245**
Long-term lease obligations	182
Liabilities for directors' retirement benefits	1,062
Other	1
TOTAL LIABILITIES	**35,133**

EQUITY

Shareholders' Equity:	**77,469**
Common stock:	**31,307**
Capital surplus:	**33,272**
Capital reserve	32,833
Other capital surplus	438
Retained earnings:	**37,230**
Legal reserve	209
Other retained earnings	37,021
Reserve for advanced depreciation of fixed assets	520
General reserve	23,400
Retained earnings carried forward	13,100
Treasury stock:	**(24,341)**
Valuation and translation adjustments:	**7**
Unrealized gain on available-for-sale securities:	**7**
Stock acquisition rights:	**106**
TOTAL EQUITY	**77,584**
TOTAL LIABILITIES AND EQUITY	**112,717**

NON-CONSOLIDATED STATEMENT OF INCOME

(from April 1, 2011 to March 31, 2012)

(million yen)

Net sales		**195,880**
Cost of sales		**175,831**
Gross profit		**20,048**
Selling, general, and administrative expenses		**20,356**
Operating loss		**307**
Non-operating income:		
Interest and dividend income	12,774	
Other	88	12,862
Non-operating expenses:		
Interest expenses	0	
Foreign exchange loss	301	
Provision for allowance for doubtful accounts of associated companies	40	
Transfer pricing taxation adjustments	1,770	
Other	277	2,389
Ordinary income		**10,165**
Special gain:		
Gain on sales of fixed assets	3	
Gain on sales of investment securities	3	6
Special loss:		
Loss on disposal of fixed assets	22	
Valuation loss on investments in subsidiaries and associated companies	5,568	
Other	312	5,903
Income before income taxes		**4,268**
Income taxes - current	73	
Income taxes - prior years	935	
Income taxes - deferred	636	1,646
Net income		**2,621**

NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(from April 1, 2011 to March 31, 2012)

(million yen)

	Shareholders' equity										
		Capital surplus			Retained earnings						
						Other retained earnings					
	Common stock	Capital reserve	Other capital surplus	Total capital surplus	Legal reserve	Reserve for advanced depreciation of fixed assets	General reserve	Retained earnings carried forward	Total retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2011	31,300	32,826	438	33,265	209	490	23,400	11,872	35,973	(24,341)	76,197
Changes of items during the fiscal year											
Exercise of stock options	7	7		7							14
Reserve for advanced depreciation of fixed assets						39		(39)	-		-
Reversal of reserve for advanced depreciation of fixed assets						(10)		10	-		-
Cash dividends								(1,364)	(1,364)		(1,364)
Net income								2,621	2,621		2,621
Net changes of items other than shareholders' equity											
Total changes of items during the fiscal year	7	7	-	7	-	29	-	1,227	1,257	-	1,272
Balance as of March 31, 2012	31,307	32,833	438	33,272	209	520	23,400	13,100	37,230	(24,341)	77,469

(million yen)

	Valuation and translation adjustments		Stock acquisition rights	Total
	Unrealized gain on available-for-sale securities	Total valuation and translation adjustments		
Balance as of April 1, 2011	566	566	87	76,851
Changes of items during the fiscal year				
Exercise of stock options				14
Reserve for advanced depreciation of fixed assets				-
Reversal of reserve for advanced depreciation of fixed assets				-
Cash dividends				(1,364)
Net income				2,621
Net changes of items other than shareholders’ equity	(559)	(559)	19	(539)
Total changes of items during the fiscal year	(559)	(559)	19	732
Balance as of March 31, 2012	7	7	106	77,584

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Notes on matters concerning major accounting policies:

1. Valuation basis and methods for assets:

   (1) Valuation basis and methods for securities:

   Investment in subsidiaries and associated companies:

   At cost, determined by the moving average method.

