

(Translation)

Securities Code: 6839
June 8, 2018

NOTICE OF THE 66TH ORDINARY GENERAL MEETING
OF SHAREHOLDERS

Dear Shareholders:

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

You are hereby notified that the 66th Ordinary General Meeting of Shareholders of Funai Electric Co., Ltd. (the “Company”) will be held as described below, and you are cordially invited to attend the meeting.

Since voting rights can be exercised in writing, even if you are unable to attend the meeting, please review the attached Reference Document for the General Meeting of Shareholders set forth below and send to us by return mail the enclosed voting form indicating your approval or disapproval of the propositions no later than 5:00 p.m. on June 26 (Tuesday) in Japan time, 2018.

Yours very truly,

Hideaki Funakoshi
Representative Director, President, and
Chief Executive Officer

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

Description

1. Date and hour:

June 27 (Wednesday), 2018, 10:00 a.m.

2. Place:

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

3. Matters forming the objects of the meeting:

Matters to be reported:

1. The business report, the consolidated financial statements and the audit reports on the consolidated financial statements by the independent auditors and the Audit and Supervisory Committee for the 66th fiscal year (from April 1, 2017 to March 31, 2018)
2. The nonconsolidated financial statements for the 66th fiscal year (from April 1, 2017 to March 31, 2018)

Matters to be resolved:

Proposition No. 1: Election of five (5) Directors (excluding Directors who are Audit and Supervisory Committee Members)

Proposition No. 2: Payment of condolence money to the family of the late Mr. Tetsuro Funai, Director and Executive Advisor

- END -

- In attending the meeting, please submit the enclosed voting form to a receptionist at the place of the meeting.
- Of the documents to be provided upon giving notice of this Ordinary General Meeting of Shareholders, “Notes to the consolidated financial statements” and “Notes to the nonconsolidated financial statements”, which are posted on our website (<http://www2.funai.co.jp/en/investors/>) in accordance with and as provided for in the applicable laws and ordinances and Article 14 of the Articles of Incorporation of the Company, are not attached with this notice of the Ordinary General Meeting of Shareholders. Therefore, the attached documents to this notice of the Ordinary General Meeting of Shareholders are a part of the consolidated financial statements and nonconsolidated financial statements that have been audited by the independent auditors to express their audit opinions.
- In the event of the revision to any matters in the Reference Document for the General Meeting of Shareholders, the business report, the consolidated financial statements and the nonconsolidated financial statements, it will be posted on our website stated above.

Reference Document for the General Meeting of Shareholders

Propositions and reference information

Proposition No. 1: Election of five (5) Directors (excluding Directors who are Audit and Supervisory Committee Members)

The term of office of all four (4) directors (excluding directors who are Audit and Supervisory Committee members; the same applies hereinafter in this proposition) currently in office will expire at the close of this Ordinary General Meeting of Shareholders. Mr. Tetsuro Funai retired as director as he passed away on July 4, 2017.

Hence, it is hereby proposed that five (5) Directors, including one (1) outside Director, be elected in order to accelerate decision-making and increase management efficiencies.

The candidates for Director are as follows:

Candi- date No.	Name (Date of birth)	Brief history, post in the Company and business in charge (and important concurrent office)	Number of shares of the Company held by Candidate
1	Hideaki Funakoshi (September 30, 1965)	<p>April 1984 Joined Mitsubishi Electric Engineering Company, Limited</p> <p>January 1993 Joined the Company</p> <p>April 2006 General Manager of DVD Project of the Company</p> <p>February 2008 Executive General Manager of DVD Business Div. of the Company</p> <p>June 2010 Director of the Company Officer and General Manager of DVD Business Div. of the Company</p> <p>July 2011 Officer and Deputy General Manager of AV Business Headquarters of the Company</p> <p>May 2012 Officer, Deputy General Manager of AV System Business Headquarters and General Manager of Digital Media Business Div. of the Company</p> <p>April 2013 Officer, General Manager of AV System Business Headquarters and General Manager of Display Business Div. of the Company</p> <p>November 2014 Officer and General Manager of AV System Business Headquarters of the Company</p> <p>April 2016 Officer, General Manager of AV System Business Headquarters and General Manager of Display Business Div. of the Company</p> <p>June 2016 Director of the Company</p> <p>May 2017 Representative Director of the Company (To date) President & CEO of the Company (To date) General Manager of AV System Business Headquarters and General Manager of Display Business Div. of the Company</p> <p>July 2017 General Manager of Business Headquarters and General Manager of Products Reliability Headquarters</p>	800 shares

