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FUNAI

2018

Annual Report

FUNAI ELECTRIC CO., LTD.

Fundamental Principle

Dream with Conviction, and Act on Information

Management Philosophy

Challenge the company to grow by becoming helpful in the community

Group Vision

Funai creates products that are the choice of people around the world

"Around the world," as a global company

"The choice," aiming for top share in the industry

"Creates products," that people will love

Corporate Logo

Our Corporate Logo, which shows a stylized "F" breaking out of its circular boundaries, expresses our focus on breaking away from stereotypes, while at the same time symbolizing our vigorous growth. The shape of the "F" resembles a human hand, connoting production and manufacturing. This shape is meant to convey our high productivity and outstanding quality, with sharp angles to express simplicity.

Contents

Aiming to Be "FUNAI Strong" and the Choice of Customers Worldwide

Funai Electric (hereafter, "Funai") has handed down the aspirations of its founder, Tetsuro Funai, in its management philosophy of "Dream with Conviction, and Act on Information." We have restructured our profit structure based on our new management policy and aim to make the company "FUNAI strong" again. By "FUNAI strong," we mean utilizing Funai's unique core competencies to demonstrate earning power, competitive edge, productivity, and organizational strength. Our goal is to develop products that are loved by customers to secure the top market share in the industry as a global company and realize the group vision of creating products that are the choice of customers around the world.

Hideaki Funakoshi
Representative Director
President & CEO

Reflecting on Fiscal Year 2017 (Fiscal Year Ended March 31, 2018)

Funai improves productivity through the originality and ingenuity demonstrated in its research and development capabilities and the Funai Production System (FPS). By doing so it provides simple, high-quality digital consumer electronics products with superior cost-performance to the global market. However, Funai has faced an unstable supply of components and stiffening competition among manufacturers in the digital consumer electronics market in recent years and this has had a greater than expected impact on business profitability. During fiscal 2017 (fiscal year ended March 31, 2018), volume growth in high-priced large-screen LCD televisions and the commencement of FUNAI-brand product sales in the Japanese market led to growth in sales for Funai's main display business. Meanwhile, the rapid rise in the price of LCD panels at the beginning of last year also halted the decline in the price of LCD televisions, and market demand for LCD televisions in North America and China shrunk. The shipment of a large volume of LCD televisions, mainly large models, to the North American market by Chinese manufacturers also caused a state of oversupply, leaving Funai and other LCD television manufacturers with high inventories. The sales promotions required to sell this inventory cost more than expected and had a substantial adverse impact on profitability. This resulted in substantial underperformance in business results, including net losses for three consecutive periods.

Changing the Profit Structure to Better Insulate Profits from the Market Environment

Based on our mid-term management plan, New Policy & Strategy for FY2017 - FY2019, we have worked to improve profitability, mainly in the AV business to accomplish the essential goal of moving past the losses, and have made progress on building a strong business base. However, we were unable to mount an adequate response to the unprecedented changes in the market such as the inventory held by all LCD television manufacturers and, as I stated above, this resulted in extremely poor performance in fiscal 2017. It is our view that LCD television demand in the North American market in fiscal 2018 (fiscal year ending March 31, 2019) will remain flat or decline slightly from the level in fiscal 2017. The business environment is also expected to remain severe due to stiffening price competition, persistently high prices for semiconductor components and other elements of uncertainty. In order to move Funai past losses without the benefit of an improving market environment, we must improve our competitiveness by introducing attractive products that utilize Funai's strengths and which cannot be imitated by other competitors. We also need to position the company to make maximal use of Funai's capabilities, reorganize the profit structure to eliminate unprofitable businesses, and aggressively roll out a new competitive strategy of actively entering new businesses.