   Available-for-sale securities:

   Marketable securities

   Stated at fair value on the non-consolidated balance sheet date of the fiscal year (Unrealized gain or loss and net of applicable taxes reported in a separate component of equity. Selling costs are determined by the moving average method).

   Non-marketable securities:

   Stated at cost, determined by the moving average method.

   (2) Valuation basis and methods for inventories:

   Finished goods: Stated at cost, determined by the average method (Book value is written down to net realizable value if not profitable).

   Raw materials: Stated at cost, determined by the first-in, first-out method (Book value is written down to net realizable value if not profitable).

2. Method of depreciation of major fixed assets:

   (1) Tangible fixed assets (excluding lease assets):

   Stated by the declining balance method.

   However, with regard to the buildings (excluding appurtenances thereto) acquired on or after April 1, 1998, the straight-line method has been adopted.

   (2) Intangible assets (excluding lease assets):

   Stated by the straight-line method.

However, depreciation of goodwill is made equally for five years, depreciation of patent rights is made by the straight-line method based on the estimated economically usable period, and depreciation of software for internal use is made by the straight-line method based on the internal usable years (five years).

(3) Lease assets:

Lease assets related to finance lease transactions that do not transfer ownership are depreciated by the straight-line method based on the assumption that the useful life equals to the lease term and the residual value equals to zero.

Any finance lease transaction that does not transfer ownership, which became effective prior to the fiscal year during which the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13) first became applicable, is treated similarly to the manner in which ordinary lease transactions are treated.

3. Standards for providing allowances:

(1) Allowance for doubtful receivables:

To meet losses from loan default, Funai Electric Co., Ltd. (the "Company") sets aside an estimated uncollectible amount by taking into consideration the actual loss rate in respect of general credits and the individual possibilities of collection in respect of possible non-performing credits and other specific claims.

(2) Reserve for product warranty:

To meet expenses of after-sales services with regard to the products sold, the Company sets aside an estimated amount based on the past sales record.

(3) Liabilities for retirement benefits:

To meet the payment of retirement benefits to employees, the Company provides an amount based on estimated retirement benefit obligations and plan assets as of the non-consolidated balance sheet date.

Prior service cost is amortized by the straight-line method over a period within the average remaining years of service of the employee (10 years).

As plan assets exceeded retirement benefit obligations as of the end of the fiscal year under review, "other" in "Investments and other assets" were recorded by inclusion of ¥886 million of prepaid pension cost.

Actuarial gains or losses are amortized by the straight-line method over a period within the average remaining years of service of the employee (10 years) starting from the following period.

(Additional information)

As of April 1, 2011, the Company changed its retirement benefits plan from the tax-qualified pension plan to defined benefits pension plan. The change of the plan has no significant impact on net income or loss.

(4) Liabilities for directors' retirement benefits:

To provide for the payment of retirement gratuities to officers, an amount payable at the end of the fiscal year under the Company's internal rules is reserved.

4. Other significant accounting policies forming the basis of presentation of non-consolidated financial statements:

Accounting for consumption taxes, etc.: By the tax-exclusive method

Notes to Non-consolidated Balance Sheet:

1. Accumulated depreciation of assets:

Accumulated depreciation of tangible fixed assets:	¥10,824 million

2. Monetary debts due from and to subsidiaries and associated companies:

Short-term monetary debts due from associated companies:	¥26,774 million
Long-term monetary debts due from associated companies:	¥11,888 million
Short-term monetary liabilities due to associated companies:	¥25,178 million

Short-term monetary liabilities due to associated companies include ¥1,770 million of transfer pricing taxation adjustments due from the Company to its U.S. subsidiary as described in Note 2 to non-consolidated statement of income below.

3. Contingent liabilities:

A consolidated subsidiary, FUNAI EUROPE GmbH, is under investigation by the German tax authorities with regard to transfer pricing taxation on transactions with the Company and FUNAI ELECTRIC EUROPE Sp. z o.o., which is also a consolidated subsidiary. So far, the results of this investigation are inconclusive. As at present it is not possible to rationally estimate the amount of impact such an investigation could have, this factor has not been reflected in the non-consolidated financial statements.