Candidate No.	Name (Date of birth)	Brief history, post in the Company and business in charge (and important concurrent office)	Number of shares of the Company held by Candidate
2	Takeshi Ito (September 10, 1960)	<p>April 1982 Joined the Company</p> <p>April 2003 Assumed the position of General Manager of the Company President of FUNAI CORPORATION, INC.</p> <p>April 2005 Executive General Manager of the Company</p> <p>August 2008 President of P&F USA, Inc.</p> <p>October 2009 Officer of the Company</p> <p>April 2012 President of Funai India Private Limited</p> <p>October 2014 Officer and General Manager of Materials Headquarters of the Company (To date)</p> <p>June 2016 Director of the Company (To date)</p>	1,000 shares
3	Motoyoshi Adachi (January 26, 1955)	<p>April 1977 Joined Victor Company of Japan, Limited (currently JVC Kenwood Corporation)</p> <p>September 1998 General Manager of Marketing Promotion Dept., Overseas Sales Div. of Victor Company of Japan, Limited</p> <p>February 2003 Executive Vice President of JVC Canada Inc.</p> <p>September 2006 General Manager of AVC Accessory Dept. of Victor Company of Japan, Limited</p> <p>April 2007 Associate Director of Victor Company of Japan, Limited</p> <p>June 2008 Director of Victor Company of Japan, Limited</p> <p>September 2008 Director, Executive Officer of JVC Kenwood Holdings Inc. (currently, JVC Kenwood Corporation)</p> <p>September 2009 Director, Managing Officer of JVC Kenwood Holdings Inc.</p> <p>June 2011 Advisor of JVC Kenwood Holdings Inc.</p> <p>May 2013 Joined the Company as Associate Director in charge of sales management</p>	- share

Candi- date No.	Name (Date of birth)	Brief history, post in the Company and business in charge (and important concurrent office)	Number of shares of the Company held by Candidate
		<p>April 2014 Associate Director and General Manager of HV Business Div., AV System Business Headquarters of the Company</p> <p>October 2014 Officer, General Manager of HV Business Div., AV System Business Headquarters of the Company</p> <p>January 2015 Officer, General Manager of Display System Business Div., AV System Business Headquarters of the Company</p> <p>April 2016 President of Funai Corporation, Inc. President of P&F USA, Inc.</p> <p>April 2018 Officer, General Manager of Business Headquarters of the Company (To date)</p>	

Candidate No.	Name (Date of birth)	Brief history, post in the Company and business in charge (and important concurrent office)	Number of shares of the Company held by Candidate
4	Makoto Ueshima (February 27, 1963)	<p>April 1986 Joined Daiwa Bank, Limited (now Resona Bank, Limited)</p> <p>October 2003 General Manager of Senri Branch of Resona Bank</p> <p>April 2006 Department Manager of the Seventh Osaka Sales Department, Osaka Sales Office, Resona Bank</p> <p>June 2007 Department Manager of the Sixth Tokyo Sales Department, Tokyo Sales Office, Resona Bank</p> <p>July 2009 Department Manager of the Second Sales Department, Toranomon Branch, Resona Bank</p> <p>July 2010 General Manager of Amagasaki Kita Branch and Amagasaki Area Manager, Resona Bank</p> <p>April 2014 General Manager of Osaka Nishi Branch, Resona Bank</p> <p>August 2015 General Manager of Pension Sales Department, Resona Bank</p> <p>April 2017 Loaned to the Company, Associate Director</p> <p>July 2017 General Manager of Administration Headquarters of the Company (To date)</p> <p>April 2018 Joined the Company</p> <p>May 2018 Officer of the Company (To date)</p>	- share
5	Candidate for Outside Director Mitsuo Yonemoto (March 18, 1939)	<p>July 1995 Vice President and Director of T.P.S. Laboratory Co., Ltd. (To date)</p> <p>September 1998 Outside Director of the Company (To date)</p> <p>March 2009 Outside Director of THE SAILOR PEN CO., LTD.</p> <p>June 2012 Outside Audit & Supervisory Board Member of Oriental Chain Mfg. Co., Ltd. (To date)</p>	100 shares

Candidate No.	Name (Date of birth)	Brief history, post in the Company and business in charge (and important concurrent office)	Number of shares of the Company held by Candidate
		(Vice President and Director of T.P.S. Laboratory Co., Ltd.) (Outside Audit & Supervisory Board Member of Oriental Chain Mfg. Co., Ltd.)	

- (Notes)
1. None of the candidates for Director have any special interests with the Company.
 2. Candidate for Director, Mr. Mitsuo Yonemoto, is a candidate for Outside Director.
 3. Reasons for the selection of the candidates for Director or Outside Director:
 - The Management expects Mr. Hideaki Funakoshi to use the wide range of knowledge and capabilities accumulated from his broad expertise and experience as a manager of the AV business, one of the Company's core businesses.
 - The Management expects Mr. Takeshi Ito to use the wide range of knowledge and capabilities accumulated from his diverse business experience within the Company and extensive overseas business experience in the management of the Company.
 - The Management expects Mr. Motoyoshi Adachi to make full use of the abilities and insight that he has developed from his abundant experience and achievements in the area of business management for many years in his previous career and at this Company.
 - The Management expects Mr. Makoto Ueshima to make full use of his abilities and abundant insight in the area of banking and finance in the management of the Company.
 - The Management expects Mr. Mitsuo Yonemoto to offer advice based on his broad experience as a management consultant and also enhance the transparency of management by participating in the Board of Directors as an independent officer.
 4. Years of service of Outside Director of the Company:

Mr. Mitsuo Yonemoto will have served as an outside director for 19 years and nine months at the close of this Ordinary General Meeting of Shareholders.
 5. Designation of independent officer:

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

The Company has entered into an agreement with Non-executive Directors Mr. Tetsuro Funai and Mr. Mitsuo Yonemoto to limit their liability for any damage as provided for in Article 423, paragraph 1 of the Companies Act of Japan within the aggregate amount as provided for in the items of Article 425, paragraph 1 of the said Act, pursuant to Article 427, paragraph 1 of the said Act. If they are reelected, such agreement will be renewed.