Aiming to Move Past Losses Under a New Management Policy

Funai has revised its management policy on the steps that should be taken based on this perspective. We will use FPS (the Funai Production System), which is one of our core competencies, to our greatest advantage, and are formulating the Management Policy for Fiscal Year 2018 to successfully reform the profit structure and achieve sustainable growth. The details of the management policy will be explained below, but we will work to strengthen profitability for the group as a whole by advancing a business strategy that explicitly states the positioning of our businesses and by reforming governance and management. These efforts will be based on three basic strategies in each business: Expanding market share, ensuring penetration of the FUNAI brand, and developing new businesses. There has been no change in the policy of working to make the company "FUNAI strong" once again, which was the goal in place at the time I became president. During fiscal 2018, we will return to Funai's original strengths of expanding sales and earning reasonable profits, dedicated pursuit of cost competitiveness, improving productivity through technological strengths, and strengthening solidarity and the mindset of working as one team, based on the new management policy. We will make steady progress on moving past losses to reach the stage of sustainable growth.

Handing Down the Aspirations of Our Founder to Make the Company "FUNAI Strong" Once Again

Our founder, Tetsuro Funai, passed away on July 4, 2017. We are very grateful for the many people who came to his memorial service to pay their respects. As the head of the company, I will pass on the aspirations of our founder and continue to take on the challenge of implementing various reforms swiftly and decisively. I am firm in my resolve to be bold in reforming the profit structure. All employees of the Funai Group will continue to work as one team to produce products that are loved by customers around the world and strive to achieve top market share in the industry. We will make the company "FUNAI strong" once again through these efforts, as we also take on the challenge of entering the EV business and other new businesses to achieve sustainable growth.

Profile

President and CEO
Hideaki Funakoshi DOB: September 30, 1965, in Osaka

January 1993	Joined Funai Electric Co., Ltd.
April 2006	Manager, DVD Project Div.
February 2008	Executive General Manager in charge of DVD Business Div.
June 2010	Company Director Officer and General Manager in charge of DVD Business Div.
July 2011	Officer and Deputy General Manager in charge of AV Headquarters
May 2012	Officer and Deputy General Manager in charge of AV System Business Div. and General Manager of Digital Media Business Div.
April 2013	Officer and General Manager in charge of AV System Business Div. and General Manager of Display Business Div.
November 2014	Officer and General Manager in charge of AV System Business Div.
April 2016	Officer and General Manager in charge of AV System Business Div. and General Manager of Display Business Div.
June 2016	President and CEO
May 2017	President and CEO (Current position: General Manager of AV System Business Div. and General Manager of Display Business Div.)
July 2017	General Manager of Business Development Headquarters and General Manager of Product Reliability Headquarters

Supplying simple, high-quality products to the world

Funai Electric supplies simple, high-quality products under a broad range of brands in four business segments—Display, Digital Media, Office Solution, and Development and New Businesses—and has established a solid position in the global consumer electronics market.

Since our company was established, Funai Electric has demonstrated the ability to develop and supply products of superior quality and cost-performance, and has built a reputation of solid reliability in the global digital consumer electronics market.

Today we are engaged in a broad range of businesses in four business segments: The Display business, which carries flat-screen televisions, the Digital Media business, which carries DVD and BD (Blu-ray Disc) related products, the Office Solutions business, which carries printer-related equipment, and Development and New Businesses, which develops and manufactures dental CT scanners, products for installation in vehicles, and other high-quality products.

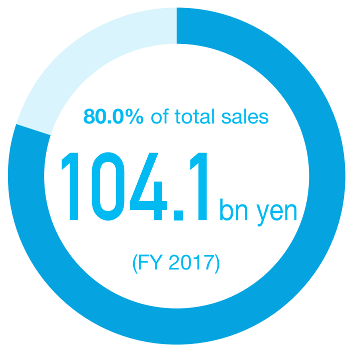
In our main Display business, we supply four brands of flat-panel televisions in a variety of sizes from small to large. In our Digital Media business, we supply DVD and BD (Blu-ray Disc) related products to Japan and North America, respectively. We are recognized for our price competitiveness and capacity to supply these audiovisual products and are particularly proud of our top-ranked share among Japanese manufacturers in flat-panel televisions in the North American market.