Notes to Non-consolidated Statement of Income:

1. Amount of transactions with subsidiaries and associated companies:

Trading transaction:

Sales:	¥121,140 million
Purchase:	¥168,495 million
Other operating expenses:	¥1,397 million
Transactions other than trading:	¥14,605 million

Transactions other than trading include ¥1,770 million of transfer pricing taxation adjustments due from the Company to its U.S. subsidiary as described in Note 2 to non-consolidated statement of income below.

2. Transfer pricing taxation adjustments:

With regard to prior confirmation concerning Japan-U.S. transfer pricing applied by the Company's consolidated group, the Japanese and U.S. taxation authorities have agreed. Transfer pricing taxation adjustments recorded as non-operating expenses are prior-year adjustments due from the Company to its U.S. subsidiary pursuant to the agreement.

3. Disposition of supplementary tax assessment based on the application of tax system for dealing with tax havens:

(1) On June 28, 2005, and June 16, 2008, we received a notice from the Osaka Regional Taxation Bureau regarding the implementation of a corrective action. This notice indicated a decision regarding our subsidiary in Hong Kong, suggesting that it did not satisfy the conditions for exclusion from application of the tax system for dealing with tax havens. The notification furthermore indicated that the Osaka Regional Taxation Bureau decided to incorporate the income generated by our subsidiary in Hong Kong into the income of the Company for the duration of three years, from April 1, 2001 to March 31, 2004 and from April 1, 2004 to March 31, 2007, for taxation purposes. Because the Company objected to this corrective action, we applied for assessments by the Osaka National Tax Tribunal on July 25, 2006, and again on August 6, 2008. Thereafter, we received written verdicts on this case on July 3, 2008, and again on July 23, 2009, indicating that our assertions had been dismissed. We filed an appeal to have the action cancelled with the Osaka District Court on November 16, 2006, and again on November 14, 2008, and hearings by consolidation of those actions had been held since November 26, 2008. The court dismissed the claims of the Company on June 24, 2011. Thereafter, as the Company was unable to accept the Osaka District Court's judgment, we filed a notice of appeal at the Osaka High Court on July 7, 2011.

The additional tax amounted to ¥16,651 million (¥19,184 million including incidental taxes) and ¥15,038 million (¥16,838 million including incidental taxes), including corporate income taxes, inhabitant taxes and enterprise taxes. We processed these amounts in the respective fiscal years ended March 31, 2007 and 2009, as "Income taxes - prior years," since the accounting procedures relating to additional tax amounts have been clarified through the amendment of the "Treatment of Accounting and Presentation of Taxes for the Purpose of Audits" (JICPA Audit and Assurance Practice Committee Report No. 63).

(2) On June 29, 2011, we received a notice from the Osaka Regional Taxation Bureau suggesting that our subsidiary in Hong Kong did not satisfy the conditions for exclusion from application of the tax system for dealing with tax havens and indicating their decision to incorporate the income generated by the subsidiary into the income of the Company for the duration of three years from April 1, 2007 to March 31, 2010, for taxation purposes. Because the Company objected to this corrective action, we applied for assessments by the Osaka National Tax Tribunal on August 25, 2011.

The additional tax, including corporate, residential, and business taxes, amounted to ¥825 million (¥935 million including incidental taxes). This amount has been processed as expenses under the category of "Income taxes - prior years" in the fiscal year under review.

(3) With regard to the actions the Company filed with the Osaka District Court on June 28, 2005 and June 16, 2008, seeking the rescission of supplementary tax assessments, on June 24, 2011, a decision was reached in which the court dismissed the claims of the Company. Accordingly, the Company treated this amount as an expense during the fiscal year under review, which is the fiscal year following the year to which the assessment was applied.

