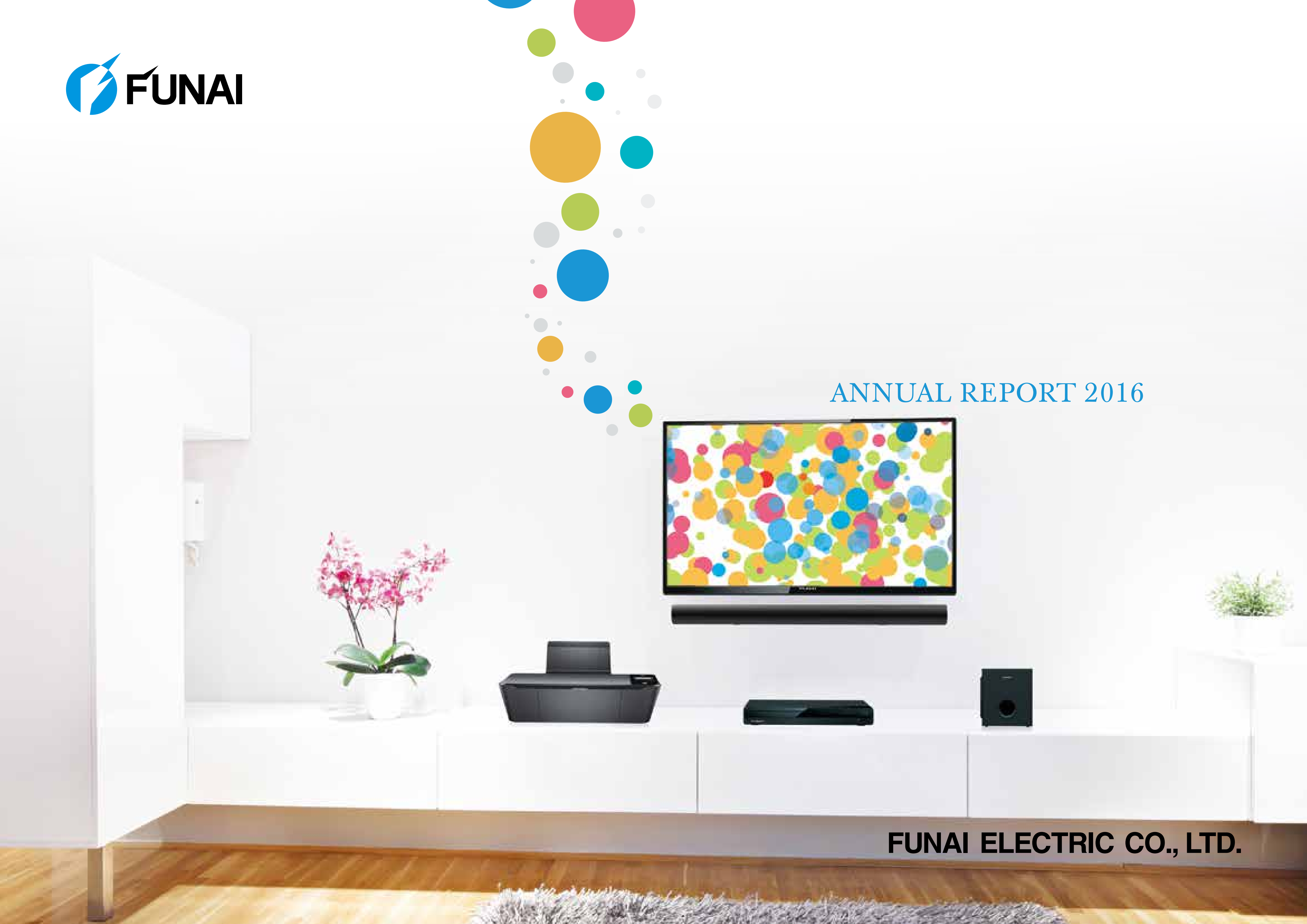


ANNUAL REPORT 2016

FUNAI ELECTRIC CO., LTD.

Contents

Disclaimer

This document contains forward-looking statements and projections regarding business performance which are not historical facts. Please note that these statements are based on information relating to factors that may impact future business performance that was available for analysis at the time this document was printed. These factors include industry trends relating to the business areas of Funai Electric Co., Ltd. or the Funai Group, such as audio-visual devices and information communication equipment, the economic conditions of both domestic and international markets, and fluctuations in currency exchange rates. Actual performance may greatly differ from projections included in this document because of the impacts of uncertainty in such areas as the competitive conditions of the electronics industry, market trends, currency exchange rate, introduction and success of new products, and various other global conditions that may affect the tax system and other systems.

Representative Director, President and CEO
Tetsuhiro Maeda

The Funai Electric Group will emerge from an earnings slump and actively pursue business expansion.

My name is Tetsuhiro Maeda. I was recently appointed President and CEO of Funai Electric Co., Ltd. (the “Company”) Although the Funai Electric Group (the “Group”) returned to profitability for the first time in five years in the fiscal year ended March 31, 2015, the Group posted a loss of ¥33.8 billion in the fiscal year ended March 31, 2016 (fiscal 2015). In light of these results, I was named president to radically reinvigorate the Group mindset. We must aim for rapid improvement in business performance and further business development while also solving a number of problems in order to develop systems with a view to the future. I consider this an opportunity to make a fresh start for the Funai Electric Group, and will devote myself to meeting the expectations of our stakeholders by bringing about a change in thinking groupwide.

Business Environment and Operating Results

In recent years, the home electronic appliance market has undergone tremendous transformation as a result of factors including intensifying international price competition, shortening of product life cycles, competition to develop new technologies and capabilities, and increased demand for smart devices fueled by the spread of the Internet. Although television sales are comparatively strong In the North American market, the Group’s main market, manufacturers from South Korea, China, and other countries are actively entering, and price competition in the market is intensifying.

Future Growth Strategy

Grow with New Customers

Develop products that satisfy customers' needs / Enhancement of product planning

Strengthen profitability	Enhance enterprise value	Expand new business and markets	Develop and utilize human resources
Increase net sales/Reduce costs	Improve PBR significantly	Expand newly built business Re-enter Japanese market	Refocus on young employees and utilization of the skills of experienced employees

In this environment, in March 2015 the Company succeeded the North American television operations of SANYO Electric Co., Ltd., a subsidiary of Panasonic Corporation, and commenced sales of televisions under the SANYO brand, focusing mainly on major mass merchandisers.

Furthermore, to strengthen and increase the efficiency of the sales structure for the North American market, in October 2015 we established a holding company, Funai North America, Inc. Under the holding company, Funai's U.S. sales subsidiaries F&P USA, Inc. and Funai Corporation, Inc. will utilize one another's sales network, pursue sales expansion, and undertake service improvements and cost savings.

In the printer business, the Company concluded a worldwide comprehensive license agreement concerning Kodak-brand inkjet printer products and related consumable supplies with Eastman Kodak Company in February 2015. We commenced sales of inkjet printers developed in-house in the U.S. in June 2015 and subsequently in the United Kingdom.

As a result of these initiatives, although sales of DVD-related products and SANYO-brand audiovisual equipment in North America were strong, they failed to compensate for a decrease in orders during the year-end shopping season resulting from intensifying price competition and a change in the sales strategy. For the fiscal year ended March 31, 2016 (fiscal 2015), consolidated net sales were ¥170,041 million (a 21.5% decrease year on year), and operating loss was ¥10,539 million (compared to operating loss of ¥659 million in fiscal 2014). A foreign exchange loss caused by weakening of the Mexican peso contributed to ordinary loss of ¥13,653 million (ordinary income of ¥600 million in fiscal 2014). As a result of recording compensatory damages and other amounts due to arbitration with Koninklijke Philips N.V. as an extraordinary loss, net loss was ¥33,839 million (net income of ¥31 million in fiscal 2014).

Initiatives to Improve Earnings

Although the external environment in the fiscal year ending March 31, 2017 (fiscal 2016) is expected to remain difficult, we will undertake sales and profit improvement by focusing on the following strategies.

(a) Sales expansion

Increase sales and obtain orders for LCD-TVs for the year-end shopping season in the North American market by offering 4K models and a range of models developed to suit individual customer groups. Begin selling a multi-model line of inkjet printers and open up new customers.

(b) Securing of profits from the LCD-TV business

Reduce inventory through rigorous control of purchasing, sales, and inventories (PSI) between production subsidiaries, sales subsidiaries, and corporate divisions and reduce expenses through integration of North American sales subsidiaries.

(c) Improvement of the rate of return from the information equipment business

Improve the rate of return by reducing R&D expenses through selection and concentration in product development, improving plant utilization rates through sales expansion, and selling high-value-added products.

The Funai Electric Group will pursue medium- and long-term growth by undertaking the key tasks.

Medium- to Long-term Management Strategy and Issues to Be Addressed

In the consumer electronics industry, although demand for LCD-TVs has increased due to improved resolution, such as 4K technology, and migration to larger screens, amid continuing stagnation in the market for DVD/BD-related products, signs have appeared of a decline in demand for smart-phones, tablets, and other products that have driven market growth.

In this adverse industry environment, in addition to the abovementioned initiatives to improve earnings, the Group will pursue medium- and long-term growth by undertaking the following key tasks.

Market Strategy

As a short-term market strategy, the Group is offering high-value-added models such as 4K TVs to secure the competitive advantage of the Group products in the North American market. As a medium- to long-term strategy, we are actively engaging in sales channel expansion to eliminate in stages excessive concentration on the North American market: for instance, in Europe (the U.K. and other areas) in the Information Equipment Business and in Mexico and Central and South America in the Audiovisual Equipment Business.

To steadily execute the above strategies, we will implement improvements to minimize time lags between product planning, development, materials procurement, production, and sales and enable the timely supply of products that precisely meet market needs.

Reinforcement of Production and Development Systems

The Group has undertaken production site decentralization to avoid the risk of excessive reliance on production in China, and the production ratio in China is declining.

During fiscal 2015, we began operation of a plant at Funai Electric Philippines Inc., a production facility established in the Philippines. We are also continuing efforts to improve development efficiency at our operations in China and elsewhere in Asia.

Development and Promotion of Human Resources

To compete and succeed in the new era of global competition and implement the medium- and long-term business strategy, we will improve the skills of each individual employee and link this improvement to strengthening of the Group. To that end, we will actively develop and promote human resources, young and mid-career employees alike, by strengthening, expanding, and upgrading internal and external training systems, including language training.

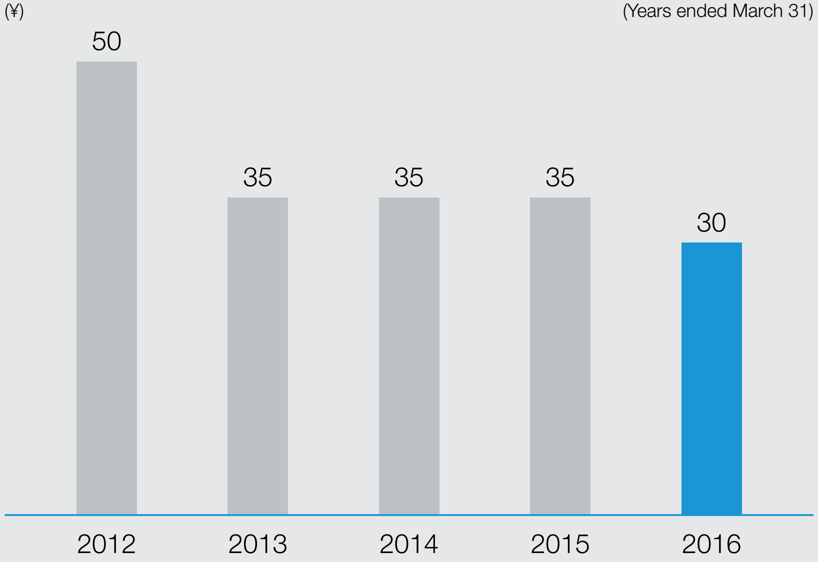
Rapid Start-up of New Businesses

We will accelerate new business development by commercializing microfluidics (a technology for high-precision control of picoliter-scale droplets), an application of inkjet technology, in beauty products, chemicals, medications, and various other fields and introducing the world's first LED photoacoustic imaging system in products for the medical field.