Funai Electric utilizes the ink cartridges and printer products we developed ourselves in our Office Solution business and the strong partnerships with our OEM (consignment manufacturing) customers in our Development and New Businesses segment to develop, manufacture, and sell high value-added products.

We are entering a severe period of shakeout in the global digital consumer electronics industry as competition on function, design, and price stiffens with the rise of Chinese, Taiwanese, and Korean manufacturers.

However, it is precisely in this sort of severe environment that we are seizing the opportunity to manifest the true value of Funai Electric, with our advanced in-house development capacity and our formidable production system. We will work to increase our brand value and expand our market share by rapidly developing and manufacturing products that match the needs of consumers and supplying products of superior quality and cost-performance to the global market.

Display Business | Flat-panel Televisions



Globally recognized high-definition imaging, a new option in organic light-emitting diode TVs in Japan

Funai Electric is maintaining top-ranked share among Japanese manufacturers in the North American market where we sell three brands (Philips, SANYO, and Magnavox). We also achieved a smooth start during the first year of exclusive sales of FUNAI-brand products at Yamada Denki stores in Japan from June 2017 with sales that outperformed the goal. During fiscal 2018, the second year of sales, we are working to expand sales further by introducing a broad line-up that includes the industry's first OLED TVs equipped with an internal hard disk drive.

Digital Media Business | DVD/BD-related Products

Enticing AV users with a high-definition simultaneous recording function

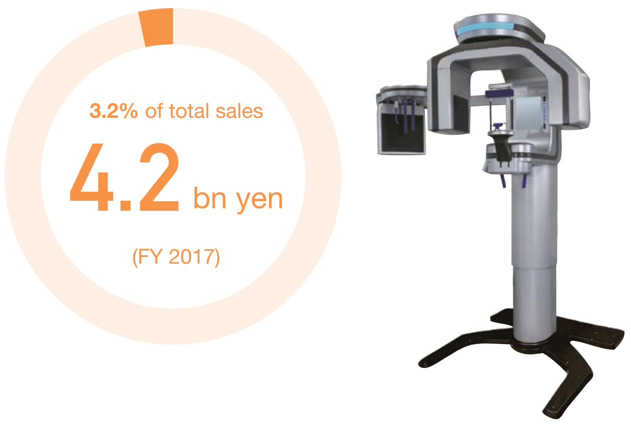
In the North American market, we have carried 4K Ultra HD Blu-ray Disk players since 2016. We also launched exclusive sales of a FUNAI-brand 4K Ultra-HD Blu-ray Disc recorder in Yamada Denki stores in July 2018, and are continuing to expand overall sales with flat-panel televisions.

Office Solutions Business | Printer-related Products

Capitalizing on the diverse range of business needs to achieve expansion of the printer business

Funai Electric is utilizing the expertise it has cultivated in OEM for inkjet printer products since 1997 to expand the business substantially. We are manufacturing printer-related products for a wide variety of purposes in the B-to-B and OEM segments, beginning with commercial inkjet cartridges we developed in-house using thermal inkjet technology.

Development and New Businesses | Dental CT Scanning Devices, Products for Installation in Vehicles, and Other Products



Meeting a wide range of OEM needs with optimal technology and optimal manufacturing

Funai Electric is manufacturing dental CT scanning devices on consignment for the U.S. market. We are also manufacturing products for installation in vehicles and precision machinery in the healthcare sector, and are meeting a wide range of needs with superior technology.

Brands carried

Brands sold globally

FUNAI
Kodak

Brands sold in North America

FUNAI
SANYO
Kodak
Philips
Magnavox

Sales

Capturing the Needs of Markets around the World

Funai Electric deploys a sales strategy based on the unique characteristics of each market in many locations around the world. In the North American market, which is the largest market in the world, Funai has strengthened its relationship with leading mass retailers to develop an accurate assessment of market needs, and maintains top share in the market. We also began exclusive sales of the FUNAI brand through Yamada Denki, the largest mass retailer of consumer electronics in Japan, from 2017.

