(Translation)

Dear Shareholders:

Information to be Disclosed on the Internet upon Giving Notice of the 64th Ordinary General Meeting of Shareholders

June 10, 2016

Funai Electric Co., Ltd.

CONTENTS

The above-listed matters are deemed to have been provided to the shareholders when posted on our Internet website (http://www.funai.jp/en/investors/) in accordance as provided for in laws and ordinances and Article 14 of the Articles of Incorporation of the Company.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Basis of Presenting the Consolidated Financial Statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 23

(2) Names of major consolidated subsidiaries:

FUNAI CORPORATION, INC., Funai Electric (HK) Ltd. and DX ANTENNA Co., Ltd.

In the current fiscal year, the Group has included DX ANTENNA PHILIPPINES, INC. in the scope of consolidation, because its importance has increased. The Group has also included Funai North America, Inc., which was newly established in the current fiscal year.

The Group has excluded FUNAI Optical Electronics Co., Ltd. from the scope of consolidation in the current fiscal year because of its liquidation.

(3) Name of major nonconsolidated subsidiary:

FGS Co., Ltd.

(Reason for exclusion from consolidation)
All nonconsolidated subsidiaries are excluded from the scope of consolidation because they are small companies and their aggregated total assets, net sales, net income (loss) (based on the Company's equity interest) and retained earnings (based on the Company's equity interest) do not have material impacts on the consolidated financial statements.

2. Application of equity method

(1) Number of nonconsolidated subsidiaries to which the equity method is applied: 1

(2) Name of the nonconsolidated subsidiary to which the equity method is applied:

Highsonic Industrial Ltd.

(3) Number of associated companies to which the equity method is applied: 0

In the current fiscal year, CMET FUNAI Optical Electric Co., Ltd. was excluded from the scope of application of equity method because the Company sold all of its shares.

(4) Name of the major nonconsolidated subsidiary and associated company to which the equity method is not applied:

Nonconsolidated subsidiary: FGS Co., Ltd.
Associated company : Digitec Industrial Ltd.

(Reason for not applying the equity method)
The nonconsolidated subsidiaries and associated companies have minor impacts on each of net income (loss) (based on the Company's equity interest) and retained earnings (based on the Company's equity interest) and, as a whole, do not have material impacts on the consolidated financial statements.

(5) As the fiscal year end of Highsonic Industrial Ltd., a nonconsolidated and equity method applied subsidiary, differs from the consolidated fiscal year end, the Company uses the subsidiaries' financial statements as of its fiscal year end.

(6) Fiscal year ends 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
DX ANTENNA PHILIPPINES, INC.	December 31
DX ANTENNA MARKETING, INC.	December 31
Zhong Yue FUNAI Electron Co.	December 31
Zhong Shan Funai Electron Co.	December 31

For DX ANTENNA Co., Ltd., P&F MEXICANA, S.A. DE C.V., DX ANTENNA PHILIPPINES, INC. and DX ANTENNA MARKETING, INC. listed above, their financial statements as of their respective fiscal year ends are used to prepare the consolidated financial statements with necessary adjustments provided for consolidation purposes with regard to material transactions between their respective fiscal year ends and the consolidated fiscal year end.

For Zhong Yue FUNAI Electron Co. and Zhong Shan Funai Electron Co., their provisional financial statements as of the consolidated balance sheet date are used to prepare the consolidated financial statements.

3. Summary of significant accounting policies

(1) Valuation basis and methods of significant assets

(i) Securities:

Available-for-sale securities:

Available-for-sale securities for which the fair values are readily determinable:

Stated at fair market value on the balance sheet date of the fiscal year (Unrealized gain or loss is included directly in equity after adjusting for tax effect. Costs of securities sold are determined by the moving average method.)

Available-for-sale securities for which the fair values are not readily determinable:

Stated at cost determined by the moving average method

(ii) Derivatives:

Stated at fair market value

(iii) Inventories:

As to the Company and its domestic consolidated subsidiaries, merchandise and finished goods and work in process are stated principally at the lower of cost, determined using the average method, or net selling value. Raw materials are stated principally at the lower of cost, determined using the first-in, first-out method, or net selling value.