Notes to Non-consolidated Statement of Changes in Equity

Matters concerning the number of shares of treasury stock:

(thousand shares)

Class of shares	Number of shares as of April 1, 2011	Increase in the number of shares during the year	Decrease in the number of shares during the year	Number of shares as of March 31, 2012
Common stock	2,011	-	-	2,011

Notes on Accounting for Deferred Tax

1. Principal components of deferred tax assets and deferred tax liabilities:

	(million yen)
Deferred tax assets	
Liabilities for directors' retirement benefits	378
Accounts payable-other	1,178
Allowance for doubtful receivables	3,349
Accrued expenses (bonuses)	353
Impairment loss on investment securities	229
Impairment loss on investment in subsidiaries and associated companies	1,984
Tax loss carryforwards	3,425
Other	1,375
Subtotal	12,274
Valuation allowance	(6,285)
Total	5,989
Deferred tax liabilities	
Unrealized loss on available-for-sale securities	(1)
Prepaid pension cost	(315)
Reserve for advanced depreciation of fixed assets	(289)
Subtotal	(606)
Deferred tax assets, net	5,382

2. Application of the "Act for Partial Revision of the Income Tax Act, etc. to Establish Tax Systems in Response to the Changing Socioeconomic Structure," etc.:

On December 2, 2011, the "Act for Partial Revision of the Income Tax Act, etc. to Establish Tax Systems in Response to the Changing Socioeconomic Structure" (2011 Act No. 114) and the "Special Measures Act to Secure the Funds Necessary to Realize Restoration Following the Great East Japan Earthquake" (2011 Act No. 117) were promulgated. By these acts, the corporate tax rate will be reduced and the special restoration corporate tax will be levied from the fiscal year beginning on or after April 1, 2012. Accordingly, with regard to temporary differences expected to be eliminated from the fiscal year beginning on April 1, 2012 to the fiscal year beginning on April 1, 2014, the effective corporate tax rate used for the calculation of deferred tax assets and deferred tax liabilities is changed from 40.70% to 38.01%. With regard to temporary differences expected to be eliminated for the fiscal year or years beginning on or after April 1, 2015, the effective corporate tax rate used for the calculation of deferred tax assets and deferred tax liabilities is changed from 40.70% to 35.64%. Consequently, net deferred tax assets (net of deferred tax liabilities) decreased by ¥474 million and income tax adjustments increased by ¥474 million.

Notes on the Fixed Assets Used by Lease

Finance lease agreements that do not transfer ownership, which became effective on or before March 31, 2008, are treated similarly to the manner in which ordinary lease transactions are treated.

1. Amounts equivalent to the acquisition prices, accumulated depreciation, and balance at the end of the year:

(million yen)

	Amount equivalent to the acquisition costs	Amount equivalent to accumulated depreciation	Amount equivalent to balance at the end of the year
Tools, furniture, and fixtures	258	255	3
Total:	258	255	3

2. Future lease payable at the end of the year:

Balance of future lease payable at the end of the year:

Due within one year:	¥2 million
Due after one year:	¥- million
Total:	¥2 million

Transactions with Related Parties

Subsidiaries, etc.

(million yen)

Type	Name	Voting rights held by the Company (or held by others)	Relationship	Transaction	Amount	Account	Balance as of March 31, 2012
Subsidiary	DX Antenna Co., Ltd.	Direct, 91.40%	Sale of products of the Company	Sale of electronic products	8,827	Accounts receivable - trade	1,162
Subsidiary	FUNAI ELECTRIC (HK) LIMITED	Direct, 100%	Production of products of the Company	Purchase of electronic products	139,033	Accounts payable - trade	18,382
Subsidiary	FUNAI (THAILAND) CO., LTD.	Direct, 66.67% Indirect, 33.33%	Production of products of the Company	Purchase of electronic products	12,416	Accounts payable - trade	1,534
Subsidiary	FUNAI CORPORATION, INC.	Direct, 100%	Sale of products of the Company; interlocking directorate	Sale of electronic products	72,373	Accounts receivable - trade	12,011
				Transfer pricing taxation adjustments	1,770	Accrued expenses	2,727
Subsidiary	P&F USA, Inc.	Direct, 100%	Sale of products of the Company; interlocking directorate	Sale of electronic products	31,746	Accounts receivable - trade	10,289