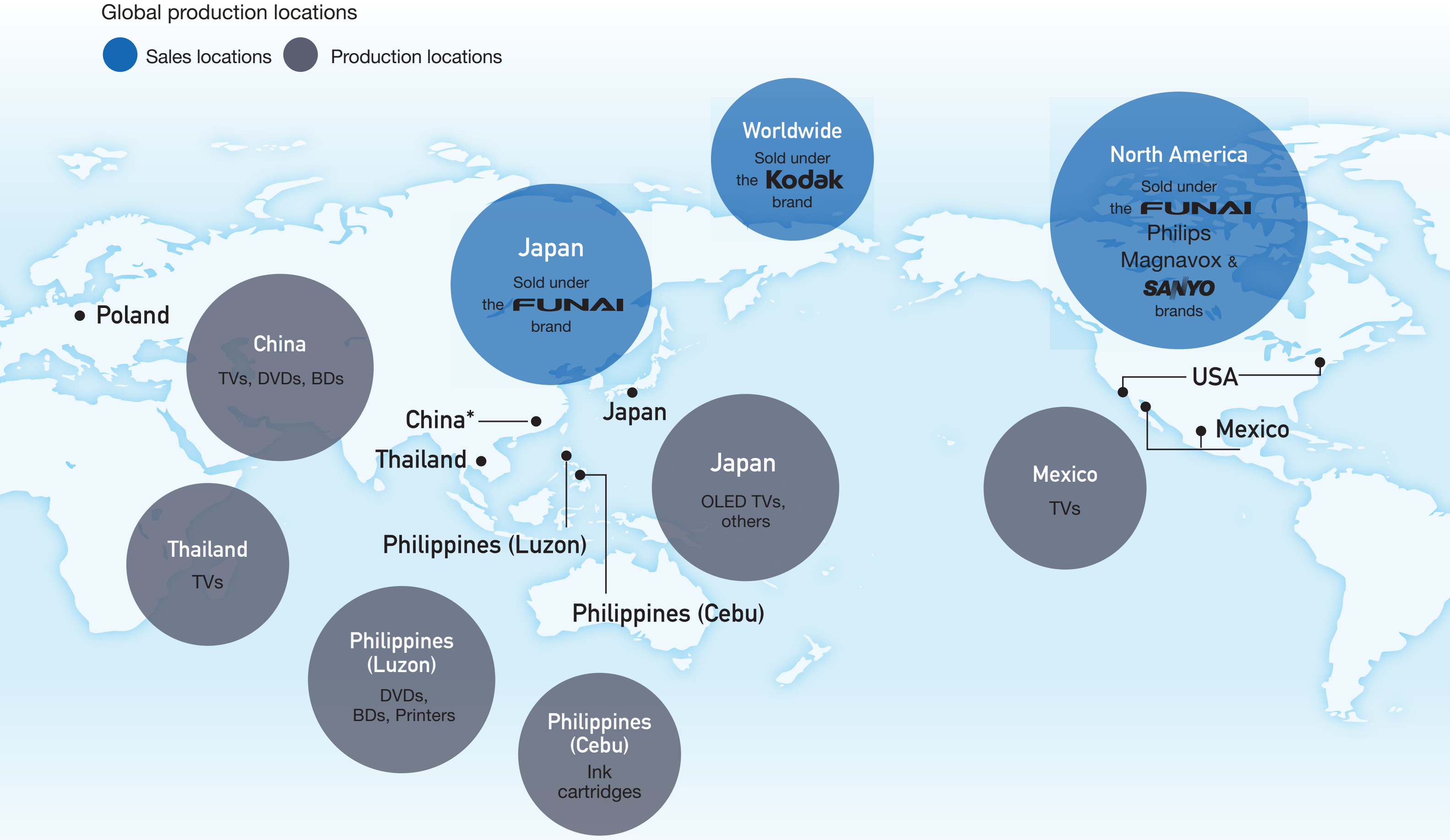
Utilizing our close ties with sales channels to accurately ascertain the latest trends and market needs, and providing products that offer high quality and superior market performance--that is the sales strategy of Funai Electric.