Basic Policy on Profit Distribution and Dividends

The Company considers providing returns to shareholders an important management priority and has adopted a basic policy of maintaining stable dividends while strengthening the business foundation. In implementing the dividend policy, we consider factors such as the business environment and use as a specific criterion a ratio of dividends to consolidated net assets of 1.0%. In principle, the Company pays a year-end dividend once a year. If we pay an interim dividend, we make a public announcement in advance.

Cash Dividends per Share



In accordance with the above policy, the Company declared an ordinary dividend of ¥30 per share as the year-end dividend for fiscal 2015. Although the dividend for fiscal 2016 has not yet been determined, we will continue to strive to enhance corporate value and provide returns to the shareholders.

Inappropriate Accounting Treatment in Past Years

During the process of preparing the financial results of Funai Electric Co., Ltd. for the first quarter of the fiscal year ending March 31, 2017, inappropriate accounting treatment in the form of failure to record certain revenues and costs in the years in which they should have been recorded was discovered at consolidated subsidiaries P&F USA, Inc. and P&F MEXICANA, S.A. DE C.V.

In response to this fact, Funai established an internal investigation committee and started an investigation to uncover the full scope of the inappropriate accounting and to consider measures to prevent any future reoccurrence. The investigation found that inappropriate accounting treatment occurred from the fiscal year ended March 31, 2012 through the fiscal year ended March 31, 2016. In response to the findings, We proceeded with amendment of past consolidated financial statements and in October 2016 submitted to the Kanto Local Finance Bureau and disclosed on the corporate website amendment reports for annual and quarterly securities reports for past years.*

Funai sincerely apologizes to our shareholders, business partners, and other stakeholders for causing considerable inconvenience and concern. We will take thorough measures to prevent any reoccurrence and undertake to further strengthen compliance and governance systems. We request the continued support of our stakeholders.

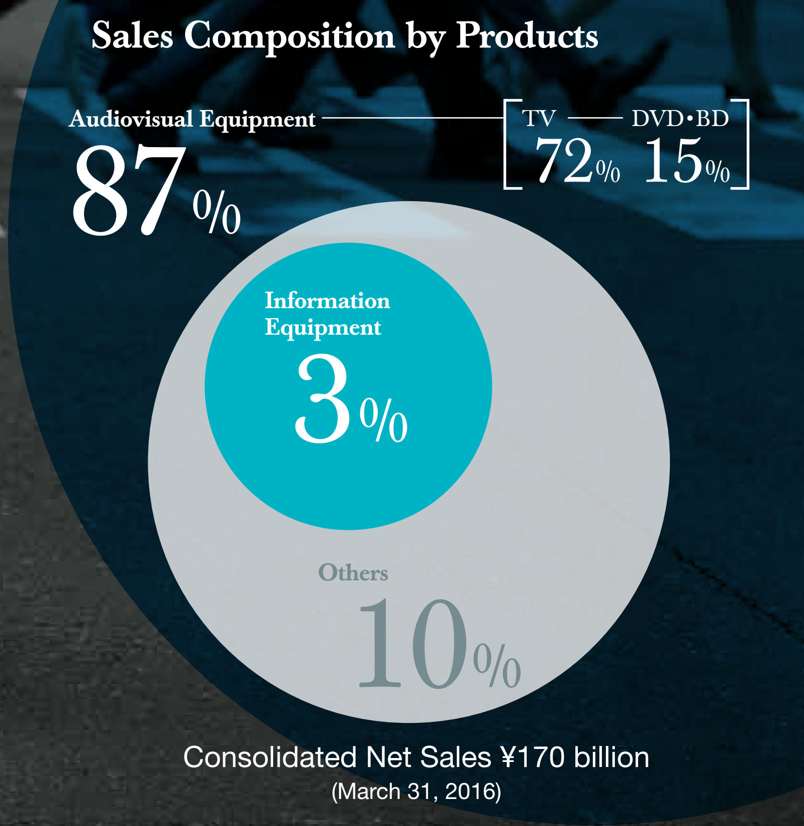
*For details, please refer to http://www.funai.jp/en/investors/index.html.

Tetsuhiro Maeda

Representative Director, President and CEO Tetsuhiro Maeda

Business Areas

Constantly Evolving Business Operations



Since its founding in 1961, Funai has accurately identified the constantly changing needs of the times and applied a unique perspective to create digital home electronic appliances that combine superb cost performance with high quality.

Today we do business worldwide in three general product fields. The Audiovisual equipment segment consists of the Display Business, which manages our main products, LCD TVs, and the Digital Media Business, which handles products related to DVDs and Blu-ray Discs (BDs). The Information equipment segment comprises the Office Solutions Business, which focuses on inkjet printers, peripheral equipment, and related consumables supplies such as ink cartridges. The Others segment, includes receiver-related products and other products.

We will seek greater growth to transform Funai into a globally outstanding business group by continuing to supply the world with products that meet the needs of the times and renewing our focus on speed in business activities, a trademark of the company since its founding.

Business Strengths

Unique Strengths that Define Funai Electric Group

Strength 1
Design

Strength 2
Production

Strength 3
Sales

Strength 1 Pursuit of Cost Performance through Innovations from the Design Stage

Strength 2 Continuous Productivity Improvement through the Funai Production System (FPS)

Strength 3 Marketing Products around the World under Multiple Brands Meeting Global Needs

Brand Competence

A Global Brand

FUNAI
Sales area: North America, Thailand

Simple
User-Friendly
Proven. Trusted
Timeless

Kodak *1
Sales area: Woldwide

Philips *2
Sales area: North America, Central and South America

Magnavox *3
Sales area: North America

Emerson
Sales area: North America

SANYO *4
Sales area: North America Mexico

DX ANTENNA
Sales area: Japan

DX BROADTEC
Sales area: Japan

*1, 2, 3, 4: See P32 "Important Contracts"

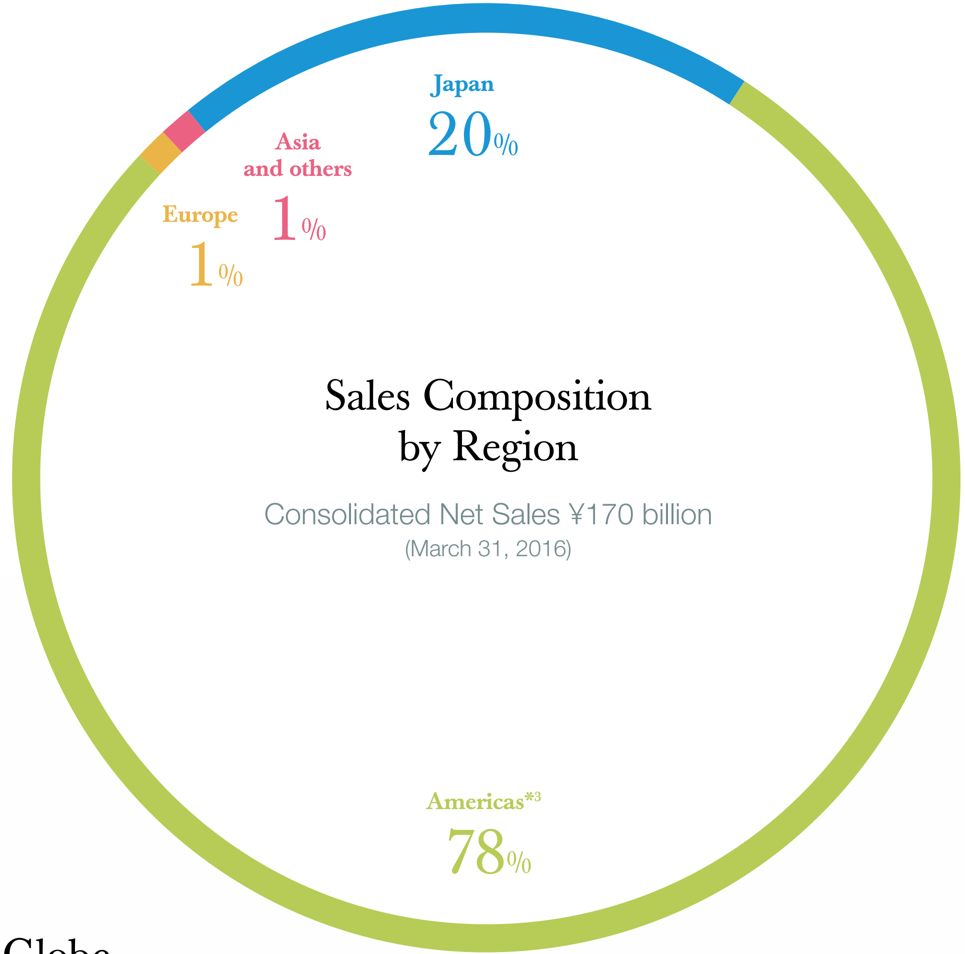
What's Funai?

Funai supplies markets and customers around the world with products that deliver excellent cost performance and high quality. We have seven brands that we selectively deploy according to individual market situations and product characteristics. We are developing a robust global business structure in which domestic and overseas group companies develop, manufacture, and market products around the world, supported by our competitive brands.

We market LCD TVs, our mainstay product, under six brands (FUNAI, Philips, Magnavox, SANYO, Emerson, and DX BROADTEC)*1 and DVD/BD-related products under five brands (FUNAI, Philips, DX BROADTEC, Magnavox and SANYO) worldwide. In addition, we sell antennas and other receiver-related products under the DX ANTENNA brand and LED sensor lights and other products under the DX DELCATEC brand. We also manufacture products under customers' brands under OEM agreements.

We intend to accelerate full-scale development of the printer business, which we strengthened in 2013 by acquiring inkjet-related assets. In June 2015, we began selling Kodak brand*2 inkjet printers and related consumable supplies under a license agreement concluded in February 2015.

*1,2: See P32 "Important Contracts"



*3 Including sales of Central and South America

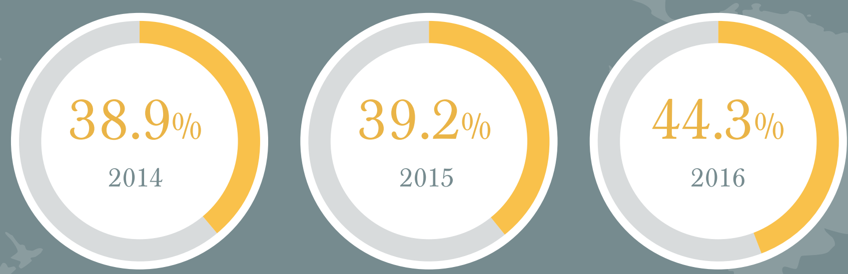
Global Operations

Brands and Operations that Span the Globe

Overseas R&D members now 44.3% of total R&D staff

Global Development Bases

Ratio of Overseas R&D Staff



(Years ended March 31)

Achieving formidable global cost competitiveness

Design Capabilities that Generate World-Class Cost Competitiveness

Funai's world-class cost performance is the result of three unique strengths: in-house production of core items, reducing the number of parts, and overseas onsite design. Our engineers are passionately committed to designing products that are easy to assemble and rigorously engage in design activities with productivity improvement in mind, such as reviews of parts and materials used, investigation of procurement methods, and process reduction.