Type	Name	Voting rights held by the Company (or held by others)	Relationship	Transaction	Amount	Account	Balance as of March 31, 2012
Subsidiary	FUNAI ELECTRIC EUROPE Sp. z o.o.	Direct, 100%	Sale of products of the Company; interlocking directorate	Sale of electronic products	3,155	Accounts receivable - trade	1,308
				Loan of funds	-	Long-term loans receivable	2,086
Subsidiary	FUNAI EUROPE GmbH	Direct, 100%	Sale of products of the Company; interlocking directorate	Loan of funds	-	Long-term loans receivable	9,568

(Note) Transaction terms and policies on the determination of transaction terms, etc.:

Like the terms of ordinary transactions, transaction terms are determined in consideration of market prices and other factors.

Note on the Information per Share

Book-value per share: ¥2,270.78

Net income per share: ¥76.86

Other notes

Additional Information

Application of "Accounting Standard for Accounting Changes and Error Corrections"

For any accounting change and the correction of any error in the past to be made as from the beginning of the fiscal year under review, the "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24, December 4, 2009) and "Implementation Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Implementation Guidance No. 24, December 4, 2009) are applied.

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- All figures in the non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity, and notes to non-consolidated financial statements are shown by disregarding any fractions of the relevant units. Book-value per share and net income per share are shown by rounding off to two decimal places.

Copy of Accounting Auditors' Audit Report
(TRANSLATION)

INDEPENDENT AUDITORS' REPORT

May 21, 2012

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

Deloitte Touche Tohmatsu LLC

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

Fumihiko Kimura

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

Masaki Mizoguchi

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, 2012, of Funai Electric Co., Ltd. (the "Company") and the related statements of income and changes in equity for the 60th fiscal year from April 1, 2011 to March 31, 2012, and the related notes and the accompanying supplemental schedules.

Management's Responsibility for the Financial Statements

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

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

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

Audit Opinion

In our opinion, the financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2012, and the results of its operations for the year then ended in conformity 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 Audit Report of the Board of Corporate Auditors

AUDIT REPORT

We, the Board of Corporate Auditors of Funai Electric Co., Ltd. (the "Company"), after deliberation based upon the audit report prepared by each Corporate Auditor on the execution by Directors of their duties during the 60th fiscal year from April 1, 2011 through March 31, 2012, have prepared this audit and hereby report as follows.

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

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

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

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

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

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

2. Results of audit:

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

We are of the opinion:

(i) That the business report and its accompanying detailed statements present fairly the state of the Company in accordance with acts and ordinances and the Articles of Incorporation

(ii) That in connection with the execution by the Directors of their duties, no dishonest act or material fact of violation of acts or ordinances or the Articles of Incorporation exists

(iii) That the details of the resolutions of the Board of Directors on internal control systems are proper and that the descriptions in the business report and the execution by the Directors of their duties concerning such internal control systems contain nothing to be pointed out

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

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

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

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

May 21, 2012

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

Akitaka Inoue (seal)
Full-time Corporate Auditor

Shinichi Komeda (seal)
Outside Corporate Auditor

Masahide Morimoto (seal)
Outside Corporate Auditor

- END -

Reference Document for the General Meeting of Shareholders

Propositions and reference information

Proposition No. 1: Election of nine (9) Directors

The term of office of all the (9) Directors currently in office will expire at the close of this Ordinary General Meeting of Shareholders. Hence, it is hereby proposed that nine (9) Directors, including two (2) outside Directors, be elected.