Funai proudly claims the top share in LCD televisions, one of our core products, among Japanese manufacturers in the North American market, in terms of volume sales. Moreover, volume sales of the FUNAI-brand televisions that we began selling exclusively through Yamada Denki stores in Japan from June 2017 far outperformed the goal for the initial year. We also launched sales of organic light-emitting diode TVs in Japan from July 2018 and are pursuing other product development and sales strategies that meet the needs of the market. These efforts are steadily raising our presence in the market.

In printer-related products, we are working on development of a product that applies our thermal inkjet technology, and are planning a market launch during fiscal 2018. In new business, we are pursuing development and production of nursing care and medical devices and are beginning development of compact electric vehicles based on our capital and business alliance and joint development agreement with FOMM Corporation, to meet current and future needs.

Global sales locations
Global production locations

Sales locations   Production locations



*Subcontractor plant

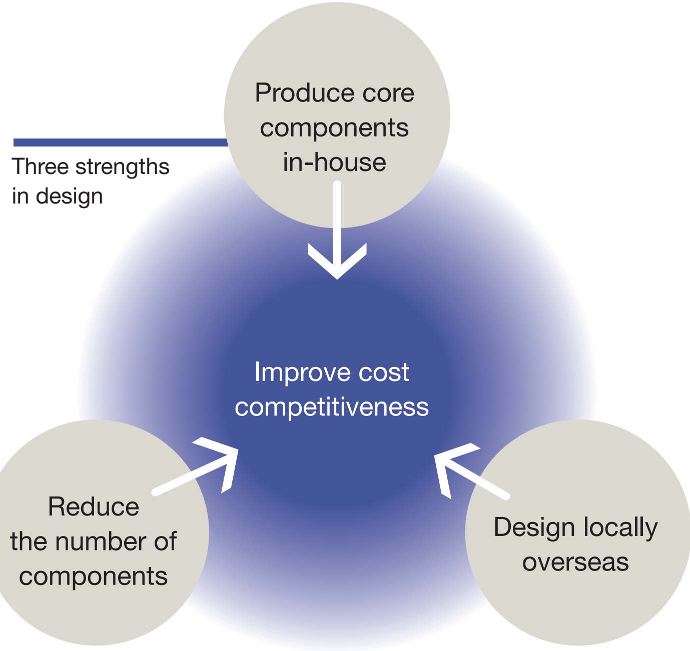
Design

World-Class Price Competitiveness

Produce core components in-house, reduce the number of components, and design locally overseas.
Pursuit of cost-performance from the design stage onward has given Funai Electric world-class price competitiveness.

Funai Electric's peerless price competitiveness was achieved through our unique design concept of producing core components in-house, reducing the number of components, and local design overseas.

We brought the production of core components in-house and reduced the number of parts. Design work is performed at development sites in Malaysia, China, and other locations, and strengthening communication among these locations has shortened development time, reduced labor hours, and improved efficiency in local parts procurement. A design flow that takes productivity into consideration and focuses on the relentless pursuit of optimal cost-performance for the entire company helps Funai Electric products to emerge winners amid stiff price competition.