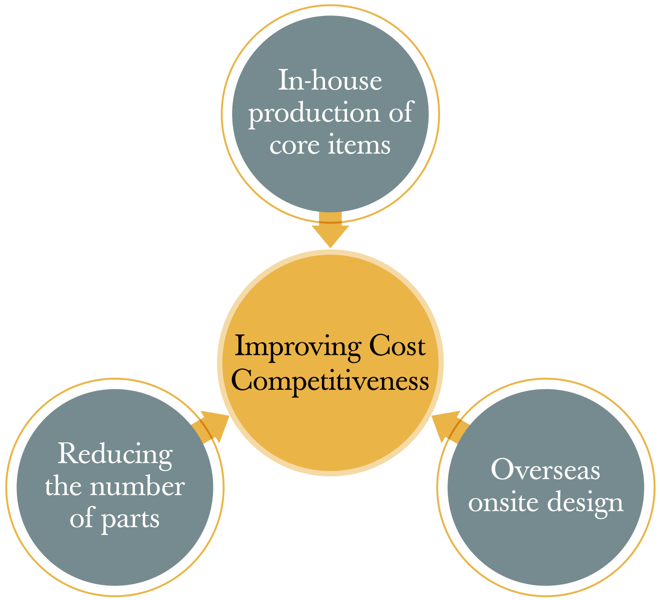
One example of this is in-house production of LCD modules, a key component of LCD TVs. Specifically, we have achieved parts reduction by procuring LCD-cell panels without backlights and engaging in design rationalization to integrate drive circuit design, backlight design, and chassis design. Furthermore, we perform OLB* processing (production of liquid crystal modules) in our plants. In this way, we pursue rationalization for the overall optimization of everything from parts to finished products.

In addition, we are transferring design work previously performed in Japan to development bases in Malaysia, China, the U.S. (printer-related), and other countries and proceeding with offshoring of development by strengthening collaboration among these business sites. Development with short lead times and early adoption of local parts has contributed significantly to cost performance improvement.

Funai will continue to pursue world-class cost competitiveness by applying a global perspective to recruitment and development and continuing our tireless efforts and innovations to reduce product cost.

*OLB: Outer Lead Bonding

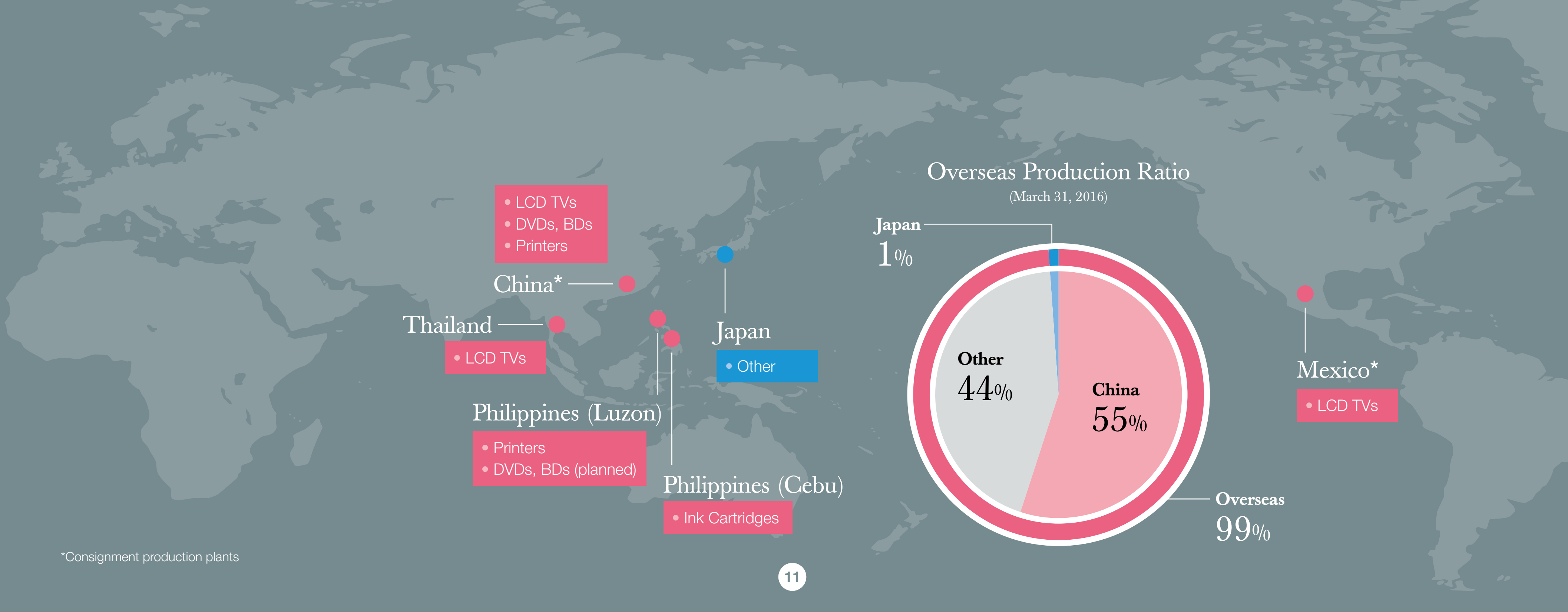
Three Unique Strengths in Design



Production

Six manufacturing facilities in Five countries

Global Development Bases



*Consignment production plants

Optimized quality, cost and delivery

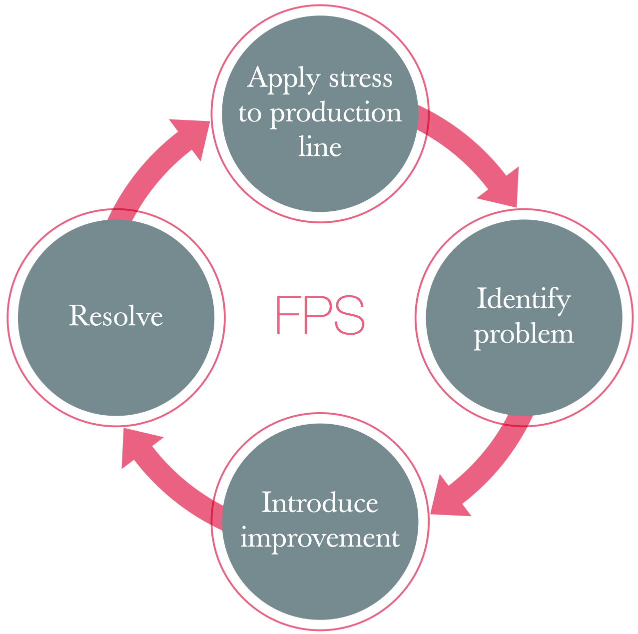
Our Quest to Improve Productivity with FPS and Optimize Production

Funai constantly strives to improve productivity to ensure that our products offer high quality, ease of use, and excellent cost performance. At the heart of this effort is the Funai Production System (FPS), our proprietary manufacturing system. With the FPS, we deliberately stress the production line, such as reducing the number of operators or increasing conveyor belt speed, to identify problems by causing the line to stop and implement improvements. By repeating this cycle, we strive for continuous productivity improvement. We consider the FPS a core group competence to be further developed and perfected in the coming years.

Since fiscal 2011, we have been shifting production capacity from production bases in China, where we had been producing 90% of our products, to other locations in Asia. At first, we have concentrated production activities in China into a plant in Huang Jiang (a consignment production plant), and expanded our Number 3 Plant in Thailand, increasing production capacity in that country. In addition, Funai Electric Philippines Inc., a new plant constructed on Luzon Island in the Philippines as a new production base started operation in 2015. In April 2013, we acquired from Lexmark an ink cartridge plant located on Cebu Island (now Funai Electric Cebu, Inc.) and started in-house production of ink cartridges. In addition, to increase supply strength to the North American market and especially the Mexican market, we have scheduled construction of a new LCD TV production line in Mexico.

By reorganizing our production bases and increasing the local procurement ratio by concentrating production in optimal locations, we will work to achieve end-to-end production efficiency improvement and cost reduction in processes extending from procurement of parts and materials to delivery of finished products to our customers.

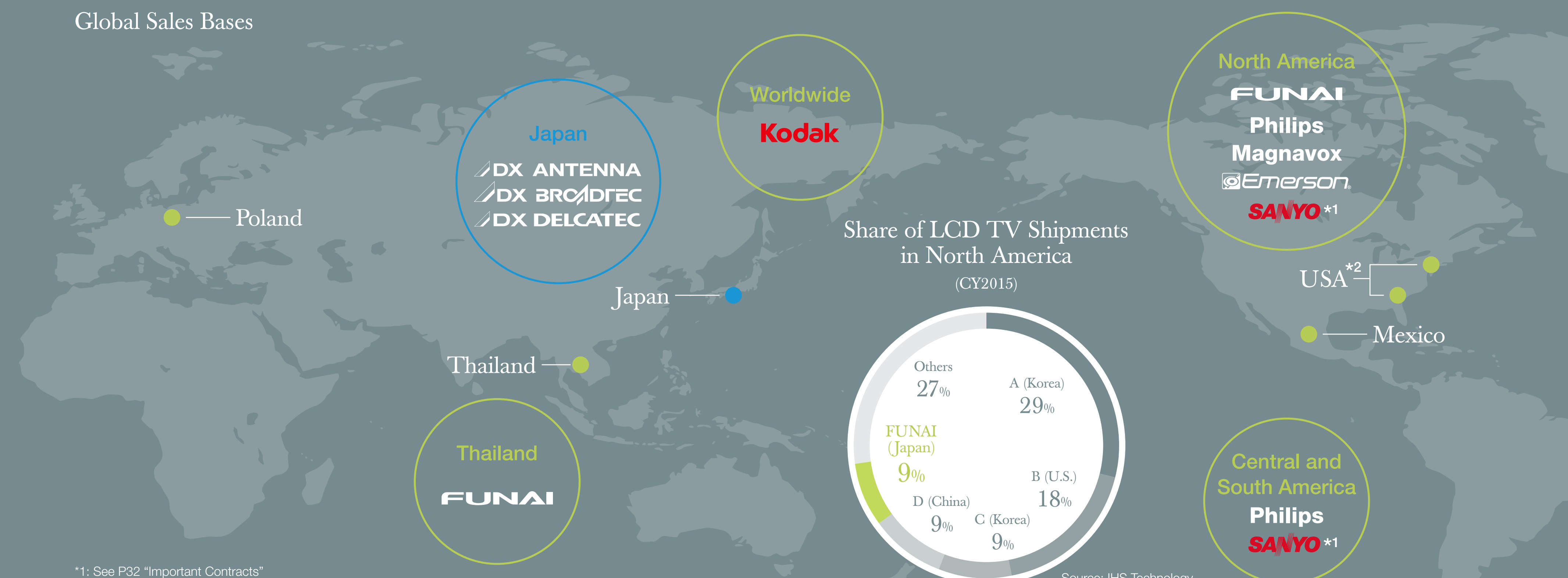
Funai Production System (FPS)



Sales

High LCD TV share in North America

Global Sales Bases



Source: IHS Technology

*1: See P32 "Important Contracts"
*2: A holding company, Funai North America, Inc., established over sales subsidiaries FUNAI CORPORATION, INC. and P&F USA, Inc. in October 2015.