As to the foreign consolidated subsidiaries, merchandise and finished goods, work in process and raw materials are stated principally at the lower of cost, determined using the first-in, first-out method, or net selling value.

(2) Depreciation method for major fixed assets

(i) Property, plant, and equipment (excluding lease assets):

Depreciation of the Company and its domestic consolidated subsidiaries is computed using the declining-balance method, while the straight-line method is applied to buildings (excluding buildings and leasehold improvements) acquired on and after April 1, 1998. Depreciation of the overseas consolidated subsidiaries is computed using the straight-line method.

The useful lives of main property, plant and equipment 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):

Amortization of intangible assets of the Company and its consolidated subsidiaries is computed using the straight-line method. Patents are amortized over the estimated useful lives (8–10 years) and software for internal use is amortized over the estimated useful lives (five years).

(iii) Lease assets:

Lease assets in non-ownership transfer finance lease transactions are depreciated using the straight-line method over the respective lease periods with the residual value as zero.

(3) Basis for provision of significant reserves

(i) Allowance for doubtful accounts:

Allowance for doubtful accounts is stated to cover probable losses from bad debts of receivables at the estimated uncollectable amount. The amount for general reserve is estimated using the credit loss rate based on past experience, and that for specific reserve is estimated based on the individually expected uncollectability.

(ii) Provision for bonuses:

Some consolidated subsidiaries set aside provision to cover the payment of employees’ bonuses based on the projected amount for such payments.

(iii) Reserve for product warranty:

Reserve for product warranty is stated to cover the payment of after-sales service costs of sold products at the projected amount based on past experience.

(iv) Liabilities for Directors’ and Audit & Supervisory Board Members’ retirement benefits:

Liabilities for Directors’ and Audit & Supervisory Board Members’ retirement benefits are stated to cover the payment of retirement benefits to directors at the required amount at balance sheet date based on internal regulations.

(4) Other significant matters as the basis of preparing the consolidated financial statements

(i) Accounting method of retirement benefits:

Liabilities for retirement benefits and assets for retirement benefits are stated to cover the payment of employees’ retirement benefits at the amount of deducting the fair value of plan assets from projected benefit obligations at the consolidated balance sheet date.

Certain consolidated subsidiaries apply the simplified method.

When calculating retirement benefit obligations, the benefit formula basis is used to attribute the projected retirement benefits to the period through the fiscal year under review.

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

Past service cost is amortized using the straight-line method over a period within the average remaining years of service of the employees (10 years).

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

Unrecognized actuarial gains or losses, unrecognized past service cost and unrecognized transitional obligation are recorded as defined retirement benefit plans in accumulated other comprehensive income (loss) within equity after adjusting for tax effects.

(ii) Accounting method for construction revenue and costs:

Construction contracts for which the outcome can be estimated reliably:

Construction revenue and costs are recognized using the percentage of completion method (the percentage of completion at the end of the fiscal year is estimated by the cost-to-cost method.).

Other construction contracts:

Construction revenue and costs are recognized by the completed contract method.

(iii) Accounting for consumption taxes:

Consumption taxes are excluded from the revenues and expense accounts.

Change in Accounting Policy

(Application of Accounting Standard for Business Combinations)

From the current fiscal year, the Group has applied the “Accounting Standard for Business Combinations” (the Accounting Standards Board of Japan (“ASBJ”) Statement No. 21, September 13, 2013 hereinafter referred to as the "Business Combinations Accounting Standard”), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013; hereinafter referred to as the “Consolidation Accounting Standard”) and the “Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013; hereinafter referred to as the “Business Divestitures Accounting Standard”), and the Group accounted for any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted as capital surplus as long as the parent retains control over its subsidiary and changed the methods to recording for the acquisition-related costs as expenses in the periods in which the costs are incurred. Also, for business combinations conducted from the beginning of the fiscal year under review, the Group changed the methods of the adjustment from the provisional amounts recognized at the acquisition date to the date of completion of measurements to recognize the adjustment as if the accounting for the business combination had been completed at the acquisition date. In addition, the Group changed the presentation of net income and other items, and changed the presentation of “minority interest” to “noncontrolling interest”.