Proposition No. 2: Payment of condolence money to the family of the late Mr. Tetsuro Funai, Director and Executive Advisor

Mr. Tetsuro Funai, who was a director and executive advisor of the Company, passed away on July 4, 2017. We propose to offer condolence money to his bereaved family, within a reasonable extent in accordance with the predetermined standards of the Company, as a retirement bonus as a reward for his achievements during his service with the Company.

We also propose that the specific amount, timing and method of payment and other details for the condolence money be determined by the Compensation Committee under the direction of the Board of Directors.

The career of the late Mr. Tetsuro Funai is outlined as follows:

Name	Career
Tetsuro Funai	August 1961 Established the Company, Representative Director and President
	June 2005 President & CEO, Representative Director of the Company
	June 2008 Chairman of BOD & Executive Officer of the Company
	June 2010 Chairman of BOD & Officer of the Company
	June 2012 Chairman of BOD of the Company
	October 2014 Chairman and Representative Director of the Company
	June 2016 Executive Advisor and Director of the Company
	July 2017 Passed away

- END -

(Attached documents)

BUSINESS REPORT

(April 1, 2017 to March 31, 2018)

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

(1) Development and results of business activities:

In the United States, which is the Group’s mainstay market, the economy has slowed down moderately. Although employment in the U.S. continued to be strong, supported by the solid performance of businesses, the growth of wages was modest, retail sales were weak and consumer spending declined. In Europe, the expansion of the economy has slowed down due to the shortage of facilities and labor, with a general weakness in production, export and consumer spending. In China, the economy grew steadily, supported by the improvement in employment while consumer spending slowed down moderately.

In Japan, the economy continued its modest recovery with strong employment and incomes, while exports and production activities slowed down.

Under these circumstances, the Group reported net sales of 130,130 million yen, a 2.8% decrease from the previous year, affected by the decline in sales prices and the sales volume of LCD TVs in the U.S. This was mainly because demand for LCD TVs in the U.S. decreased from the previous year, which resulted in an oversupply and further intensified price competition. The Group reported an operating loss of 10,885 million yen (operating loss of 6,775 million yen in the previous year). This decrease was mainly due to the decrease in sales of LCD TVs. Other factors contributing to the decrease were the increased purchase cost of LCD panels and the increase in sales promotion expenses for selling inventories of LCD TVs produced by using these LCD panels before the prices fell in the year-end shopping season; the failure to provide price-competitive products to the market in a timely manner at a time when LCD panel prices were declining; and the high cost of memory and other components. Ordinary loss was 11,909 million yen (ordinary loss of 7,726 million yen in the previous year) affected by the foreign exchange loss from the appreciation of the yen against the U.S. dollar. Net loss attributable to owners of parent ended at 24,709 million yen (net loss of 6,745 million yen in the previous year) because we reported impairment loss.

Net sales by product sector were as follows:

Audiovisual Equipment

Sales of LCD TVs and BD recorders increased, which were partially offset by the decrease in the sales of DVD products. Consequently, the Audiovisual Equipment business reported net sales of 122,569 million yen, a 6.3% increase from the previous year.

Information Equipment

Net sales of the Information Equipment business were 3,334 million yen, a 34.3% decrease from the previous year, mainly due to the decrease in sales of ink jet printers and ink cartridges.

Other

Net sales of the Other business were 4,225 million yen, a 68.7% decrease from the previous year. This decrease was mainly because sales of the electronic reception devices of DX Antenna Co., Limited were not included in the consolidated sales results of the current year as the Company assigned all shares of DX Antenna, which was a consolidated subsidiary of the Company in the previous year, to ELECOM Co., Ltd.

<Consolidated net sales by product group>

Group	Net sales (millions of yen)	Component rate (%)
Audiovisual equipment	122,569	94.2
Information equipment	3,334	2.6
Other	4,225	3.2
Total	130,130	100.0

(2) Investment in property, plant and equipment:

Investment in property, plant and equipment during the fiscal year under review totaled ¥2,155 million, which comprised of ¥1,576 million by its manufacturing companies and ¥579 million by its sales companies. Such investments were mainly for the improvement of the manufacturing facilities.

(3) Finance:

Nothing to be reported.

(4) Status of major organizational restructuring, etc.

Nothing to be reported.

(5) Issues to be addressed:

The business environment for the consumer electronics industry remained severe, with declining demand for LCD TVs in the United States, which is the mainstay market for the Group, intensified competition among suppliers, and the shrinking of the DVD/BD market due to the expansion of the online distribution of video content

Under these circumstances, the issues and the measures to be taken are as follows:

(i) Increase of net sales and recovery of profitability

The Group's top priority is to increase net sales and recover profitability.

In the audiovisual equipment business, we will develop and expand sale channels in the U.S. market by affiliating with large retail chains, following the affiliation with Walmart. We will also introduce high value-added products, such as AI TVs, to expand our share in the

U.S. market. In the Japanese market, where growth is expected, the Company will strive to enhance its product lineup, including OEL TVs, and promote further expansion of the FUNAI brand by strengthening advertising activities and improving customer satisfaction.

In the Information Equipment business, we will recover the costs of our achievements in research and development as profit by actively marketing high value-added special printers and ink cartridges for industrial use.