Pointing to future success in emerging markets

A Global Multi-Brand Strategy

Funai has established six major sales companies in Japan and overseas which implement sound sales strategies adapted to the individual characteristics of markets around the world.

North America is the world's largest market and our most important geographical area, where our Philips, Magnavox, Emerson and SANYO brands*[1] enjoy high name recognition. We have established close business relationships with leading mass merchandisers and have captured large market share for our products, especially LCD TVs.

In Mexico, we offer the Philips brand, and we captured the number-three share of LCD TV shipments in 2015. In 2016, we also started sales under the SANYO brand.

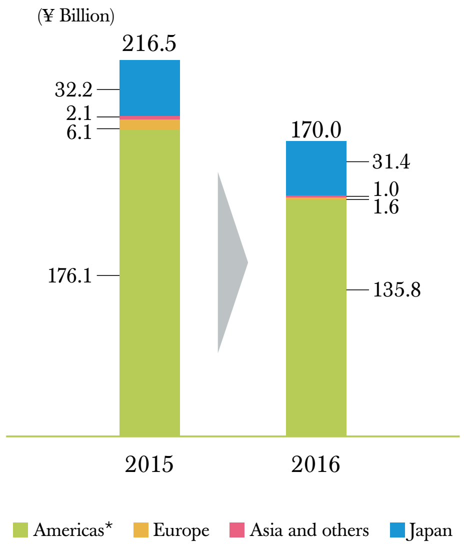
While continuing to emphasize North America, currently our main market, we will expand sales in emerging markets that continue to show rapid growth, particularly Central and South America.

In addition, we plan to leverage Lexmark's inkjet-related assets to not only sell printers developed in-house under the Kodak brand*[2], but also to produce and supply commercial and industrial ink cartridges and peripheral equipment to printer manufacturers.

*1, 2: See P32 "Important Contracts"

Sales by Geographical Area

(Years ended March 31)



*Including sales of Central and South America

US-Japan Youth Baseball Exchange

For seven years beginning in 2008, Funai supported* the US-Japan Youth Baseball Exchange as a social contribution activity. The exchange program is organized by the Red Sox Foundation, the official team charity of the Boston Red Sox.

From July 28 to August 3, 2015, twelve youths and two coaches selected from youth baseball teams in Kyoto and Chiba visited Boston to engage in an international cultural exchange and experience home stay with local host families. The youths participated in a baseball clinic held by baseball coaches from Harvard University and Northeastern University and played friendly games with local youth baseball teams.

*Funai Electric's sponsorship of this event ended in 2015.

Red Sox Foundation

The Red Sox Foundation is a charitable organization operated by the Boston Red Sox Major League Baseball club that was founded in 2002. The primary focus of the foundation is in serving the health, education, recreation, and social service needs of children and families in the New England region. Fenway Park, and Funai advertised in the Boston Red Sox magazine.

Support for the Make-A-Wish Foundation (Sponsored by a Leading U.S. Mass Merchandiser)

Since 2002, the Funai Group has supported the Make-A-Wish Foundation, which is sponsored by a leading mass merchandiser in the United States. Through its wish-granting work, since 1980 the Make-A-Wish Foundation has helped give children with life-threatening medical conditions the strength to live and the courage to fight against disease.

In 2015, Funai hosted the Make-A-Wish hospitality event at two NASCAR races at Richmond International Raceway: the ToyotaCare 250 and the Virginia 529 College Savings 250. At each event, we provided food and games to 50 excited Make-A-Wish children and their parents and guests.

Industry-University Cooperation in Research and Commercialization with Osaka University Graduate School of Medicine and Osaka University Hospital

In April 2016, Funai Electric agreed with Osaka University Graduate School of Medicine and Osaka University Hospital to enter into a Letter of Agreement on Promoting Cooperation in Research and Commercialization. The purpose of the agreement is to promote various forms of cross-organizational and cross-disciplinary collaboration, engage in personnel development and exchange, advance academic research, and promote commercialization of research outcomes and their application in society in order to achieve innovation in the fields of health and medical care.

The Kansai region has been designated as a National Strategic Special Zone in the fields of health and medical care. Expectations are high for initiatives for multi-level innovation emergence in these fields, and the region is attracting the attention of the world community. In these circumstances, Osaka University is reinforcing its advanced activities in fields such are regenerative medicine, medical equipment development, and sports science as well as its innovation initiatives as Japan's only clinical research core hospital in a National Strategic Special Zone.

Against this backdrop, Osaka University opened the M/H (Medical/Healthcare) Intellectual Strategy Office, an organization to promote industry-university collaboration and cross-innovation in the health and medical care fields, the first such organization at a national university medical school, for the purpose of accelerating commercialization of research outcomes and promoting their application in society through reinforcement of collaboration with companies.

In connection with the launch of the strategy office, Funai Electric will enter into the letter of agreement with Osaka University, engage in joint research based on cross-innovation, and undertake activities including personnel development and commercialization of research outcomes.

Press conference for the agreement
(Left: Hiroyuki Makiura, director of Funai Electric)

In North America, Funai supplies and markets televisions under the SANYO, FUNAI, PHILIPS, Magnavox, and Emerson brands.
Funai also supplies and markets DVD/BD-related equipment and soundbars under the above brands, except the Emerson brand.

LCD TV

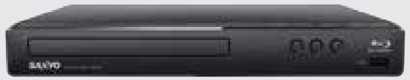
50" Class 4K Ultra HDTV

Netflix streaming membership required

50" Class Full HDTV

DVD, BD

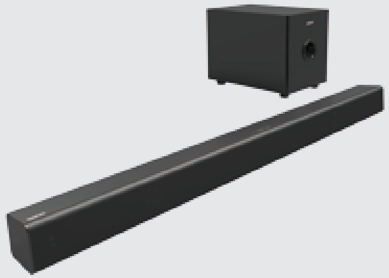
Blu-ray Disc Player



DVD Player

SOUNDBAR

2.1 ch Soundbar with Wireless Subwoofer



Funai markets Kodak-branded consumer printer products and related consumable supplies worldwide.

CONSUMER PRINTER

High Gross dot with Hi-Res LCD

Matt without LCD

Eco Button | Easy installation | NFC Touch | Address Print | Air Print™ | Google Cloud Print™

RELATED CONSUMABLE

Ink Cartridges

Standard Black & Color
XL Black & Color
XXL Black & Color

1) Basic Philosophy on Corporate Governance

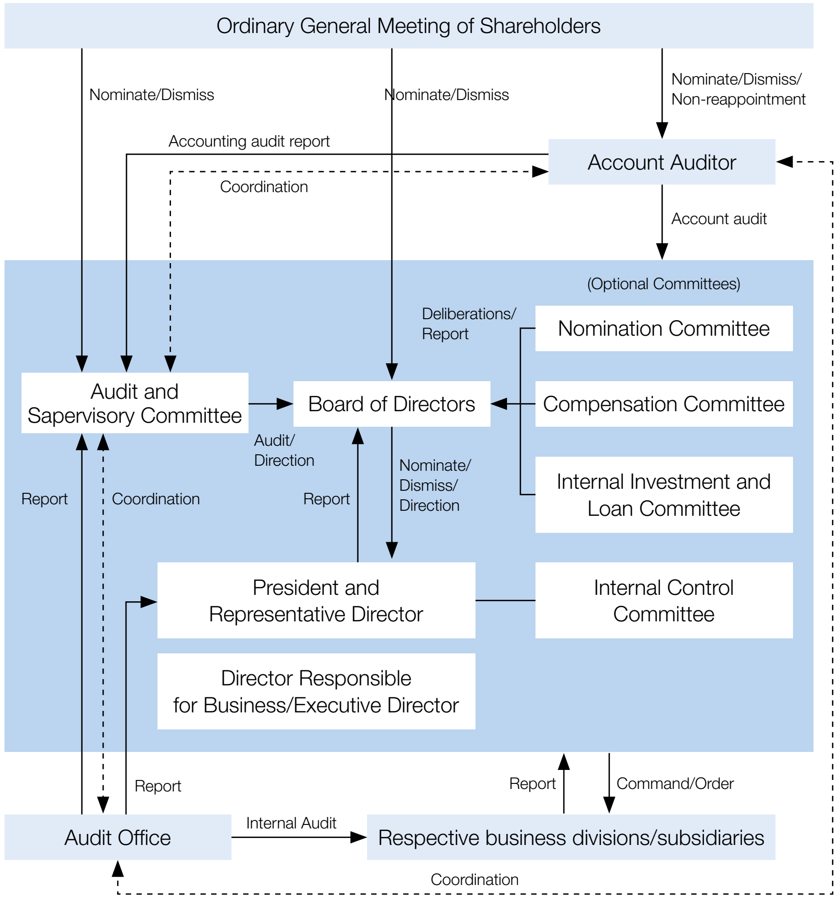
The Funai Electric Group's basic philosophy on corporate governance is to continuously increase corporate value by increasing the transparency of management to shareholders, consumers, vendors, local communities, employees, and other internal and external stakeholders and by responding to changes in the business environment by ensuring management soundness and efficiency and striving for prompt decision-making.

On the basis of this philosophy, the Group has introduced an executive officer system to ensure expeditious decision-making and establish a system for prompt business execution. The Group is also strengthening CSR activities. We have formulated the Funai Group Code of Conduct, which regulates the conduct of all officers and employees of the Funai Group, and the Funai Group Procurement Policy, which is based upon the Code of Conduct, and established the CSR Committee as an organization to promote corporate social responsibility.

2) Description of the Management Organization in the Fiscal Year under Review

Pursuant to a resolution at the ordinary general meeting of shareholders held on June 25, 2015 to amend the Articles of Incorporation to provide for a transition to an audit and supervisory committee governance structure, the Group transitioned from a board of corporate auditors governance structure to an audit and supervisory committee governance structure effective June 25, 2015. The purpose of the transition is to further strengthen the supervisory function of the Board of Directors and enhance corporate governance by granting to directors who are Audit and Supervisory Committee members voting rights on the Board of Directors. The Group has also introduced an executive officer system to establish a system for prompt business execution. We have also ensured objectivity and transparency in important decision-making processes by establishing the Nomination Committee, Compensation Committee, and Internal Investment and Loan Committee as discretionary advisory bodies to the Board of Directors other than the Audit and Supervisory Committee.

Corporate Governance Organization



a. Board of Directors

The Funai Electric Group Board of Directors consists of ten members: seven directors who are not Audit and Supervisory Committee members (including one outside director) and three directors who are Audit and Supervisory Committee members (two of whom are outside directors). At the same time as the Group strives for prompt decision-making by inside directors knowledgeable about the Group's business matters, participation in Board of Directors decision-making by outside directors with no special interest in the Group ensures management soundness and transparency. Meetings of the Board of Directors are held, in principle, at least once every three months, and extraordinary meetings are held as necessary.