For the application of the Business Combinations Accounting Standard and other standards, the Group follows the transitional treatment prescribed by Article 58-2 (4) of the Business Combinations Accounting Standard, Article 44-5 (4) of the Consolidation Accounting Standard and Article 57-4 (4) of the Business Divestitures Accounting Standard, and applied them prospectively from the beginning of the fiscal year under review.

The impacts from these accounting changes were immaterial.

Notes to Consolidated Balance Sheet

1. Accumulated depreciation of assets

Accumulated depreciation of property, plant and equipment: ¥40,882 million

2. As a result of the application of the Act on Land Revaluation of Japan (Act No. 34, promulgated on March 31, 1998), one of the consolidated subsidiaries revaluated its land used for business. The tax effect of the revaluation difference of ¥205 million was recorded as deferred tax liabilities on revaluation of land. Also, the revaluation difference is eliminated in consolidated financial statements, so it is not recorded in equity.

3. Financial covenants

With regard to bank loans, a syndicated loan agreement (balance as of the end of the fiscal year: ¥5,634 million) includes financial covenants. Therefore if the Company breaches any of the following clauses, the Company might lose the benefit of time of the entire obligation under the agreement and immediately need to pay the principal and interest on the loan.

(Clauses)

(1) The Company shall maintain the amount in the equity section in the consolidated balance sheet as of the end of each fiscal year at no less than ¥100 billion.

(2) The Company shall, for two consecutive fiscal years, not report an operating loss on the consolidated statement of income for the fiscal year ending March 31, 2015, and for each fiscal year thereafter.

(3) The Company shall, for two consecutive fiscal years, not report an ordinary loss on the consolidated statement of income for the fiscal year ending March 31, 2015, and for each fiscal year thereafter.

Notes to Consolidated Statement of Operations

1. Settlement received

The Company filed a lawsuit for compensation for damages against Olympus Corporation due to Olympus's falsifications in its securities registration statement and other documents. This amount is after deducting necessary expenses from the settlement received.

2. Refund of customs duty

FUNAI EUROPE GmbH, a consolidated subsidiary, won a lawsuit claiming a refund of additional customs duties against the German tax authorities in the District Court of Hamburg. This amount consists of refunded customs duties, legal costs, and associated interest received.

3. Impairment losses

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

Use	Location	Type
Business assets	Funai Electric Co., Ltd. (Daito City, Osaka)	Long-term prepaid expenses
Business assets	Funai Electric (H.K.) LTD (New Territories, Hong Kong)	Machinery, equipment and, motor vehicles Tools, furniture, and fixtures
Business assets	Zhong Shan Funai Electron Co. (Guangdong, China)	Tools, furniture, and fixtures

In principle, on the impairment reviews, the Group categorizes business assets on the basis of a legal entity whose cash inflows and outflows are continuously recorded. Idle assets are separated individually.

In the fiscal year under review, the Group decided to exit from the laser printer business to concentrate enterprise resources of information equipment business on the inkjet printer business, and reduced the book values of manufacturing facilities, development assets and other assets not expected to be used in the future to the recoverable amount and recorded the reduction (¥431 million) in extraordinary loss. This amount consists of ¥87 million for Funai Electric Co., Ltd. (long-term prepaid expenses), ¥10 million for Funai Electric (H.K.) LTD (¥6 million of machinery, equipment and motor vehicles and ¥4 million of tools, furniture, and fixtures) and ¥333 million for Zhong Shan Funai Electron Co. (tools, furniture, and fixtures).

The recoverable amounts of the assets were determined at a net selling price and were calculated with the net selling price as zero.

Use	Location	Type
Assets planned to be retired	Funai Electric Cebu, Inc. (Cebu, the Philippines)	Machinery, equipment and, motor vehicles

In principle, on the impairment reviews, the Group categorizes business assets on the basis of a legal entity whose cash inflows and outflows are continuously recorded. Idle assets are separated individually.