We will also actively work on new businesses such as microfluidics (micro fluid control technology)-applied products, video equipment for industrial use, healthcare/medical equipment, and EVs (electric vehicles) and automotive related products.

To steadily implement the above-mentioned strategies, the Group is working towards business improvements to provide products that meet market needs in a timely manner by minimizing time lags between functions, from product planning, development, material procurement, and production to sales.

(ii) Reinforcement of the manufacturing systems

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

(iii) Training and appointment of human resources

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

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

Following the previous year in which the Group recorded a significant operating loss, ordinary loss, net loss attributable to owners of the parent and negative operating cash flow, the Group continued to record an operating loss, ordinary loss, net loss attributable to owners of the parent and negative operating cash flow in the current year, which ended March 31, 2018. There have been events or circumstances that raise material doubts about the assumptions of the going concern.

However, there are no material financial concerns as the balance of cash and deposits currently held by the Group are sufficient to cover operating capital for the time being.

Moreover, the Group is confident that the matter in question can be resolved in light of the fact that the Group has reviewed and modified the medium-term management policy formulated in the previous year and take the following actions gradually based on the modified policy.

(A) Display business (LCD-TV business)

- Expand sales to existing customers in the U.S. market and seek to acquire new customers
- Concentrate management resources on the development of FUNAI brand products and OEM products in the Japanese market

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

- Implement a niche strategy in the U.S. market focusing on certain products
- Expand FUNAI brand products and acquire new customers for OEM in the Japanese market.

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

- Improve profitability by expanding sales of high value-added printer products
- Implement a derivative business by making use of microfluidics (micro fluid control technology)

(D) New businesses

- Expand sales by developing and releasing new products related to healthcare, medical and in-vehicle devices

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

(6) Property and income/loss:

Fiscal year Item	63rd (April 1, 2014 to March 31, 2015)	64th (April 1, 2015 to March 31, 2016)	65th (April 1, 2016 to March 31, 2017)	66th (April 1, 2017 to March 31, 2018)
Net sales (millions of yen)	216,553	170,041	133,838	130,130
Ordinary income (loss) (millions of yen)	600	(13,653)	(7,726)	(11,909)
Net income (loss) attributable to owners of the parent (millions of yen)	31	(33,839)	(6,745)	(24,709)
Net income (loss) per share (yen)	0.92	(991.81)	(197.70)	(724.21)
Total assets (millions of yen)	188,902	154,191	108,685	80,270
Equity (millions of yen)	123,218	84,439	76,656	50,717
Equity per share (yen)	3,576.14	2,442.28	2,242.38	1,485.96

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

(7) Major subsidiaries:

Trade name	Capital stock	Ratio of equity participation of the Company (%)	Main business
FUNAI CORPORATION, INC.	US\$68.5 million	100.00	Sale of the Company's products
Funai Electric (HK) Ltd.	HK\$115 million	100.00	Manufacture of the Company's products
FUNAI (THAILAND) CO., LTD.	THB1,568 million	100.00	Manufacture of the Company's products

(8) Major businesses of the Group:

Division	Principal products
Audiovisual equipment	LCD-TVs, DVD players, DVD recorders, BD players and BD recorders
Information equipment	Printers and ink cartridges
Other	Other equipment

(9) Major business sites of the Group:

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

(10) Employees of the Group:

Number of employees (persons)	Change from the end of the previous fiscal year (+ or -) (persons)
2,408	-879

(Note) 1. The above number of employees represents those actively at work.
2. The number of employees decreased from the previous fiscal year mainly due to the decrease in the number of Group companies as a result of the assignment of shares of

DX Antenna Co., Ltd. and the streamlining of the workforce at Funai (Thailand) Co., Ltd., a production subsidiary.

(11) Major lenders:

Nothing to be reported.

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

Nothing to be reported.

2. Matters concerning the shares of the Company

- (1) Total number of shares authorized: 80,000,000 shares
- (2) Total number of shares issued: 36,130,796 shares
(Including 2,011,829 shares of treasury stock)
- (3) Number of shareholders: 9,949 persons
- (4) Principal shareholders (top 10):

Name	Number of shares held (thousands of share)	Shareholding ratio (%)
Tetsuo Funai	13,438	39.39
State Street Bank and Trust Company 505223	1,942	5.69
Funai Information Science Promotion Foundation	1,740	5.10
State Street Bank and Trust Company	1,281	3.75
GOLDMAN SACHS INTERNATIONAL	740	2.17
EFUTSU Co., Ltd.	470	1.38
T&N Co., Ltd.	470	1.38
Funai Kosan Co., Ltd.	470	1.38
Funai Shougakukai	462	1.35
The Bank of New York 133522	457	1.34

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

2. Each shareholding ratio is obtained by deducting shares of treasury stock of the Company and calculating down to the third decimal place and thereafter rounding upward or downward to the nearest second decimal place, as the case may be.

- (5) Other important matters concerning shares:

Nothing to be reported.

3. Matters concerning stock acquisition rights:

(1) Stock acquisition rights issued and outstanding at the end of the fiscal year under review:

(i) Number of stock acquisition rights: 3,091 rights

(Note) The number of stock acquisition rights is shown by reducing from the number of stock acquisition rights granted, the number of stock acquisition rights exercised, and the number of stock acquisition rights that the persons entitled thereto ceased to have due to retirement or other terms of exercise of the rights.