Advisory Bodies

• Nomination Committee

The Nomination Committee consists of directors who are not Audit and Supervisory Committee members appointed by the Board of Directors. As an advisory body to the Board of Directors, it ensures the transparency and objectiveness of the candidate selection process by recommending candidates for director to the Board of Directors.

• Compensation Committee

The Compensation Committee consists of directors who are not Audit and Supervisory Committee members appointed by the Board of Directors. It ensures the transparency and objectiveness of the compensation decision process by deciding compensation and other payments for directors who are not Audit and Supervisory Committee members and executive officers under authority delegated by the Board of Directors. Compensation and other payments for corporate auditors are determined by consultation among the corporate auditors.

• Internal Investment and Loan Committee

The Internal Investment and Loan Committee consists of directors and executive officers appointed by the president. It ensures the transparency and objectiveness of the decision-making process regarding major investment and loan projects by discussing the details of individual projects from a group-wide perspective.

b. Audit and Supervisory Committee

The Audit and Supervisory Committee consists of three directors, including two, who are outside directors. No special interest exists between these outside directors and the Funai Electric Group. In principle, the Audit and Supervisory Committee meets once a month.

c. Independent Auditors

The Company has appointed Deloitte Touche Tohmatsu LLC as independent auditors. The status of accounting audits is recorded in "4) Status of Statutory Audits, Internal Audits, and Accounting Audits e. Status of Accounting Audits."

3) Strengthening of Internal Controls

During the process of preparing the financial results of Funai Electric Co., Ltd. for the first quarter of the fiscal year ending March 31, 2017, inappropriate accounting treatment in the form of failure to record certain revenues and costs in the years in which they should have been recorded was discovered at consolidated subsidiaries P&F USA, Inc. and P&F MEXICANA, S.A. DE C.V.

In response to this fact, on August 4, 2016 Funai established an internal investigation committee and started an investigation to uncover the full scope of the inappropriate accounting and devise measures to prevent any future reoccurrence. Funai's response involved amending the financial results for periods since the first quarter of the fiscal year ended March 31, 2012 and submitting to the Kanto Local Finance Bureau on October 17, 2016 amendment reports for annual and quarterly securities reports for the fiscal year ended March 31, 2012 through the fiscal year ended March 31, 2016.

Funai believes that the causes of the inappropriate accounting practices were a deficiency in entity-level controls in the form of an inadequate system for governance of subsidiaries at the parent company, which led to inappropriate reporting within subsidiaries or from subsidiaries to the parent company and insufficient understanding of issues and improvements by the parent company; a business process deficiency in the form of deficiency in the accrual process with respect to invoices not received; and a financial closing and financial reporting process deficiency in the form of deficiency in the confirmation and approval process for accrual of tax liabilities and expensing of transportation costs. Funai has determined that these deficiencies have a material impact on financial reporting and constitute material weaknesses requiring disclosure.

Funai recognizes the importance of designing and operating internal controls pertaining to financial reporting and has endeavored to improve groupwide internal controls. In accordance with the request of the internal investigation committee, we have taken the following preventive measures concerning this matter. We are endeavoring to strengthen global internal control systems.

(1) A review of personnel and organizations
(2) Awareness raising and improvement of the corporate culture
(3) Clarification of segregation of duties and official authority
(4) Strengthening of the auditing system
(5) Strengthening of governance of subsidiaries
(6) Education of officers and accounting employees of Funai and subsidiaries

Funai will continue to further strengthen organizations and systems relating to corporate governance and endeavor to strengthen global internal control systems.

Outline of the Amendment of Consolidated Financial Statements for Past Years

Fiscal year ended March 31, 2012

Item	Millions of Japanese yen		
	Before Amendment	After Amendment	Financial Impact
Net Sales	**¥246,147**	¥246,147	**¥ —**
Operating Income	**461**	(105)	**(567)**
Net Income	**(4,629)**	(5,261)	**(632)**
Total Equity	**123,843**	123,212	**(630)**
Total Assets	**176,607**	176,607	**—**

Fiscal year ended March 31, 2013

Item	Millions of Japanese yen		
	Before Amendment	After Amendment	Financial Impact
Net Sales	**¥192,008**	¥191,082	**¥ (925)**
Operating Income	**(5,273)**	(6,568)	**(1,294)**
Net Income	**(8,542)**	(9,869)	**(1,326)**
Total Equity	**121,398**	119,264	**(2,134)**
Total Assets	**194,524**	194,207	**(317)**

Fiscal year ended March 31, 2014

Item	Millions of Japanese yen		
	Before Amendment	After Amendment	Financial Impact
Net Sales	**¥234,042**	¥233,802	**¥ (240)**
Operating Income	**(5,465)**	(6,071)	**(606)**
Net Income	**(6,745)**	(7,400)	**(654)**
Total Equity	**117,684**	114,743	**(2,940)**
Total Assets	**181,341**	180,729	**(611)**

Fiscal year ended March 31, 2015

Item	Millions of Japanese yen		
	Before Amendment	After Amendment	Financial Impact
Net Sales	**¥217,088**	¥216,553	**¥ (534)**
Operating Income	**564**	(659)	**(1,223)**
Net Income Attributable to Owners of the Parent	**1,354**	31	**(1,323)**
Total Equity	**127,881**	123,218	**(4,662)**
Total Assets	**189,695**	188,902	**(793)**

Fiscal year ended March 31, 2016

Item	Millions of Japanese yen		
	Before Amendment	After Amendment	Financial Impact
Net Sales	**¥168,116**	¥170,041	**¥ 1,925**
Operating Income	**(13,061)**	(10,539)	**2,521**
Net Income Attributable to Owners of the Parent	**(36,221)**	(33,839)	**2,381**
Total Equity	**86,569**	84,439	**(2,129)**
Total Assets	**154,295**	154,191	**(103)**

Figures presented in this annual report have been amended.

Business Performance in the Fiscal Year ended March 31, 2016

In the fiscal year under review, in spite of generally stable business conditions in the United States, the Group's mainstay market, there was a slight slowdown in consumer spending and a slowdown in the overall rate of employment growth. While the European economy experienced an improvement in consumer spending, the slowing of economic recovery in China resumed from the second half of this fiscal year.

The economic slowdown in emerging economies, especially in China, is affecting the Japanese economy, particularly in exports, as indicated by weakness in machinery orders and a decline in the index of industrial production from the beginning of this fiscal year.

Net Sales

The Group reported net sales of ¥170,041 million, a 21.5% decrease from the previous fiscal year.

Operating Income

There was an operating loss of ¥10,539 million (compared to operating loss for the previous fiscal year of ¥659 million), due to a decrease in orders during the peak year-end sales period, sluggish sales to regional mass merchandisers in the U.S.market, increasing competition in the Mexico, especially in LCD TVs, and termination expenses for the audio accessories business.

Net Income (Loss) Antributable to Owners of the Parent

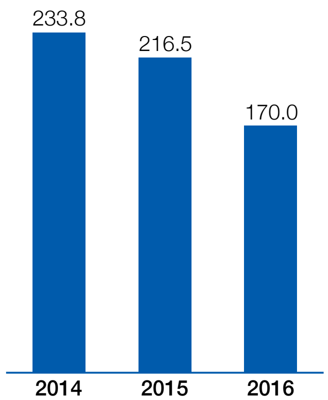
The Company was subject to an arbitral award from the International Court of Arbitration on April 26, 2016 with respect to the arbitration in the dispute between the Company and Koninklijke Philips N.V. As the Group recorded ¥18,502 million for this compensation for damage and other expenses decided by the arbitral award as extraordinary losses, net loss attributable to owners of the parent was ¥33,839 million (net income attributable to owners of the parent for the previous fiscal year was ¥31 million).

Results by Region

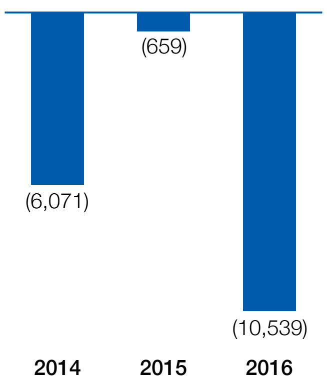
Japan

Sales of LCD TVs increased year on year due to strong sales of large screen-size models in the OEM business. But printers, DVD/BD-related products,

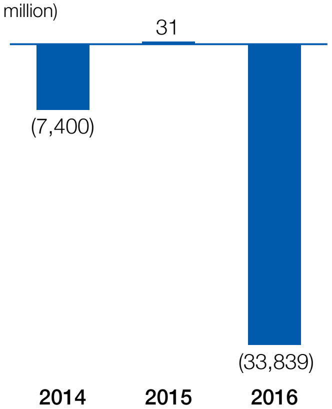
Net Sales
(¥ billion)



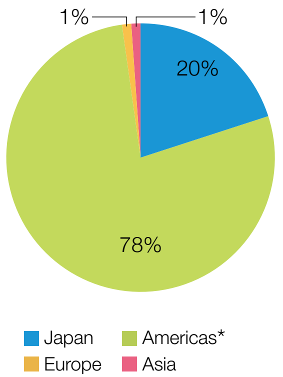
Operating Income (Loss)
(¥ million)



Net Income (Loss) Antributable to Owners of the Parent
(¥ million)



Sales Composition by Region
(Year ended March 31, 2016)



*Including sales of Central and South America and electronic reception devices declined. As a result, net sales amounted to ¥34,139 million, down 19.7% year on year. Segment loss (operating loss) amounted to ¥7,663 million (segment loss was ¥1,637 million in the previous fiscal year).

Americas

Sales of DVD-related products increased thanks to strong sales of DVD/VCR Combo models. Printer sales increased because the Group launched new in-house developed ink-jet printers in May 2015. But sales of LCD TVs decreased due to a fall in orders during the peak year-end sales period in the U.S. The Group tried unsuccessfully to make up for this decline by increasing sales during the remaining business period. In addition, sales at regional mass merchandisers were slow, the Mexican market became more competitive, and sales of audio accessories declined.

As a result, net sales amounted to ¥132,216 million, down 20.0% year on year. Segment loss amounted to ¥2,964 million (segment income was ¥557 million in the previous fiscal year).

Asia

Net sales amounted to ¥2,426 million, down 50.4% year on year due to a decrease in ink cartridge sales. Segment loss amounted to ¥15 million (segment loss was ¥202 million in the previous fiscal year).

Europe

Sales of printers increased following the Group's launch of in-house developed ink-jet printers. On the other hand, sales of LCD TVs were slow, resulting in a decrease in sales overall. As a result, net sales amounted to ¥1,259 million, down 67.0% year on year, segment loss amounted to ¥300 million (segment income was ¥57 million in the previous fiscal year).