Since acquiring the shares of a manufacturing subsidiary of Lexmark International, Inc. (now Funai Electric Cebu, Inc.), the Group has engaged in contract production of inkjet cartridges from Lexmark International, Inc. Although the Group previously categorized the assets planned to be retired as business assets, the production of certain models were finished and planned to be retired, so the Group reduced the book values to the recoverable amount and recorded the reduction (¥125 million) in extraordinary loss.

The recoverable amounts of the assets were calculated using net selling price based on disposal value.

4. Compensation for damage

(Conclusion of arbitration)

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

With regard to this matter, the Company did not recognize a breach of the agreement on its part. Consequently, the Company filed a counterclaim for claiming compensation for damages on the grounds of a breach of the agreement and undue action by PHILIPS.

On April 26, 2016, the International Court of Arbitration rendered an arbitral award against the Company to pay compensatory damages of EUR 134.8 million, arbitration costs of US$1.35 million, and Philips's legal fees of approximately EUR 2.5 million plus interest (2%) thereon to Philips, and dismissed the counterclaim of the Company.

The Company posted ¥18,502 million as compensation for damage in extraordinary loss in the current fiscal year.

Notes to Consolidated Statement of Changes in Equity

1. Type and total number of shares issued, and type and number of treasury shares

(thousands of share)

	Number of shares as of April 1, 2015	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, 2016
Shares issued				
Shares of common stock	36,130	-	-	36,130
Total	36,130	-	-	36,130
Shares of treasury stock				
Shares of common stock	2,011	0	-	2,011
Total	2,011	0	-	2,011

(Note) The increase of 0 thousand treasury shares of common stock resulted from the acquisition of less-than-one-unit shares.

2. Dividends

(1) Amount of dividends paid:

Resolution	Type 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 25, 2015	Shares of common stock	1,194	35	March 31, 2015	June 8, 2015

(2) Dividends whose record date is in the fiscal year ended March 31, 2016, but whose effective date will be in the fiscal year ending March 31, 2017, are as follows:

Resolution	Type 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 23, 2016	Shares of common stock	1,023	Retained earnings	30	March 31, 2016	June 29, 2016

3. Stock acquisition rights

Description of stock acquisition rights	Type of shares to be issued or transferred upon exercise of stock acquisition rights	Number of shares for stock acquisition rights (shares)
		As of March 31, 2016
The first stock acquisition rights issued in the year ended March 31, 2009	Shares of common stock	252,700
Total		252,700

(Note) Any stock acquisition right for which the exercise period has yet to start is excluded.

Notes to Financial Instruments

1. Status of financial instruments

The Group obtains financing from banks and invests funds in short-term deposits, etc. The Group uses derivatives to reduce risks which are described below, and has a policy not to conduct speculative trading.

With regard to customers' credit risks relating to notes and accounts receivable - trade, the Group has stipulated sales management rules and manages the trading terms and credit lines by each customer.

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

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

Bank loans are principally for the Group's operations. 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.

With regard to derivatives, forward exchange contracts are used to hedge risks of currency fluctuations in foreign currency-denominated receivables. Such derivative transactions shall be executed and managed in accordance with the internal rules. To mitigate credit risk, the Group enters into transactions solely with financial institutions with high ratings.

2. Fair values, etc. of financial instruments

Amounts recorded in the consolidated balance sheet, fair values, and the differences between them as of March 31, 2016, are as follows:

(millions of yen)

		Amount recorded in the consolidated balance sheet*	Fair value*	Difference
(1)	Cash and deposits	57,609	57,609	-
(2)	Notes and accounts receivable-trade	24,092	24,092	-
(3)	Investment securities: Available-for-sale securities	582	582	-
(4)	Notes and accounts payable-trade	(15,604)	(15,604)	-
(5)	Short-term bank loans	(5,118)	(5,118)	-
(6)	Accounts payable-other	(33,359)	(33,359)	-
(7)	Long-term bank loans	(6,009)	(6,009)	-
(8)	Derivatives	(18)	(18)	-

* The items recognized as liabilities are shown in the parentheses.

(Notes) 1. Calculation method of the fair values of financial instruments, 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 approximates the book value as a result of their short settlement periods.