(ii) Class and number of shares to be issued or transferred upon exercise of the stock acquisition rights: 309,100 shares of common stock (100 shares per stock acquisition right)

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

Issue	Category	Number of rights	Holder	Exercise price per share	Exercise period
The first stock acquisition rights for the year ended March 31, 2015	Director (other than Audit and Supervisory Committee Member) (other than Outside Director)	50	1	¥1,296	September 1, 2016 to August 31, 2023
The first stock acquisition rights for the year ended March 31, 2017	Director (other than Audit and Supervisory Committee Member) (other than Outside Director)	150	2	¥1,019	September 1, 2018 to August 31, 2023
The first stock acquisition rights for the year ended March 31, 2018	Director (other than Audit and Supervisory Committee Member) (other than Outside Director)	150	2	¥947	September 1, 2019 to August 31, 2024

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

Stock acquisition rights issued on November 29, 2017:

(i) Number of stock acquisition rights: 1,700 rights

(ii) Class and number of shares to be issued or transferred upon exercise of the stock acquisition rights: 170,000 shares of common stock (100 shares per stock acquisition right)

(iii) Amount of property to be paid in upon exercise of the stock acquisition rights: ¥94,700 per right (¥947 per share)

(iv) Exercise period of stock acquisition rights: September 1, 2019 to August 31, 2024

(v) Stock acquisition rights allotted:

Category	Number of rights	Number of shares to be issued or transferred	Number of holders
Directors of the Company	150	15,000	2
Employees of the Company	1550	155,000	124

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

Nothing to be reported.

4. Matters concerning Officers of the Company:

(1) Directors (as of March 31, 2018)

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

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

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

Name	Retirement date	Reason	Title, business in charge and important concurrent office upon retirement
Tetsuhiro Maeda	June 28, 2017	Expiration of term of office	Director
Joji Okada	June 28, 2017	Expiration of term of office	Director, Officer, General Manager of Legal/Intellectual Property Headquarters
Hiroshi Ishizaki	June 28, 2017	Expiration of term of office	Director (Audit and Supervisory Committee Member, full time) Chairman of the Audit and Supervisory Committee
Yoshiaki Sakauchi	June 28, 2017	Expiration of term of office	Outside Director (Audit and Supervisory Committee Member) President and Representative Director, Be.com, Co. Ltd.
Tetsuro Funai	July 4, 2017	Passed away	Director and Executive Advisor Chairman of Funai Foundation for Information Technology Chairman of Funai Shogakukai

(For reference)

The Company has adopted a “System of Officers” and the Officers as of March 31, 2018 who did not concurrently hold the offices of Directors were as follows:

Officer Motoyoshi Adachi

Officer Katsuo Tokuhara

(3) Outline of liability limitation agreements:

In accordance with Article 427, paragraph 1 of the Companies Act of Japan, the Company has entered into an agreement with Non-executive Directors Mitsuo Yonemoto, Fumiaki Kidera, Masahide Morimoto and Masakazu Funaishi to limit their liability for any damage as provided for in Article 423, paragraph 1 of said act within the aggregate of the amounts listed in the items of Article 425, paragraph 1 of said act.

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

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

Category	Number of recipients (persons)	Amount of payments (thousand yen)
Director (other than Director being Audit and Supervisory Committee Member) (Outside Director)	7 (1)	68,394 (5,200)
Director (Audit and Supervisory Committee Member) (Outside Director)	5 (3)	19,337 (10,400)
Total (Outside Director)	12 (4)	87,732 (15,600)

- (Notes)
1. The above-listed amounts include payments to three directors (excluding directors who were members of the Audit and Supervisory Committee) and two directors (who were members of the Audit and Supervisory Committee, including one outside director) who retired during the fiscal year under review.
 2. The above-listed amount of payments includes the following amount of allowance for Officers' retirement benefits recorded as expenses for the fiscal year under review:
 - ¥5,479 thousand for seven Directors (other than Directors being Audit and Supervisory Committee Members) (including ¥400 thousand for one outside Director)
 - ¥1,487 thousand for five Directors (Audit and Supervisory Committee Members) (including ¥800 thousand for three outside Directors)
 3. The above-listed amount of payments includes the following amount of remuneration in stock options recorded as expenses for the fiscal year under review:
 - ¥1,965 thousand for four Directors (other than Audit and Supervisory Committee Members)

(5) Other important matters concerning Officers:

Nothing to be reported.

(6) Matters concerning Outside Officers:

- (i) Concurrent holding of important offices of Executive Officers of other corporations and their relationships with the Company:
 - Director Mitsuo Yonemoto is Vice President and Director of T.P.S. Laboratory Co., Ltd. The Company has no special relationship with T.P.S. Laboratory Co., Ltd.

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

- Director Mitsuo Yonemoto is an Outside Audit & Supervisory Board Member of Oriental Chain Mfg. Co., Ltd. The Company has no special relationship with Oriental Chain Mfg. Co., Ltd.

(iii) Kinship among Executive Officers of the Company and its specified related enterprises:

Nothing to be reported.