Production

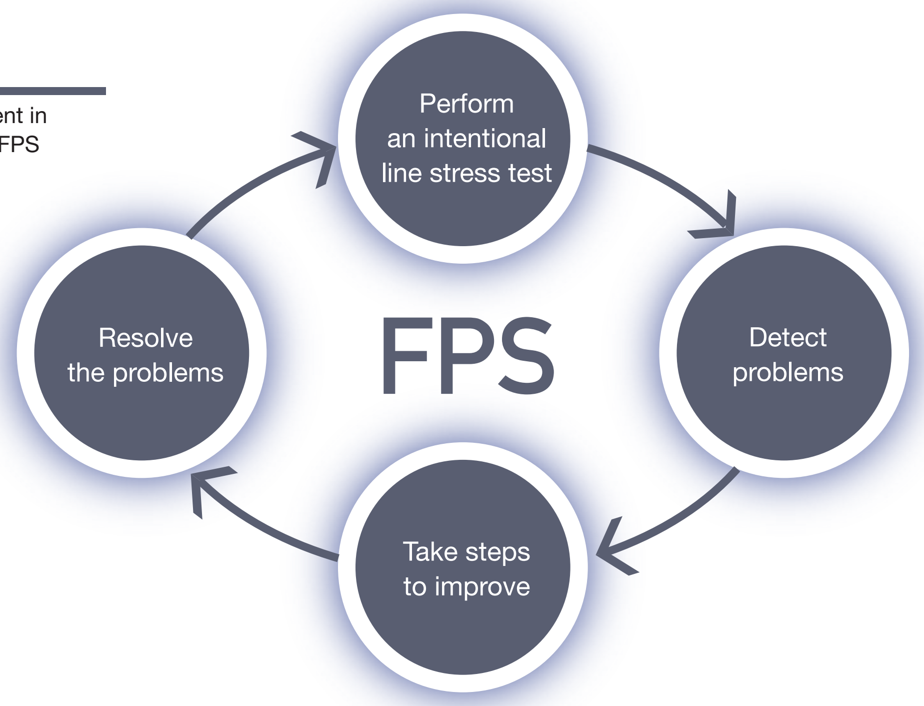
Taking on the Challenge of Ceaseless Improvements in Productivity

Funai Electric continuously pursues improvements in productivity through its unique Funai Production System (FPS). FPS enables Funai to provide high quality products with superior cost performance.

FPS, Funai's unique production system, detects problems in the production process through intentional stress testing of the production line (reducing the number of line workers, speeding up the belt conveyor), and taking steps to improve productivity that encourage voluntary efforts to improve.

Repeatedly working through this cycle detects problems with the current production system and fosters a mindset among team members to take the initiative on improvement. This enables continual improvements in productivity. Funai sees FPS as the driver for achieving sustainable growth, and will restore Funai Electric to strength by pursuing this even more ardently.

Continual improvement in productivity through FPS



2017–2018

Topic 1

Broad Expansion of the FUNAI-brand line-up for Exclusive Sale by Yamada Denki | July 2018 |

Funai has expanded the line-up of FUNAI-brand products sold exclusively at Yamada Denki stores, Japan's largest mass retailer of home electronics. New additions include 14 models in six series of televisions, from a 4K LCD model to a simple 2K model, which were added to the 7010 series of organic light-emitting diode TVs, which is the flagship model; and 6 new models in three series of 4K Blu-ray Disc recorders.

The 7010 series of OLED TVs uses a minimal design in an ultra-thin frame and is equipped with Clear Pix Engine 4K HDR OLED, an image processing engine that Funai developed for the latest panels. This series displays high-resolution images, from pitch black to bright images consisting of a multitude of colors, and offers a recording function that automatically records the programs you like, based on the HDD internal specs that Funai developed itself. It also provides a "recommended replay" function that classifies and saves recorded programs. This adds a new option to OLED TVs in Japan.

In Blu-ray Disc recorders, we installed an AI-based video recording function in all models of the top-of-the-line UT series, which meets the new 4K Ultra HD Blu-ray standard for next-generation Blu-ray. When connected to a 4K television, it enables viewers to enjoy high-resolution 4K images with a maximum resolution of 100 Mbps.

The synergistic benefits achieved since June 2017 from exclusive sale of FUNAI-brand products at Yamada Denki stores, which were derived from the combined strengths of Funai's brand power and cost competitiveness and Yamada Denki's formidable sales network, resulted in market share of 7%, outperforming our initial goal of 5%. We intend to launch a set top box that enables reception of 4K broadcasts during fiscal 2018, the second year of exclusive sales. We will work to achieve further market penetration of the FUNAI brand by rolling out a product line-up that meets the needs of a wide range of users in Japan and by increasing online sales in addition to in-store sales.