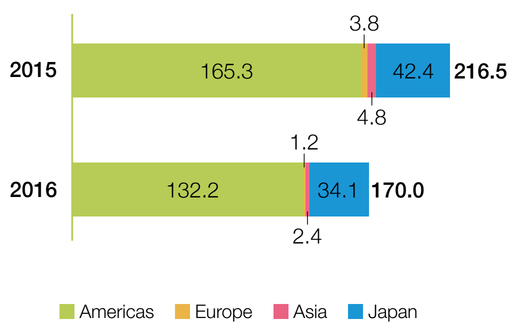
Net Sales by Product Group

Audiovisual Equipment

Sales of DVD-related products increased because of strong sales of DVD/VCR Combo models. However, the Group could not offset the decline in sales of LCD TVs during the year-end peak shopping season in the North American market with efforts to increase sales throughout the fiscal year. In addition, sales to regional mass merchandisers were slow, and the Mexican

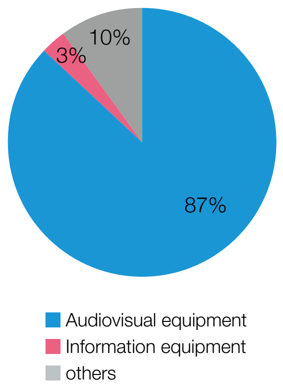
Sales by Region

(¥ billion)



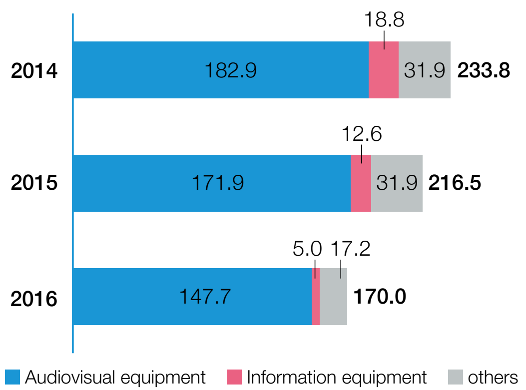
Sales Composition by Products

(Year ended March 31, 2016)



Sales by Products

(¥ billion)



market became more competitive. As a result, net sales of this segment were ¥147,742 million, a decrease of 14.1% from the previous fiscal year.

Information Equipment

Sales of in-house developed ink-jet printers, which were launched during this fiscal year, could not offset a shortage due to the termination of OEM business. As a result, net sales of this sector were ¥5,000 million, a decrease of 60.4% from the previous fiscal year.

Others

Net sales of other products were ¥17,297 million, a decrease of 45.8% from the previous fiscal year, due to a decrease in sales of electronic reception devices and audio accessories.

Financial Position

Current Assets

Total current assets as of March 31, 2016 (fiscal 2015) decreased by ¥30,767 million from the end of the previous fiscal year to ¥123,214 million.

The change is mainly attributable to decreases of ¥9,210 million in cash and time deposits, ¥14,091 million in trade receivables, and ¥2,838 million in merchandise and finished products resulting principally from the decrease in sales.

Property, Plant, and Equipment

Net property, plant, and equipment as of March 31, 2016 decreased by ¥3,840 million from the end of the previous fiscal year to ¥30,976 million.

The change is mainly attributable to a decrease of ¥3,103 million in net property, plant, and equipment primarily attributable to the sale of buildings and structures and the recognition of impairment losses on machinery, equipment, and vehicles and tools, furniture, and fixtures.

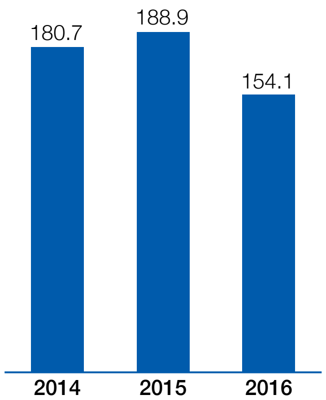
Current Liabilities

Total current liabilities as of March 31, 2016 increased by ¥4,575 million from the end of the previous fiscal to ¥59,823 million.

The change is mainly attributable to a decrease of ¥16,020 million in trade payables and an increase of ¥19,466 million in other payables. The main reason for the decrease in trade payables was a decrease decline in purchases of raw materials. The main reason for the increase in other

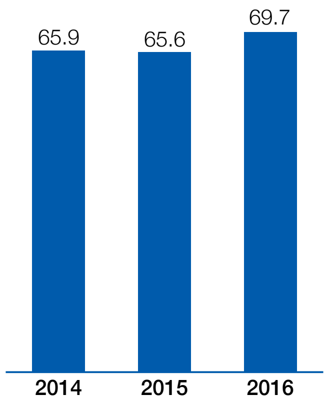
Total Assets

(¥ billion)



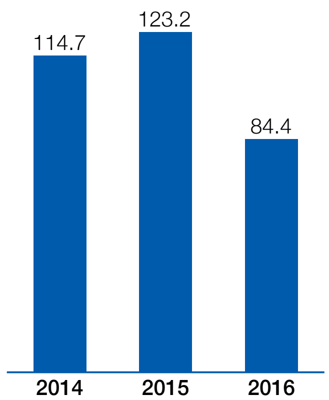
Total Liabilities

(¥ billion)



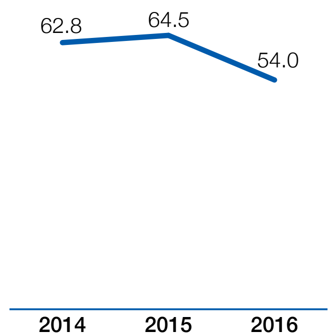
Total Equity

(¥ billion)



Shareholders' Equity Ratio

(%)



payables was the recording of compensation for damage under other payables at the end of the fiscal year under review following receipt of an arbitral award from the International Court of Arbitration with respect to the arbitration in the dispute between the Company and Koninklijke Philips N.V.

Long-Term Liabilities

Long-term liabilities as of March 31, 2016 decreased by ¥507 million from the end of the previous fiscal year to ¥9,927 million.

The change is mainly attributable to a decrease of ¥674 million in long-term debt resulting principally from a decrease in the yen equivalent of U.S. dollar-denominated borrowings due to a currency conversion difference.

Total Equity

Total equity as of March 31, 2016 decreased by ¥38,779 million from the end of the previous fiscal year to ¥84,439 million.

The change is mainly attributable to a decrease of ¥35,113 million in retained earnings and a decrease of ¥3,290 million in foreign currency translation adjustments.

Cash Flows

Cash and cash equivalents (“cash”) on a consolidated basis as of March 31, 2016 increased by ¥4,125 million from the end of the previous fiscal year to ¥47,116 million. The change is mainly attributable to a decrease in trade receivables, an increase in other payables, and an increase in time deposits, which offset the recording of net loss before income taxes and minority interests and a decrease in trade payables.

Cash flows during the fiscal year under review and factors affecting cash flows are as follows.

Cash Flows from Operating Activities

Net cash used in operating activities was ¥7,549 million in the fiscal year under review. (Net cash provided by operating activities was ¥16,897 million in the previous fiscal year.) The change is mainly attributable to the recording of net loss before income taxes and minority interests and a decrease in trade payables, which offset a decrease in trade receivables and an increase in other payables.

Cash Flows from Investing Activities

Net cash provided by investing activities was ¥11,805 million in the fiscal year under review. (Net cash used in investing activities was ¥17,360 million in the previous fiscal year.) The change is mainly attributable to a decrease in time deposits.

Cash Flows from Financing Activities

Net cash provided by financing activities was ¥69 million in the fiscal year under review. (Net cash used in financing activities was ¥2,725 million in the previous fiscal year.) The change is mainly attributable to an increase in short-term bank loans.

Business and Other Risks

Risks that may have a significant impact on the Group’s financial situation and operating results are outlined below.

(1) The Funai Group’s Management Policy

The Group has adopted a policy of providing high-quality, low-cost products to consumers based upon optimized production and sales systems on a global scale. We manufacture and sell our principal products, such as audio-visual equipment (LCD TVs, DVD-related products, etc.) and information equipment (printers, etc.), in addition to other products (antennas and related devices, audio accessory-related products, etc.). Price competition in these product areas is intense. Additionally, the life cycle of digital products is short and the competition to develop new technologies and functions is also growing more intense. Accordingly, these factors may affect the Group’s financial condition and business results.

1) Product Cost and Market Prices

The Group’s primary target is customers of mass merchandisers such as Walmart, and therefore we must deliver low prices. Consequently, the Group is working to reduce costs through measures such as establishing production systems in optimal locations, pursuing further application of the Funai Production System (FPS), the unique productivity improvement system developed by the Company, and utilizing internal production of parts and centralized purchasing. However, the consumer electronics business is intensely competitive and when parts and raw materials prices rise, cost pressures may affect the Group's financial condition and business results.

2) New Technologies

In the consumer electronics business, market needs are becoming more diverse; the Group needs to improve the quality, volume, and speed of its new product development.

To address these issues, the Group will improve its technical capabilities, focusing mainly on new business fields, through partnerships with other companies and universities, and personnel development. The Company also may consider mergers and acquisitions depending on the situation. However, a diversification of market needs or technological innovation beyond our expectations may affect the Group's financial condition and business results.

3) Defects Relating to Products and Services

The Group's departments responsible for quality management and technologies play the primary role in the effort to maintain and improve quality. In addition, the Group has established service companies in Japan and overseas. However, if there are troubles with repair or replacement of our products, the impact of the warranty costs and/or the decrease of social credibility may have negative impacts for the Group's financial condition and business results.

4) Intellectual Property Rights

So-called "patent trolls" have been very active in recent years. They have no products of their own, but attempt to generate income from patent royalties by filing lawsuits using intellectual property rights acquired from third parties. This is a worrisome trend for all companies in manufacturing and sales industries. As a result of these activities, we may need to make high compensatory payments that may affect the Group's financial condition and business results.

5) Corporate Acquisitions and Business Alliances

The Group may pursue corporate acquisitions and business alliances to improve its profit and efficiently boost sales. However for various reasons, in the event that the synergies fall short of initial expectations, we fail to reach agreement on an acquisition, or affiliate relationships cannot be maintained, this may affect the Group's financial position, business results and growth forecasts.

(2) Impact of Overseas Market Trends

1) Dependence on the Americas (the United States, Mexico and other) market

A high proportion of the Group's net sales comes from overseas markets. In particular, the Americas market accounted for 79.7% of net sales in this fiscal year, and Walmart group alone accounted for 53.1% of these net sales.

If economies in the Americas suddenly enter recession, this may affect the Group's financial condition and business results.

2) Dependence on Chinese Production

The Group is working to improve the cost competitiveness of its products by concentrating production in cost-advantaged regions and purchasing parts in bulk. In this fiscal year, 98.9% of our products were produced overseas, with 55.0% produced in China (consignment manufacturing and in-house production). The Group has undertaken production site decentralization to reduce the ratio of Chinese production . Nevertheless, as we continue to engage in production in China, rising labor cost, changes in the government system, the outbreak of conflict, natural disasters and other unforeseen circumstances may affect the Group's financial condition and business results.

3) Foreign Currency Risk

The Group determines production sites for its principal products upon consideration of optimal production location and sales systems. DVD-related products, LCD TVs, and printers are produced in China; LCD TVs are produced in Thailand, and Ink cartridges and Ink-jet printers are produced in the Philippines.

The Group purchases products from overseas production subsidiaries and sells them to overseas sales subsidiaries or sells directly to OEM supply partners mainly in North America. Domestic sales are also conducted through direct sales and sales subsidiaries.

Although the majority of the Group's sales are conducted in U.S. dollars, some transactions are conducted in Mexican pesos and yen. In addition, the majority of the Group's purchasing transactions are conducted in U.S. dollars. Although sales and purchase transactions conducted in U.S. dollars are not affected by currency fluctuations, expenses denominated in U.S. dollars relating to sales transactions conducted in Mexican pesos or yen are affected by currency fluctuations. Although the Group uses forward exchange contracts to hedge transactions denominated in Mexican pesos against currency fluctuation risk, it is difficult to completely eliminate the impact of significant currency fluctuations.

Since foreign currency-denominated assets and liabilities are converted to yen using the exchange rates on the settlement date, significant currency fluctuations may affect the Groups financial condition and business results.