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

- Attendance and speeches at the meetings of the Board of Directors and the Audit and Supervisory Committee:

Name	Attendance and Speeches
Director Mitsuo Yonemoto	He attended 14 of the 14 meetings (attendance rate: 100%) of the Board of Directors held during the fiscal year under review and expressed opinions principally from the standpoint of a management consultant, and from an objective standpoint as an Independent Officer.
Director (Audit and Supervisory Committee Member) Masahide Morimoto	He attended 14 of the 14 meetings (attendance rate: 100%) of the Board of Directors and 11 of 11 meetings (attendance rate: 100%) of the Audit and Supervisory Committee held during the fiscal year under review. He expressed opinions at the meetings of the Board of Directors and the Audit and Supervisory Committee principally from the standpoint of a veteran top executive, and from the technical standpoint of finance and securities.
Director (Audit and Supervisory Committee Member) Masakazu Funaishi	On and after June 28, 2017 when he assumed the office, he attended 9 of the 9 meetings (attendance rate: 100%) of the Board of Directors and 7 of 7 meetings (attendance rate: 100%) of the Audit and Supervisory Committee held during the fiscal year under review. He expressed opinions at the meetings of the Board of Directors and the Audit and Supervisory Committee principally from the standpoint of a veteran top executive.

(Note) In addition to the number of meetings of the Board of Directors above, written resolutions, which shall be deemed to have been adopted pursuant to the provisions of Article 370 of the Companies Act and Article 23 of the Articles of Incorporation of the Company, were adopted on two occasions.

5. Matters concerning independent auditors:

(1) Names of the independent auditors:

Deloitte Touche Tohmatsu LLC

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

(i) Remuneration, etc., of the independent auditors for the fiscal year under review: ¥91 million

(ii) Total amount of cash and other proprietary benefits payable to the independent auditors: ¥91 million

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

2. One major subsidiary of the Company is subject to audits by audit firms (including persons having qualifications in foreign countries equivalent to those of independent auditors of the Company) other than the independent auditors of the Company.

(3) Content of non-auditing services:

Nothing to be reported.

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

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

(5) Policy on the determination of dismissal or non-reappointment of the independent auditors:

In the event that the independent auditors are found to fall under any event of dismissal under the items of Article 340, paragraph 1 of the Companies Act and are considered appropriate to be dismissed, the Audit and Supervisory Committee shall, upon unanimous consent of the Audit and Supervisory Committee Members, dismiss the independent auditors. In addition, in the event that any problem is found to arise with the performance by the independent auditors of their proper audits, the Audit and

Supervisory Committee shall determine the content of a proposition for the dismissal or non-reappointment of the independent auditors to be submitted to a General Meeting of Shareholders.

- (6) Outline of liability limitation agreements:

Nothing to be reported.

6. Systems and policies of the Company

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

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

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

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

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

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

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

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

To ensure that the management performs decision-making swiftly and effectively, the Company has introduced a “System of Officers”, and place Officers under the control of the Executive Directors to ensure that the operations determined by the Executive Directors are performed swiftly. In addition, to enhance the transparency of the Board of Directors and strengthen its supervisory functions, the Company has appointed outside Directors and instituted an Audit and Supervisory Committee.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (xiv) System for the exclusion of antisocial forces

The Company shall have a fundamental policy of having no relation with any antisocial force and refusing any unjust claim.

In the event that a client is found to be an entity, enterprise, individual, etc. having any relation with such antisocial force, the Company shall promptly terminate a business relationship with it.

The Company shall designate its Personnel and General Affairs Department as a principal division in charge of dealing with antisocial forces and control the information centrally. To make its Officers and employees comply with its fundamental policy, the Company shall also define it clearly in its related rules and regulations and establish an education system therefor. In addition, the Company shall prepare countermeasures to prevent damages from antisocial forces, if necessary.

In the event that any unjust claim is requested by an antisocial force, the

Company shall work closely with external specialized agencies, including the police and its legal counsel, and establish a cooperative system for emergency situations.

(2) Summary of the operation status of the systems to secure the propriety of business activities:

(i) Compliance

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

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

(ii) Risk management

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

(iii) Directors’ performance of duties

The Board of Directors, which consists of 7 Directors (three of whom are Directors being Audit and Supervisory Committee Members), including three outside Directors, makes decisions on the matters required by laws or ordinances and important matters concerning management, and supervises the execution of business. During the fiscal year under review, the Board of Directors held 14 meetings. In addition, the Investment and Loan Committee held three sessions, the Nomination Committee held two sessions and the Compensation Committee held four sessions.

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

The Audit and Supervisory Committee Members attend meetings of the Board of Directors, as well as monthly financial reporting meetings. During the fiscal year under review, 11 meetings of the Audit and Supervisory Committee were held.

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

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

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

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

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

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

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

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

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

(Note) In this business report, all figures and the number of shares are shown by discarding any fractions of the indicated units, and rates are shown by rounding fractions of a half or more of the indicated unit upward and the rest downward

unless otherwise indicated. Net income per share, net loss per share and equity per share are shown by rounding off to two decimal places.