(3) Investment securities – Available-for-sale securities:

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

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

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

(7) Long-term bank loans:

The long-term bank loans are those with floating rates and they reflect the market interest rates timely. Thus, the book value is used as the fair value, which approximates the book value.

(8) Derivatives:

Derivatives are calculated based on the prices and other information obtained from counterparty financial institutions.

2. Unlisted shares (¥1,836 million on the consolidated balance sheet) have no market price and it is impossible to estimate their future cash flows. As it is extremely difficult to determine their fair values, they are not included in "(3) Investment securities – Available-for-sale securities".

Notes to Per Share Information

Equity per share:	¥2,504.70
Net loss per share:	¥1,061.62

Other Notes

Additional Information

(Tax system for dealing with tax havens)

On June 29, 2011, the Company received notices from the Osaka Regional Taxation Bureau suggesting that a 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, the Company applied for assessments by the Osaka National Tax Tribunal on August 25, 2011. On July 18, 2012, the Company received written verdicts on this case indicating that our assertions had been dismissed. The Company, unable to accept the verdicts, filed an appeal to have the action canceled with the Tokyo District Court on January 17, 2013.

The additional tax, including corporate income taxes, inhabitant taxes, and enterprise 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 ended March 31, 2012 in accordance with Japanese Institute of Certified Public Accountants Audit and Assurance Practice Committee Report No. 63, “Treatment of Accounting and Presentation of Taxes for the purpose of Audits”.

The Company has recorded the amount that would be affected if the taxation were applied from the fiscal year ended March 31, 2011, which is the fiscal year following the fiscal year to which the assessment was applied.

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

NOTES TO NONCONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies:

1. Valuation basis and methods of assets

(1) Securities:

Investment in subsidiaries and associated companies:

Stated at cost determined by the moving-average method.

Available-for-sale securities:

Available-for-sale securities for which the fair values are readily determinable:

Stated at fair market value on the balance sheet date of the fiscal year (Unrealized gain or loss is included directly in equity after adjusting for tax effect. Costs of securities sold are determined by the moving-average method.)

Available-for-sale securities for which the fair values are not readily determinable:

Stated at cost determined by the moving average method.

(2) Derivatives:

Stated at fair market value

(3) Inventories:

Finished goods:	Stated at the lower of cost, determined using the average method, or net selling value.
Raw materials:	Stated at the lower of cost, determined using the first-in, first-out method, or net selling value.

2. Depreciation method for fixed assets:

(1) Property, plant and equipment (excluding lease assets):

Depreciation is computed by the declining-balance method, while the straight-line method is applied to buildings (excluding buildings and leasehold improvements) acquired on or after April 1, 1998.

(2) Intangible assets (excluding lease assets):

Amortization of intangible assets is computed using the straight-line method.

Patents are amortized over the estimated useful lives (8-10 years); and software for internal use is amortized over the estimated useful lives (five years).

(3) Lease assets:

Lease assets in non-ownership transfer finance lease transactions are depreciated using the straight-line method over the respective lease periods with the residual value as zero.

3. Basis for provision of reserves:

(1) Allowance for doubtful accounts:

Allowance for doubtful accounts is stated to cover probable losses from bad debts of receivables as the estimated uncollectable amount. The amount for general reserve using the credit loss rate based on past experience, and that for specific reserve is estimated based on the individually expected uncollectability.

(2) Reserve for product warranty:

Reserve for product warranty is stated to cover the payment of after-sales service costs of sold products at the projected amount based on past experience.

(3) Liabilities for retirement benefits:

Liabilities for retirement benefits and prepaid pension cost are stated to cover the payment of employees' retirement benefits based on retirement benefit obligations and plan assets at the balance sheet date.

When calculating retirement benefit obligations, the benefit formula basis is used to attribute the projected retirement benefits to the period through the fiscal year under review.

Past service cost is amortized using the straight-line method over a period within the average remaining years of service of the employees (10 years).

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

(4) Liabilities for directors' retirement benefits:

Liabilities for directors' retirement benefits are stated to cover the payment of retirement benefits to directors at the required amount at the balance sheet date based on internal regulations.