The candidates for Directors are as follows:

Candi-date No.	Name (Date of birth)	Brief history, post in the Company, and business in charge (and important concurrent office)		Number of shares of the Company held by Candidate
1.	Tetsuro Funai (January 24, 1927)	April 1951	Established Funai Sewing Machine Company	12,709,288 shares
		December 1952	Representative Director of Funai Sewing Machine Co., Ltd.	
		August 1961	Founding President and Representative Director of Funai Electric Co., Ltd. (the "Company")	
		June 2005	Director of the Company; President and CEO of the Company	
		June 2008	Director of the Company (To date); Chairman and Officer of the Company	
		June 2010	Chairman and Officer of the Company (To date)	
		(Chairman of the FUNAI Foundation for Information Technology) (Chairman of Funai Scholarship Foundation)		

Cand i-date No.	Name (Date of birth)	Brief history, post in the Company, and business in charge (and important concurrent office)		Number of shares of the Company held by Candidate
2.	Tomonori Hayashi (March 13, 1947)	April 1969	Joined the Company	15,400 shares
		October 2002	Officer of the Company	
		June 2005	Executive Officer of the Company	
		March 2006	CEO of FUNAI CORPORATION INC.	
		June 2007	Senior Executive Officer of the Company	
		March 2008	General Manager of AV Headquarters of the Company	
		June 2008	Director of the Company; President and CEO of the Company	
		June 2010	Representative Director of the Company (To date); President and CEO of the Company (To date)	
3.	Candidate for Outside Director 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 of The Sailor Pen Co., Ltd. (To date)	
		(Vice President and Director of T.P.S. Laboratory Co., Ltd.) (Outside Director of The Sailor Pen Co., Ltd.)		
4.	Toshio Ohtaku (July 11, 1948)	April 1967	Joined the Company	700 shares
		June 2007	Officer and General Manager of New Business Div. of the Company	
		June 2008	Executive Officer and General Manager of New Business Div. of the Company	
		June 2010	Director of the Company (To date)	
		June 2011	Senior Executive Officer and General Manager of New Business Div. of the Company (To date)	

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

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

Cand i-date No.	Name (Date of birth)	Brief history, post in the Company, and business in charge (and important concurrent office)		Number of shares of the Company held by Candidate
7.	Hideaki Funakoshi (September 30, 1965)	April 1984	Joined Mitsubishi Electric Engineering Company Limited	800 shares
		January 1993	Joined the Company	
		July 2003	Chief Engineer, AV Project of the Company	
		April 2006	General Manager, DVD Project of the Company	
		February 2008	Executive General Manager of DVD Business Div. of the Company	
		June 2010	Director of the Company (To date); Officer and General Manager of DVD Business Div. of the Company	
		June 2011	Officer and Deputy General Manager of AV Headquarters of the Company	
		July 2011	Officer and Deputy General Manager of AV Business Div. of the Company	
		May 2012	Officer and Deputy General Manager of AV System Business Div. and General Manager of Digital Media Business Div. of the Company (To date)	
8.	Shigeki Saji (April 13, 1972)	April 1995	Joined the Company	1,400 shares
		July 2003	Manager, FUNAI ELECTRIC (HK) LIMITED	
		May 2006	Assistant General Manager of AV Headquarters of the Company	
		October 2009	President and Representative Director of FUNAI ELECTRIC (POLSKA) Sp.z.o.o.	
		June 2010	Director of the Company (To date); Officer of the Company	
		September 2010	Officer and Deputy General Manager of TV Business Div. of the Company	
		January 2012	Officer, Development & Technology Headquarters of the Company (To date)	

Cand i-date No.	Name (Date of birth)	Brief history, post in the Company, and business in charge (and important concurrent office)		Number of shares of the Company held by Candidate
9.	[New] Candidate for Outside Director Yoshiaki Bannai (August 3, 1954)	April 1979	Joined TDK Corporation	- share
		June 2000	President and Representative Director of Terra Logic Japan Inc. (renamed Zoran Japan Corporation in August 2003)	
		June 2005	Country General Manager; and Vice President in charge of Japan area Sales & Marketing of Zoran Corporation (U.S.A.)	
		January 2012	Adviser of the Company (To date)	

(Notes) 1. None of the other candidates for Directors has any special interests with the Company.