CONSOLIDATED BALANCE SHEET

(As of March 31, 2018)

(millions of yen)

ASSETS:

Current assets:	67,779
Cash and deposits	32,390
Notes and accounts receivable-trade	9,953
Merchandise and finished goods	13,251
Work in process	516
Raw materials and supplies	9,841
Deferred tax assets	468
Other	2,379
Allowance for doubtful accounts	(1,021)
Fixed assets:	12,491
Property, plant and equipment:	8,193
Buildings and structures	4,406
Machinery, equipment, and motor vehicles	1
Tools, furniture, and fixtures	25
Land	3,479
Lease assets	263
Other	17
Intangible assets:	93
Other	93
Investments and other assets:	4,203
Investment securities	1,285
Deferred tax assets	225
Assets for retirement benefits	1,840
Other	1,090
Allowance for doubtful accounts	(239)
TOTAL ASSETS	80,270

(millions of yen)

LIABILITIES:

Current liabilities:	26,842
Notes and accounts payable-trade	11,808
Accounts payable-other	10,372
Current portion of long-term lease obligations.....	236
Income taxes payable.....	664
Reserve for product warranty	981
Other	2,780
Long-term liabilities:	2,711
Long-term lease obligations	282
Deferred tax liabilities	655
Liabilities for Directors' and Audit & Supervisory Board Members' retirement benefits	1,025
Liabilities for retirement benefits	3
Other	744
TOTAL LIABILITIES	29,553

EQUITY:

Shareholders' equity:	62,539
Common stock	31,307
Capital surplus	33,603
Retained earnings.....	21,970
Treasury stock	(24,341)
Accumulated other comprehensive income (loss):	(11,840)
Unrealized gain on available-for-sale securities	13
Foreign currency translation adjustments.....	(12,305)
Defined retirement benefit plans	451
Stock acquisition rights:	17
TOTAL EQUITY	50,717
TOTAL LIABILITIES AND EQUITY	80,270

CONSOLIDATED STATEMENT OF OPERATIONS

(from April 1, 2017 to March 31, 2018)

(millions of yen)

Net sales		130,130
Cost of sales		121,529
Gross profit		8,600
Selling, general, and administrative expenses		19,485
Operating loss		10,885
Non-operating income:		
Interest and dividend income	248	
Rental income on fixed assets	62	
Other	196	506
Non-operating expenses:		
Interest expense	67	
Foreign exchange losses	1,107	
Compensation expenses	225	
Other	130	1,530
Ordinary loss		11,909
Extraordinary income:		
Gain on sales of fixed assets	2	
Gains from sales of shares of subsidiaries and associates	29	
Gain on reversal of subscription rights to shares	146	178
Extraordinary loss:		
Loss on disposal of fixed assets	17	
Impairment loss on fixed assets	12,586	12,604
Loss before income taxes		24,335
Income taxes – current	257	
Income taxes – deferred	116	373
Net loss		24,709
Net loss attributable to owners of the parent		24,709

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(from April 1, 2017 to March 31, 2018)

(millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2017	31,307	33,603	47,020	(24,341)	87,590
Changes of items during the period					
Dividends from surplus			(341)		(341)
Loss attributable to owners of the parent			(24,709)		(24,709)
Purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	-	-	(25,050)	(0)	(25,050)
Balance as of March 31, 2018	31,307	33,603	21,970	(24,341)	62,539

	Accumulated other comprehensive income (loss)				Stock acquisition rights	Total equity
	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Defined retirement benefit plans	Total accumulated other comprehensive income (loss)		
Balance as of April 1, 2017	11	(11,206)	111	(11,082)	149	76,656
Changes of items during the period						
Dividends from surplus						(341)
Loss attributable to owners of the parent						(24,709)
Purchase of treasury stock						(0)
Net changes of items other than shareholders' equity	1	(1,099)	340	(757)	(131)	(889)
Total changes of items during the fiscal year	1	(1,099)	340	(757)	(131)	(25,939)
Balance as of March 31, 2018	13	(12,305)	451	(11,840)	17	50,717

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

NONCONSOLIDATED BALANCE SHEET

(As of March 31, 2018)

(millions of yen)

ASSETS:

Current assets:	36,468
Cash and deposits	19,350
Accounts receivable-trade	18,223
Merchandise and finished goods	977
Raw materials and supplies	1,653
Prepaid expenses	357
Other	791
Allowance for doubtful accounts	(4,885)
Fixed assets:	37,144
Property, plant and equipment:	4,520
Buildings	1,907
Structures.....	23
Machinery and equipment	1
Motor vehicles.....	0
Tools, furniture, and fixtures	21
Land.....	2,302
Lease assets	263
Intangible assets:	83
Software	71
Other.....	12
Investments and other assets:	32,539
Investment securities	291
Investment in subsidiaries and associated companies	21,808
Long-term loans receivable	21,386
Long-term prepaid expenses	43
Prepaid pension cost.....	1,311
Other.....	200
Allowance for doubtful accounts	(12,500)
TOTAL ASSETS	73,612

(millions of yen)

LIABILITIES:

Current liabilities:	19,196
Accounts payable-trade	6,468
Current portion of long-term lease obligations.....	118
Accounts payable-other	6,419
Accrued expenses	3,842
Income taxes payable.....	183
Deposits received.....	286
Reserve for product warranty	838
Other	1,038
Long-term liabilities:	3,054
Long-term loans payable	658
Lease obligations	171
Deferred tax liabilities	454
Liabilities for Directors' retirement benefits	1,025
Other	744
TOTAL LIABILITIES	22,250