4. Other significant matters as the basis of preparing the nonconsolidated financial statements

(1) Accounting method of retirement benefits:

Accounting methods for unrecognized actuarial gains or losses and unrecognized past service cost related to retirement benefits differ from those for the consolidated financial statements.

(2) Accounting for consumption taxes:

Consumption taxes are excluded from the revenues and expense accounts.

Change in Accounting Policy

(Application of Accounting Standard for Business Combinations)

From the current fiscal year, the Company has applied the “Accounting Standard for Business Combinations” (the Accounting Standards Board of Japan (“ASBJ”) Statement No. 21, September 13, 2013; hereinafter referred to as the "Business Combinations Accounting Standard”) and the “Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013; hereinafter referred to as the “Business Divestitures Accounting Standard”), and the Company changed the methods to recording for the acquisition-related costs as expenses in the periods in which the costs are incurred.

For the application of the Business Combinations Accounting Standard and other standards, the Company follows the transitional treatment prescribed by Article 58-2 (4) of the Business Combinations Accounting Standard and Article 57-4 (4) of the Business Divestitures Accounting Standard, and applied them prospectively from the beginning of the fiscal year under review.

The impacts from these accounting changes were immaterial.

Notes to Nonconsolidated Balance Sheet:

1. Accumulated depreciation of assets:

Accumulated depreciation of property, plant and equipment:	¥10,892 million

2. Monetary receivables/payables from/to subsidiaries and associated companies:

Short-term monetary receivables:	¥39,166 million
Long-term monetary receivables:	¥13,456 million
Short-term monetary payables:	¥14,688 million

3. Contingent liabilities

(Liabilities on guarantee)
The Company has provided a guarantee for bank loans for the following subsidiary:

P&F USA, INC.	¥4,581 million

4. Financial covenants

With regard to bank loans, a syndicated loan agreement (balance as of the end of the fiscal year: ¥5,634 million) includes financial covenants. Therefore, if the Company breaches any of the following clauses, the Company might lose the benefit of time of the entire obligations under the agreement and immediately need to pay the principal and interest on the loan.
(Clauses)

(1) The Company shall maintain the amount in the equity section in the consolidated balance sheet as of the end of each fiscal year at no less than ¥100 billion.

(2) The Company shall, for two consecutive fiscal years, not report an operating loss on the consolidated statement of income for the fiscal year ending March 31, 2015, and for each fiscal year thereafter.

(3) The Company shall, for two consecutive fiscal years, not report an ordinary loss on the consolidated statement of income for the fiscal year ending March 31, 2015 and for each fiscal year thereafter.

Notes to Nonconsolidated Statement of Income:

1. Amount of transactions with subsidiaries and associated companies

Operating transaction:	
Sales amount:	¥112,117 million
Purchases amount:	¥102,526 million
Other operating expenses:	¥2,648 million
Non-operating transactions:	¥26,185 million

2. Settlement received

The Company filed a lawsuit for compensation for damages against Olympus Corporation due to Olympus's falsifications in its securities registration statement and other documents. This amount is after deducting necessary expenses from the settlement received.

3. Impairment losses

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

Use	Location	Type
Business assets	Funai Electric Co., Ltd. (Daito City, Osaka)	Long-term prepaid expenses

In principle, the Group categorizes business assets on the basis of the legal entity whose cash flows and outflows are continuously recorded. Idle assets are separated individually.

In the fiscal year under review, the Company decided to exit from the laser printer business to concentrate enterprise resources of information equipment business on the inkjet printer business, and reduced the book values of development assets and other assets not expected to be used in the future to the recoverable amount and recorded the reduction (¥87 million) in extraordinary loss.

The recoverable amounts of the assets were determined at net selling price and were calculated with the net selling price as zero.

4. Compensation for damage

(Conclusion of arbitration)

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

With regard to this matter, the Company did not recognize a breach of the agreement on its part. Consequently, the Company filed a counterclaim for claiming compensation for damages on the grounds of a breach of the agreement and undue action by PHILIPS.

On April 26, 2016, the International Court of Arbitration rendered an arbitral award against the Company to pay compensatory damages of EUR 134.8 million, arbitration costs of US$1.35 million, and Philips's legal fees of approximately EUR 2.5 million plus interest (2%) thereon to Philips, and dismissed the counterclaim of the Company.