2. Candidates for Directors: Messrs. Mitsuo Yonemoto and Yoshiaki Bannai are candidates for outside Directors.

3. Reasons for the selection of the candidates for outside Directors:
Management has judged that Mr. Mitsuo Yonemoto will be able to offer advice based on his broad experience as a management consultant.

Management has judged that Mr. Yoshiaki Bannai will be able to use his broad knowledge and experience in corporate management and the creation of new businesses.

4. Years of service of outside Directors of the Company:

Mr. Mitsuo Yonemoto will have served as outside Director for 14 years at the close of this Ordinary General Meeting of Shareholders.

5. Conclusion of liability limitation agreements:

The Company has entered into an agreement with outside Director Mitsuo Yonemoto to limit his liability for any damage as provided for in Article 423, paragraph 1 of the Companies Act of Japan within the aggregate amount as provided for in the items of Article 425, paragraph 1 of the said act, pursuant to Article 427, paragraph 1 of the said act. If he is re-elected, such agreement will be renewed. If Mr. Yoshiaki Bannai is elected as outside Director, the Company will enter into the same agreement with him to limit his liability for any damage as set forth herein.

Proposition No. 2: Election of one (1) Corporate Auditor

Corporate Auditor Akitaka Inoue will resign at the close of this Ordinary General Meeting of Shareholders. Hence, it is hereby proposed that one (1) Corporate Auditor be elected to fill a vacancy.

The term of office of the Corporate Auditor so elected to fill a vacancy shall expire at such time as the term of office of his predecessor would expire, in accordance with the Articles of Incorporation of the Company.

The Board of Corporate Auditors has consented to this proposition.

The candidate for Corporate Auditor is as follows:

Name (Date of birth)	Brief history (and important concurrent office)		Number of shares of the Company held by Candidate
Hiromu Ishizaki (March 23, 1946)	September 1968	Joined the Company	1,000 shares
	June 1993	General Manager of Business Administration Dept., Accounting Div. of the Company	
	October 2000	General Manager of Administration Dept., Accounting Div. of the Company	
	October 2005	General Manager of Corporate Planning Dept. of the Company	
	June 2007	Director of New DAT Japan Inc.	
	October 2007	General Manager of Strategy Planning Dept. of the Company	
	February 2011	Outside Corporate Auditor of DX Antenna Co., Ltd. (To date)	
	May 2012	Adviser of the Company (To date)	

(Note) The candidate for Corporate Auditor does not have any special interests with the Company.

Proposition No. 3: Granting of retirement gratuities to retiring Director and Corporate Auditor

It is hereby proposed that retirement gratuities be granted to Messrs. Yasuhisa Katsuta and Akitaka Inoue, who will retire as Director and Corporate Auditor, respectively, at the close of this Ordinary General Meeting of Shareholders, in appreciation of services rendered by them while in office, within the extent of a reasonable amount in accordance with the established standards of the Company and that determination of the actual amount, the time and method of presentation, etc., be left to the Compensation Committee upon authorization by the Board of Directors as to the retiring Director, and consultation among the Corporate Auditors as to the retiring Corporate Auditor.

The brief histories of the retiring Director and Corporate Auditor are as follows:

Name	Brief history
Yasuhisa Katsuta	June 2005 Outside Director of the Company (To date)
Akitaka Inoue	June 2010 Corporate Auditor of the Company (To date)

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