(3) Other Risks

1) Legal Regulations

In each country, the Group is subject to a variety of local legal regulations, concerning commercial transactions, importing and exporting, intellectual property rights, product liability, environmental protection, consumer protection, financial transactions, and corporate taxation. Changes to these legal regulations, or the ways in which they are interpreted by the authorities, could affect the Group's financial position and business performance.

2) Litigation

There are litigation risks relating to the Group's business. A major lawsuit or other legal action could affect the Group's financial position and business performance.

3) Information Control

The Group has internal systems to prevent information leaks and protect itself against viruses. However, factors such as operational mistakes or new viruses may preclude the complete avoidance of information leaks and system shutdowns completely. Such events could affect the Group's financial position and business results.

4) Retirement Benefit Obligations

The Group and its consolidated domestic subsidiaries have defined benefit corporate pension systems, which are based on actuarial assumptions on the pension assets, such as rates of return and discount rates. The Group's financial position and business results could be affected if there are any changes in these assumptions, if the pension assets decrease due to the deterioration in the investment environment, or if changes in the pension system cause future retirement benefit expenses to increase.

5) Financing

If the Group's financing is limited due to deteriorating business performance, the cost of finance could increase. This could affect the Group's financial position and business performance. Some of the Group's debt is subject to financial covenants. The consequences of a covenant infringement, such as a higher interest rates or the loss of benefit of time, could affect the Group's financial position and business performance.

6) Important Information about Going Concern Assumption

Since the Group recorded a significant operating loss, ordinary loss, net loss attributable to owners of the parent, and negative operating cash flow during the fiscal year under review, events or circumstances that cast significant doubt on the going concern assumption exist at the present time.

Since the Group's balance of cash and deposits is sufficient to cover working capital, repayment of borrowings and other requirements for some time, there is no significant concern about fundraising.

Since the Group is already implementing the following countermeasures in stages, the Group believes that a resolution of the matter can be achieved.

	Millions of Japanese yen (Note 1)					Thousands of U.S. dollars (Note 1, 2)
Years ended March 31	2012	2013	2014	2015	**2016**	**2016**
Net Sales	246,147	191,082	233,802	216,553	**170,041**	**1,504,788**
Operating (loss) income	(105)	(6,568)	(6,071)	(659)	**(10,539)**	**(93,265)**
Net (Loss) Income Attributable to Owners of the Parent	(5,261)	(9,869)	(7,400)	31	**(33,839)**	**(299,460)**
Total Net Assets	123,212	119,264	114,743	123,218	**84,439**	**747,248**
Total Assets	176,607	194,207	180,729	188,902	**154,191**	**1,364,522**
Net Cash (Used in) Provided by Operating Activities	16,416	(8,022)	(1,251)	16,897	**(7,549)**	**(66,805)**
Net Cash Provided by (Used in) Investing Activities	(6,434)	12,863	(2,730)	(17,360)	**11,805**	**104,469**
Free Cash Flow*	9,981	4,841	(3,981)	(462)	**4,256**	**37,664**
Capital Investment	3,931	5,345	5,094	3,275	**2,462**	**21,788**
Depreciation Expense	4,970	4,056	5,279	4,758	**3,581**	**31,690**
Return on Assets (%)	(2.84)	(5.32)	(3.95)	0.02	**(19.68)**	
Return on Equity (%)	(4.17)	(8.22)	(6.39)	0.03	**(32.65)**	
Debt/Equity Ratio (%)	3.72	10.88	9.28	8.68	**13.18**	

	Japanese yen					U.S. dollars
	2012	2013	2014	2015	**2016**	**2016**
Shareholders' Equity per Share	3,579.54	3,457.56	3,328.58	3,576.14	**2,442.28**	**21.61**
Net (Loss) Incomeper Share	(154.23)	(289.26)	(216.89)	0.92	**(991.81)**	**(8.77)**
Cash Dividends per Share	50	35	35	35	**30**	**0.26**

Notes: 1. From the current fiscal year, the Company rounded down Japanese yen figures less than a million to the nearest million yen and U.S. dollar figures less than a thousand to the nearest thousand dollars, except for per share data.
2. The exchange rate of ¥113.00=U.S.$1.00 (the approximate rate of exchange at March 31, 2016) is used for the above calculations.

*Net cash provided by operating activities plus net cash provided by investment activities.

Consolidated Balance Sheets (Unaudited)

March 31, 2016 and 2015

	Millions of Japanese yen		Thousands of U.S. dollars
	2015	2016	2016
ASSETS			
Current Assets			
Cash and deposits	¥ 66,820	¥ 57,609	$ 509,814
Notes and accounts receivable-trade	38,183	24,092	213,204
Merchandise and finished goods	25,606	22,768	201,487
Work in process	1,455	1,196	10,584
Raw materials and supplies	14,708	13,212	116,920
Deferred tax assets	2,245	664	5,876
Other	5,352	4,071	36,027
Allowance for doubtful accounts	(389)	(400)	(3,540)
Total current assets	(153,982)	123,214	1,090,389
Noncurrent assets			
Property, plant and equipment			
Buildings and structures	20,314	18,138	160,513
Accumulated depreciation	(10,258)	(9,794)	(86,673)
Buildings and structures, net	10,055	8,343	73,832
Machinery,equipment and vehicles	13,592	10,746	95,097
Accumulated depreciation	(10,601)	(8,964)	(79,327)
Machinery,equipment and vehicles, net	2,900	1,781	15,761
Tools, furniture and fixtures	26,156	23,086	204,301
Accumulated depreciation	(24,433)	(21,919)	(193,973)
Tools, furniture and fixtures, net	1,722	1,166	10,319
Lands	6,343	6,331	56,027
Lease assets	513	697	6,168
Accumulated depreciation	(340)	(203)	(1,796)
Lease assets, net	173	493	4,363
Other	19	87	770
Total property, plant and equipment	21,306	18,203	161,088
Intangible assets			
Patent right	4,020	3,297	29,177
Other	2,097	1,562	13,823
Total intangible fixed assets	6,117	4,860	43,009
Investment and other assets			0
Investment securities	2,814	2,418	21,398
Deferred tax assets	339	206	1,823
Net defined benefit asset	1,716	1,555	13,761
Other	2,900	4,003	35,425
Allowance for doubtful accounts	(276)	(271)	(2,398)
Total investments and other assets	7,496	7,912	70,018
Total noncurrent assets	34,920	30,976	274,124
TOTAL ASSETS	¥(188,902)	¥154,191	$1,364,522

	Millions of Japanese yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
LIABILITIES			
Current Liabilities			
Notes and accounts payable-trade	¥ 31,625	¥ 15,604	$ 138,088
Short-term loans payable	4,012	5,118	45,292
Accounts payable-other	14,683	34,149	302,204
lease obligations	126	251	2,221
Income taxes payable	485	783	6,929
Provision for bonuses	212	236	2,088
Provision for product warranties	985	689	6,097
Foward exchange contracts	—	18	159
Other	3,118	2,971	26,292
Total current liabilities	55,248	59,823	529,407
Noncurrent liabilities			
Long-term loans payable	6,683	6,009	53,177
lease obligations	290	737	6,522
Deferred tax liabilities	1,345	811	7,177
Deferred tax liabilities for land revaluation	226	205	1,814
Provision for directors’ retirement benefits	1,093	1,106	9,788
Net defined benefit liability	548	395	3,496
Other	247	662	5,858
Total noncurrent liabilities	10,435	9,927	87,850
TOTAL LIABILITIES	65,683	69,751	617,265
NET ASSETS			
Shareholders’ equity			
Capital stock	31,307	31,307	277,053
Capital surplus	33,272	33,301	294,699
Retained earnings	89,903	54,789	484,858
Treasury stock	(24,341)	(24,341)	(215,407)
Total shareholders’ equity	130,142	95,058	841,221
Accumulated other comprehensive income			
Valuation difference on avaiable-for-sale securities	421	160	1,416
Foreign currency translation adjustment	(8,913)	(12,204)	(108,000)
Remeasurements of defined benefit plans	365	314	2,779
Total accumulated other comprehensive income	(8,127)	(11,729)	(103,796)
Subscription right to shares	142	145	1,283
Non-controlling interests	1,061	965	8,540
TOTAL NET ASSETS	123,218	84,439	747,248
TOTAL LIABILITIES AND NET ASSETS	¥188,902	¥154,191	$1,364,522

Consolidated Statements of Operations (Unaudited)

Year Ended March 31, 2016 and 2015

	Millions of Japanese yen		Thousands of U.S. dollars
	2015	2016	2016
Net sales	¥216,553	**¥170,041**	**$1,504,788**
Cost of sales	179,763	**144,671**	**1,280,274**
Gross profit	36,790	**25,370**	**224,513**
Selling, general and administrative expenses	37,449	**35,910**	**317,788**
Operating income (loss)	(659)	**(10,539)**	**(93,265)**
Non-operating income			
Interest income	198	**259**	**2,292**
Dividends income	112	**28**	**248**
Foreign exchange gains	1,557	**—**	
Rent income on non-current assets	208	**208**	**1,841**
Gain on investments in partnership	106	**218**	**1,929**
Other	160	**79**	**699**
Total non-operating income	2,344	**793**	**7,018**
Non-operating expenses			**0**
Interest expenses	187	**296**	**2,619**
Equity in losses of affiliates	144	**4**	**35**
Foreign exchange losses	—	**(3,244)**	**(28,708)**
Loss on disposal of inventories	147	**—**	**—**
Other	604	**362**	**3,204**
Total non-operating expenses	1,084	**3,908**	**34,584**
Ordinary income (loss)	600	**(13,653)**	**(120,823)**
Extraordinary income			
Gain on sales of noncurrent assets	150	**18**	**159**
Gain on sales of investment securities	824	**68**	**602**
Gain on sales of shares of subsidiaries	134	**41**	**363**
Settlement received	—	**902**	**7,982**
Refund of customs duty	—	**485**	**4,292**
Other	—	**46**	**407**
Total extraordinary income	1,110	**1,562**	**13,823**
Extraordinary loss			
Loss on disposal of noncurrent assets	25	**475**	**4,204**
Impairment loss	618	**667**	**5,903**
Loss on closing of sales office	131	**—**	**—**
Compensation for damage	—	**18,502**	**163,735**
Other	14	**303**	**2,681**
Total extraordinary loss	789	**19,948**	**176,531**

	Millions of Japanese yen		Thousands of U.S. dollars
	2015	2016	2016
Income (loss) before income taxes and minority interests	921	**(32,040)**	**(283,540)**
Income taxes	635	**514**	**4,549**
Income tax adjustments	238	**1,322**	**11,699**
Total income taxes	873	**1,836**	**16,248**
Net income (loss)	47	**(33,876)**	**(299,788)**
Net income (loss) attributable to non-controlling interests	16	**(37)**	**(327)**
Net income (loss) attributable to owners of parent	¥31	**¥(33,839)**	**$(299,460)**

Consolidated Statements of Comprehensive Income (Loss)

Year Ended March 31, 2016 and 2015

	Millions of Japanese yen		Thousands of U.S. dollars
	2015	2016	2016
Net income (Loss)	47	**(33,876)**	**(299,788)**
Other comprehensive income			
Valuation difference on avaiable-for-sale securities	(246)	**(264)**	**(2,336)**
Foreign currency translation adjestment	8,895	**(3,270)**	**(28,938)**
Remeasurements of defined benefit plans, net of tax	481	**(48)**	**(425)**
Share of other comprehensive income of associates accounted for using equity method	12	**(19)**	**(168)**
Total other comprehensive income	9,144	**(3,603)**	**(31,885)**
Comprehensive income (Comprehensive income attributable to)	9,191	**(37,479)**	**(331,673)**
Comprehensive income attributable to owners of the parent	9,157	**(37,442)**	**(331,345)**
Comprehensive income attributable to non-controlling interests	34	**(37)**	**(327)**