The Company posted ¥18,502 million as compensation for damage in extraordinary loss in the current fiscal year.

Notes to Nonconsolidated Statement of Changes in Equity

Number of shares of treasury stock:

(thousands of share)

Type of shares	Number of shares as of April 1, 2015	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, 2016
Common stock	2,011	0	-	2,011

(Note) The increase of 0 thousand treasury shares of common stock resulted from the acquisition of less-than-one-unit shares.

Notes on Deferred Tax Accounting

Significant components of deferred tax assets and deferred tax liabilities

	(millions of yen)
Deferred tax assets	
Liabilities for directors' retirement benefits	330
Accounts payable-other	6,307
Allowance for doubtful accounts	4,647
Accrued expenses (bonuses)	157
Loss on revaluation of investment securities	52
Loss on revaluation of investment in subsidiaries and associated companies	2,151
Transfer pricing taxation adjustments	693
Impairment loss on fixed assets	50
Tax loss carryforwards	8,535
Other	408
Subtotal	23,334
Valuation allowance	(23,320)
Total	13
Deferred tax liabilities	
Unrealized gain on available-for-sale securities	(24)
Prepaid pension cost	(527)
Reserve for advanced depreciation of fixed assets	(228)
Other	(19)
Subtotal	(800)
Deferred tax liabilities, net	(786)

2. Revision of deferred tax assets and deferred tax liabilities as a result of the change of the rate of corporate tax, etc.

As a result of the approval of the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 15 of 2016) and the "Act for Partial Revision of the Local Tax Act, etc." (Act No. 13 of 2016) in the Diet on March 29, 2016, the corporate tax rate, etc., will be reduced from the fiscal year beginning on or after April 1, 2016. Accordingly, the effective statutory tax rate to be used for the calculation of deferred tax assets and deferred tax liabilities will be reduced from 32.3%, which was used for calculations for the previous fiscal year, to 30.9% for the temporary differences expected to be reversed for the fiscal year beginning on April 1, 2016 and 2017, and to 30.6% for the temporary differences expected to be reversed for the fiscal year beginning on April 1, 2018 and thereafter.

The tax rate change decreased deferred tax liabilities by ¥42 million and decreased income taxes - deferred and unrealized gain on available-for-sale securities by ¥40 million and ¥1 million, respectively.

Notes on Transactions with Related Parties

1. Subsidiaries, etc.

(millions of yen)

Type	Name	Voting rights held by the Company (or held by others)	Relationship	Transaction	Amount	Account	Balance as of March 31, 2016
Subsidiary	DX ANTENNA Co., Ltd.	Direct, 91.80%	Sale of products of the Company	Sale of electronic products	1,381	Accounts receivable - trade	526
Subsidiary	Funai Electric (HK) Ltd.	Direct, 100.00%	Production of products of the Company	Purchase of electronic products	56,685	Accounts payable - trade	4,336
				Loan of funds	19,155	Short-term loans receivable	19,155
Subsidiary	FUNAI (THAILAND) CO., LTD.	Direct, 80.87% Indirect, 19.13%	Production of products of the Company	Purchase of electronic products	31,872	Accounts payable - trade	2,306
Subsidiary	FUNAI CORPORATION, INC.	Indirect, 100.00%	Sale of products of the Company	Sale of electronic products	91,383	Accounts receivable - trade	7,069
				Transfer pricing taxation adjustments	-	Accrued expenses	1,521
Subsidiary	P&F USA, INC.	Indirect, 100.00%	Sale of products of the Company	Sale of electronic products	5,320	Accounts receivable - trade	4,015
				Guarantee for bank loans	4,581	-	-
				Transfer pricing taxation adjustments	-	Accrued expenses	3,467
Subsidiary	P&F MEXICANA, S.A. DE C.V.	Direct, 100.00% Indirect, 0.00%	Sale of products of the Company	Sale of electronic products	13,035	Accounts receivable - trade	6,817
				Loan of funds	-	Long-term loans receivable	1,306
				Provision of allowance for doubtful accounts	465	Allowance for doubtful accounts	3,682
Subsidiary	FUNAI EUROPE GmbH	Direct, 100.00%	Sale of products of the Company	Loan of funds	-	Long-term loans receivable	10,434
				Provision of allowance for doubtful accounts	-	Allowance for doubtful accounts	10,376

(Note) Transaction terms and policies on the determination of transaction terms, etc.:
As with the terms of ordinary transactions, transaction terms are determined in consideration of market prices and other factors.