EQUITY

Shareholders' equity	51,331
Common stock	31,307
Capital surplus:	33,272
Capital reserve	32,833
Other capital surplus	438
Retained earnings:	11,092
Legal reserve.....	209
Other retained earnings.....	10,883
Reserve for advanced depreciation of fixed assets.....	120
General reserve.....	23,400
Retained earnings brought forward	(12,637)
Treasury stock	(24,341)
Valuation and translation adjustments:	13
Unrealized gain on available-for-sale securities	13
Stock acquisition rights	17
TOTAL EQUITY	51,362
TOTAL LIABILITIES AND EQUITY	73,612

NONCONSOLIDATED STATEMENT OF OPERATIONS

(from April 1, 2017 to March 31, 2018)

(millions of yen)

Net sales		119,197
Cost of sales		113,008
Gross profit		6,189
Selling, general, and administrative expenses		12,783
Operating loss		6,594
Non-operating income:		
Interest and dividend income	591	
Reversal of allowance for doubtful accounts for affiliates		
Other	98	780
Non-operating expenses:		
Interest expense	4	
Foreign exchange loss	1,548	
Provision to the allowance for doubtful accounts for affiliates	780	
Other	267	2,600
Ordinary loss		8,414
Extraordinary income:		
Gain on sales of fixed assets	1	
Gain on sales of investment in nonconsolidated subsidiaries and associated companies	20	
Gain on reversal of subscription rights to shares	146	168
Extraordinary loss:		
Loss on disposal of fixed assets	17	
Loss on valuation of shares of subsidiaries and associates	3,661	
Impairment loss	7,564	11,243
Income before income taxes		19,489
Income taxes – current	13	
Income taxes – deferred	(67)	(53)
Net income		19,435

NONCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(from April 1, 2017 to March 31, 2018)

(millions of yen)

	Shareholders' equity										
	Common stock	Capital surplus			Legal reserve	Retained earnings				Treasury stock	Total shareholders' equity
		Capital reserve	Other capital surplus	Total capital surplus		Other retained earnings			Total retained earnings		
						Reserve for advanced depreciation of fixed assets	General reserve	Retained earnings brought forward			
Balance as of April 1, 2017	31,307	32,833	438	33,272	209	128	23,400	7,131	30,869	(24,341)	71,107
Changes of items during the fiscal year											
Reversal of reserve for advanced depreciation of fixed assets						(7)		7	-		-
Cash dividends								(341)	(341)		(341)
Net loss								(19,435)	(19,435)		(19,435)
Acquisition of treasury stock										(0)	(0)
Net changes of items other than shareholders' equity											
Total changes of items during the fiscal year	-	-	-	-	-	(7)	-	(19,769)	(19,776)	(0)	(19,776)
Balance as of March 31, 2018	31,307	32,833	438	33,272	209	120	23,400	(12,637)	11,092	(24,341)	51,331

(millions of yen)

	Valuation and translation adjustments		Stock acquisition rights	Total equity
	Unrealized gain on available-for-sale securities	Total valuation and translation adjustments		
Balance as of April 1, 2017	11	11	149	71,269
Changes of items during the fiscal year				
Reversal of reserve for advanced depreciation of fixed assets				-
Cash dividends				(341)
Net loss				(19,435)
Acquisition of treasury stock				(0)
Net changes of items other than shareholders' equity	1	1	(131)	(129)
Total changes of items during the fiscal year	1	1	(131)	(19,906)
Balance as of March 31, 2018	13	13	17	51,362

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

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

May 18, 2018

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

Deloitte Touche Tohmatsu LLC

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

Akira Nakata

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

Akihiro Okada

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated balance sheet as of March 31, 2018 of Funai Electric Co., Ltd. (the "Company") and its consolidated subsidiaries, and the related consolidated statements of operations and changes in equity for the fiscal year from April 1, 2017 to March 31, 2018, and the related notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Funai Electric Co., Ltd. and its consolidated subsidiaries as of March 31, 2018, and the results of their operations for the year then ended in accordance with accounting principles generally accepted in Japan.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

-END-

Copy of Independent Auditor's Report on Nonconsolidated Financial Statements

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

May 18, 2018

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

Deloitte Touche Tohmatsu LLC

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

Akira Nakata

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

Akihiro Okada

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the financial statements, namely, the balance sheet as of March 31, 2018 of Funai Electric Co., Ltd. (the "Company"), and the related statements of operations and changes in equity for the 66th fiscal year from April 1, 2017 to March 31, 2018, and the related notes and the accompanying supplemental schedules.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements and the accompanying supplemental schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that

we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the accompanying supplemental schedules are free from material misstatement.

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

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

Audit Opinion

In our opinion, the financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of Funai Electric Co., Ltd. as of March 31, 2018, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in Japan.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language and "the accompanying supplemental schedules" referred to in this report are not included in the attached financial documents.

-END-

Copy of Audit Report of the Audit and Supervisory Committee

AUDIT REPORT

We, the Audit and Supervisory Committee of Funai Electric Co., Ltd. (the “Company”), have performed our audits on the execution by Directors of their duties during the 66th fiscal year from April 1, 2017, through March 31, 2018. We hereby report the audit method and results as follows.

1. Methods of audits and the particulars thereof:

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

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

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

2. Results of audit:

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

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

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

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

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

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

May 21, 2018

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

Fumiaki Kidera (seal)
Outside Audit and Supervisory Committee Member

Masahide Morimoto (seal)
Outside Audit and Supervisory Committee Member

Masakazu Funaishii (seal)
Outside Audit and Supervisory Committee Member

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