Consolidated Statements of Changes in Equity (Unaudited)

Year Ended March 31, 2016 and 2015

	Millions of Japanese yen											
	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gains/ losses on securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance, March 31, 2015	¥31,307	¥33,272	¥ 89,903	¥(24,341)	¥130,142	¥ 421	¥ (8,913)	¥365	¥ (8,127)	¥142	¥1,061	¥123,218
Changes of items during the period												
Dividends from surplus			**(1,194)**		**(1,194)**							**(1,194)**
Income (loss) attributable to owners of parent			**(33,839)**		**(33,839)**							**(33,839)**
Purchase of treasury stock				**0**	**0**							**0**
Change of scope of consolidation			**(79)**		**(79)**							**(79)**
Change in treasury shares of parent arising from transactions with non-controlling shareholders		**29**			**29**							**29**
Net changes of items other than shareholders' equity						**(260)**	**(3,290)**	**(51)**	**(3,602)**	**2**	**(95)**	**(3,695)**
Total changes of items during the period		**29**	**(35,113)**	**0**	**(35,084)**	**(260)**	**(3,290)**	**(51)**	**(3,602)**	**2**	**(95)**	**(38,779)**
Balance, March 31, 2016	**¥31,307**	**¥33,301**	**¥ 54,789**	**¥(24,341)**	**¥ 95,058**	**¥ 160**	**¥(12,204)**	**¥314**	**¥(11,729)**	**¥145**	**¥ 965**	**¥ 84,439**

	Thousands of U.S. dollars											
	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gains/ losses on securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance, March 31, 2015	$277,053	$294,442	$ 795,601	$(215,407)	$1,151,699	$ 3,725	$ (78,876)	$3,230	$ (71,920)	$1,256	$9,389	$1,090,424
Changes of items during the period												
Dividends from surplus			**(10,566)**		**(10,566)**							**(10,566)**
Income (loss) attributable to owners of parent			**(299,460)**		**(299,460)**							**(299,460)**
Purchase of treasury stock				**0**	**0**							**0**
Change of scope of consolidation			**(699)**		**(699)**							**(699)**
Change in treasury shares of parent arising from transactions with non-controlling shareholders		**256**			**256**							**256**
Net changes of items other than shareholders' equity						**(2,300)**	**(29,115)**	**(451)**	**(31,876)**	**17**	**(840)**	**(32,699)**
Total changes of items during the period		**256**	**(310,725)**	**0**	**(310,477)**	**(2,300)**	**(29,115)**	**(451)**	**(31,876)**	**17**	**(840)**	**(343,168)**
Balance, March 31, 2016	**$277,053**	**$294,698**	**$ 484,876**	**$(215,407)**	**$ 841,222**	**$ 1,415**	**$(108,000)**	**$2,778**	**$(103,796)**	**$1,273**	**$8,549**	**$ 747,256**

Consolidated Statements of Cash Flows (Unaudited)

Year Ended March 31, 2016 and 2015

	Millions of Japanese yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Cash flows from operating activities			
Income (Loss) before income taxes and minority interests	¥ (921)	¥(32,040)	$(283,540)
Depreciation	5,855	4,498	39,805
Impairment loss	618	667	5,903
Increase (decrease) in allowance for doubtful accounts	124	41	363
Increase (decrease) in net defined benefit liability	(163)	(125)	(1,106)
Interest and dividend income	(311)	(287)	(2,540)
Interest expenses	187	296	2,619
Share of (profit) loss of entities accounted for using equity method	144	4	35
Loss on retirement of property, plant and equipment	19	357	3,159
Loss (gain) on sales of property, plant and equipment	(146)	9	80
Loss (gain) on sales of investment securities	(824)	(68)	(602)
Loss (gain) on sales of shares of subsidiaries and associates	(134)	(41)	(363)
Loss (gain) on valuation of investment securities	—	2	18
Loss on valuation of shares of subsidiaries and associates	13	6	53
Decrease (increase) in notes and accounts receivable—trade	2,289	12,199	107,956
Decrease (increase) in inventories	(12,668)	1,925	17,035
Increase (decrease) in notes and accounts payable—trade	(5,435)	(15,381)	(136,115)
Increase (decrease) in notes and accounts payable—other	938	20,520	181,593
Other, net	1,195	290	2,566
Subtotal	17,961	(7,124)	(63,044)
Interest and dividend income received	298	295	2,611
Interest expenses paid	(188)	(294)	(2,602)
Income taxes paid	(1,205)	(454)	(4,018)
Income taxes refund	31	28	248
Net cash provided by (used in) operating activities	16,897	(7,549)	(66,805)

	Millions of Japanese yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Cash flows from investing activities			
Payments into time deposits	(39,069)	(21,227)	(187,850)
Proceeds from withdrawal of time deposits	22,256	34,215	302,788
Purchase of property, plant and equipment	(3,164)	(2,113)	(18,699)
Proceeds from sales of property, plant and equipment	218	886	7,841
Purchase of intangible assets	(343)	(270)	(2,389)
Purchase of investment securities	(154)	(62)	(549)
Proceeds from sales of investment securities	2,093	242	2,142
Payments of loans receivable	(68)	(2)	(18)
Collection of loans receivable	684	40	354
Other, net	186	98	867
Net cash provided by (used in) investment activities	(17,360)	11,805	104,469
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	(1,404)	1,124	9,947
Purchase of treasury shares	(0)	(0)	0
Cash dividends paid	(1,194)	(1,194)	(10,566)
Other, net	(126)	139	1,230
Net cash provided by (used in) financing activities	(2,725)	69	611
Effect of exchange rate change on cash and cash equivalents	2,567	(251)	(2,221)
Net increase (decrease) in cash and cash equivalents	(621)	4,074	36,053
Cash and cash equivalents at beginning of period	43,612	42,991	380,451
Increase in cash and cash equivalents from newly consolidated subsidiary	—	51	451
Cash and cash equivalents at end of period	¥ 42,991	¥ 47,116	$ 416,956

History

1961
- FUNAI ELECTRIC CO., LTD. established in Osaka, capitalized at ¥20 million.

1962
- Representative office established in Chicago,United States.

1964
- CHUGOKU FUNAI ELECTRIC CO., LTD. established as a production subsidiary in Hiroshima Prefecture.

1968
- FUNAI ELECTRIC COMPANY OF TAIWAN established as a production subsidiary in Taiwan.

1969
- Construction of new headquarters building completed in the city of Daito, Osaka.

1970
- FUNAI AMERICA ELECTRIC SERVICE CORP. established in the United States as a sales subsidiary.

1977
- Training started which formed the basis for establishing the Funai Production System (FPS).

1980
- FUNAI ELECTRIC TRADING (EUROPE) GmbH established in Germany as a sales subsidiary.

1983
- Tokyo Branch Office opened.

1987
- FUNAI AMSTRAD LIMITED established as a production joint venture in U.K.

1989
- FUNAI ELECTRIC (MALAYSIA) SDN. BHD. established as a production subsidiary in Malaysia.

1991
- FUNAI CORPORATION, INC. established as a sales subsidiary in the United States.

1992
- HIGHSONIC INDUSTRIAL LTD. (now FUNAI ELECTRIC (H.K.), LTD.) established in Hong Kong.

1996
- FUNAI SERVICE CO., LTD. established as a domestic service subsidiary.

1999
- Listed on the Second Section of the Osaka Securities Exchange.

2000
- Listed on the First Section of the Tokyo Stock Exchange and Osaka Securities Exchange.

2001
- Acquired stocks of DX ANTENNA CO., LTD.

2003
- FUNAI (THAILAND) CO., LTD. established as a production subsidiary in Thailand.
- Huang Jiang Plant started operation as a consignment production plant in China.

2004
- FUNAI ELECTRIC ADVANCED APPLIED TECHNOLOGY RESEARCH INSTITUTE INC. established.

2006
- FUNAI ELECTRIC (POLSKA) Sp. z o.o. (now a sales subsidiary, FUNAI ELECTRIC EUROPE Sp. z o.o.) established as a production subsidiary in Poland.

2007
- FUNAI SERVICE CORPORATION established as a service subsidiary in the United States.

2008
- P&F USA, Inc. established in the United States as a sales subsidiary for Philips-brand products.

2009
- P&F MEXICANA, S.A. DE C.V. established in Mexico as a sales subsidiary for Philips-brand products.

2013
- FUNAI ELECTRIC CEBU, INC. (formerly, Lexmark International (Philippines), Inc.) acquired from Lexmark.
- Funai Electric Philippines Inc. established in the Philippines as a production subsidiary.

2015
- A holding company, Funai North America, Inc. established in the United States.

2016
- Tetsuro Funai was appointed Director and Executive Advisor, Tetsuhiro Maeda Representative Director President and CEO.

Name	FUNAI ELECTRIC CO., LTD.
Established	August 1961
Head Office	7-7-1 Nakagaito, Daito, Osaka 574-0013
TEL	+81-72-870-4303
FAX	+81-72-871-1112
URL	http//www.funai.jp/en/
Capital	¥31,307 million (as of March 31, 2016)
Employees (non-consolidated)	794 (as of March 31, 2016)
Business Category	Electrical Equipment

Head Office

Principal Businesses

Display Business
LCD TVs

Digital Media Business
DVD Players/Recorders
Blu-ray Disc Players/Recorders

Office Solutions Business
Printers
Ink Cartridges

Other Businesses
Antennas

Executives

Members of the Board

Representative Director and President and CEO ·········· Tetsuhiro Maeda
Director and Executive Advisor············ Tetsuro Funai
Director and Officer ·········· Jyoji Okada
Director and Officer ·········· Hideaki Funakoshi
Director and Officer ·········· Hiroyuki Makiura
Director and Officer ·········· Takeshi Ito
Outside Director ············· Mitsuo Yonemoto

Directors (Audit and Supervisory Committee Members)

Director ···················· Hiromu Ishizaki
Outside Director ············· Masahide Morimoto
Outside Director ············· Yoshiaki Bannai

Officers

Officer········· Motoyoshi Adachi
Officer········· Tsuneki Yoshida

Important Contracts

*1: Exclusive licensee for Philips consumer TVs in North America, Mexico and select LATAM countries. Exclusive licensee for Philips hospitality TVs in North America. Exclusive licensee for Philips DVD/BD-related products and home theater in North America and Mexico.
P&F USA Inc. is the distributor for Philips-branded audio and video consumer products, including home and portable audio products, headphones, portable DVD and other accessories.

*2: Exclusive licensee for Magnavox consumer TVs, DVD/BD-related products and home theater in North America.

*3: Licensee for supply and sales activities for SANYO brand TVs, DVD/BD-related equipment, and sound bar products in North America and Mexico.

*4: Use of Kodak trademarks and designs for Funai printers under a brand license agreement with the Eastman Kodak Company.

FUNAI ELECTRIC CO., LTD.

7-7-1 Nakagaito, Daito, Osaka 574-0013
TEL +81-72-870-4303   FAX +81-72-871-1112
http://www.funai.jp/en/