Topic 2

Full-scale Launch of New EV-related Businesses | May 2018 |

Funai concluded a basic joint development agreement with FOMM Corporation, a venture firm involved in compact electric vehicles (EV), in May 2018. This agreement marked Funai's full-fledged entrance into the EV-related business. The demand for electric vehicles, which do not produce CO_2 or NOx emissions is expected to expand in the future. The EVs developed by FOMM are expected to make a particularly high contribution to reducing the burden on the environment due to their compact specifications. This is a new business for Funai and we are focusing on EV-related business that adds a high degree of value by combining the technical capabilities that Funai has developed for a wide range of electronic products in the past and our proprietary FPS with FOMM's strengths in research and development. Funai concluded a capital partnership agreement with FOMM Corporation in November of last year. We continue to engage in discussions aimed at identifying joint development plans that will bear fruit.

In the future, we will work to develop compact electric vehicles and related components based on the basic joint development agreement. Funai will produce products that the two companies have agreed to mass produce and supply them to FOMM. We are also exploring alliances with various other companies that are anchored to FOMM's platform. We will successfully take on the challenge of becoming a company that aspires to becoming an even more useful contributor to society by expanding our business domain into various areas such as automotive electronics, sharing services, and other areas related to the EV business, and partnering with other companies.

"FOMM ONE," from FOMM Corporation

Topic 3

Penetration of the FUNAI Brand via a Partnership with the LA Angels | February 2018 |

Funai, which operates its business in both Japan and the U.S., has entered into a partnership agreement with the Los Angeles Angels, a major league baseball team in the U.S., to improve brand recognition of the FUNAI brand.

Shohei Ohtani, a Japanese "Babe Ruth" who is known for both his pitching and hitting, joined the Los Angeles Angels in December 2017 and his impressive success has drawn the attention of many people in both Japan and the U.S. "Sho-time," a word coined to signify Ohtani's astounding accomplishments, has also been a hit in Japan.

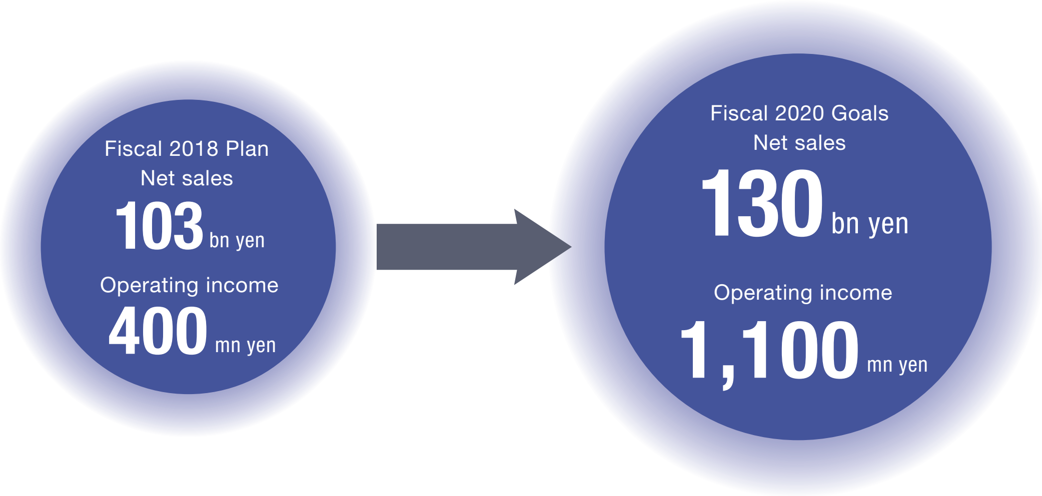
Ohtani is currently participating in many interviews in front of a backboard in Angel Stadium that is emblazoned with the logos of FUNAI and the Angels. Ohtani also participates in press conferences in this location after games in which he puts in a strong performance, as a pitcher or as a designated hitter. This powerful advantage was only awarded to Funai. An ad featuring only FUNAI-brand products is played on the scrolling advertising board right behind the back net when Ohtani appears in a game in Angel Stadium or in Diablo Stadium. We will also actively deploy ads based on this partnership in the future to achieve even greater penetration of the FUNAI brand.