2. Directors and individual principal shareholders, etc.

(millions of yen)

Type	Name	Voting rights held by the Company (or held by others)	Relationship	Transaction	Amount	Account	Balance as of March 31, 2016
Company, etc. whose director(s) and his/her close relative(s) own a majority of the voting rights	Propia Co. Ltd.	-	Sale of products; interlocking directorate	Sale of products	47	Accounts receivable - trade	8
	PreXion Co., Ltd.	-	Sale of products; lease of offices; interlocking directorate	Sale of products	29	Accounts receivable - trade	7
				Development of products on consignment	103	Accounts receivable - trade	111
				Advance payments for purchase of equipment, etc.	41	Advances	45
				Sale of patent applications	11	Accounts receivable - other	12
				Lease of offices	38	-	-

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

1. Propia Co., Ltd.

(1) As with the terms of ordinary transactions, transaction terms are determined in consideration of market prices and other factors.

(2) 100.00% of the voting rights had been owned directly by a company of which a close relative of Representative Director of the Company, Tetsuro Funai, owned a majority of the voting rights. The close relative sold all of his shares of the company of which the close relative had owned a majority of the voting rights on May 25, 2015 and resigned from office of director of the company on June 20, 2015, whereupon said company ceased to be a related party. Accordingly, "Amount" represents the transaction amounts for the period during which the close relative was a related party and "Balance as of March 31, 2016" represents the balance as of the day on which the close relative ceased to be a related party.

2. PreXion Co., Ltd.

(1) With regard to sale of products, as with the terms of ordinary transactions, transaction terms are determined in consideration of market prices and other factors.

(2) With regard to development of products on consignment, prices and transaction terms are determined upon consultation in consideration of total cost of each project.

(3) With regard to advance payments for purchase of equipment, etc., an advance payment was made in connection with the development of products on consignment set forth in the preceding item.

(4) With regard to sale of patent applications, the sales were determined in accordance with the policy of the Company to possess patent rights, etc., as determined upon negotiations and consultation based on the selling prices calculated by the Company.

(5) Lease prices of offices are determined upon consultation in consideration of market price rates in the neighborhood and other factors.

(6) PreXion Co., Ltd. changed its trade name from XTrillion Inc. as of August 1, 2015.

(7) 100.00% of the voting rights had been owned directly by Representative Director of the Company, Tetsuro Funai. On March 31, 2016, he sold all of the shares in the company,

whereupon said company ceased to be a related party. Accordingly, in the above list, "Amount" represents the transaction amounts for the period during which he was a related party and "Balance as of March 31, 2016" represents the balance as of the day on which he ceased to be a related party.

Note to Per Share Information

Equity per share:	¥2,203.58
Net loss per share:	¥172.52

Other Notes

Additional Information

(Tax system for dealing with tax havens)

On June 29, 2011, the Company received notices from the Osaka Regional Taxation Bureau suggesting that a 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, the Company applied for assessments by the Osaka National Tax Tribunal on August 25, 2011. On July 18, 2012, the Company received written verdicts on this case indicating that our assertions had been dismissed. The Company, unable to accept the verdicts, filed an appeal to have the action canceled with the Tokyo District Court on January 17, 2013.

The additional tax, including corporate income taxes, inhabitant taxes, and enterprise 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 ended March 31, 2012 in accordance with Japanese Institute of Certified Public Accountants Audit and Assurance Practice Committee Report No. 63, "Treatment of Accounting and Presentation of Taxes for the purpose of Audits".

The Company has recorded the amount that would be affected if the taxation were applied from the fiscal year ended March 31, 2011, which is the fiscal year following the fiscal year to which the assessment was applied.

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