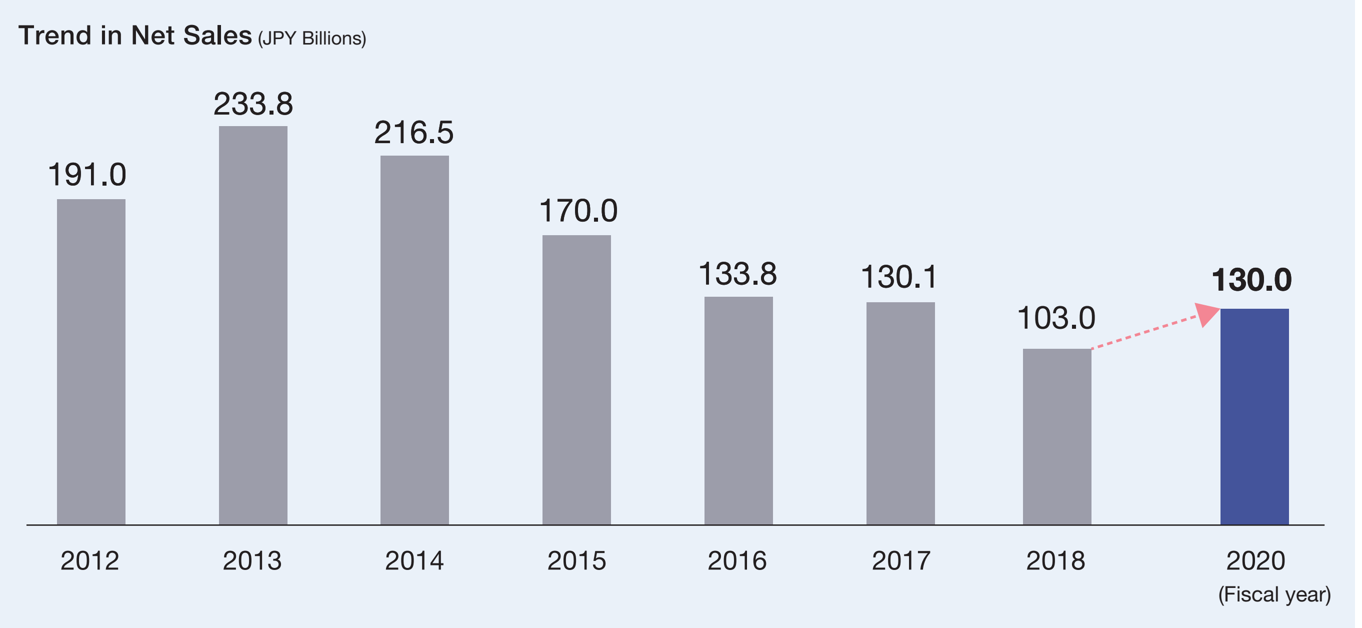
Angels official backboard

Moving Past the Losses to the Stage of Sustainable Growth

The Funai Group is rolling out a new competitive strategy that uses our unique technical capabilities and FPS to achieve sustainable growth. By focusing efforts on building a profit structure that utilizes Funai's superiority, rather than relying on temporary measures to expand sales, we will make steady progress on moving past the losses.

Our goal is to achieve 103 billion yen in net sales and 400 million yen in operating income in fiscal 2018 and 130 billion yen in net sales and 1,100 million yen in operating income in fiscal 2020, the final year of the plan, by implementing measures aimed at generating market competitiveness and reforming the profit structure of each business.

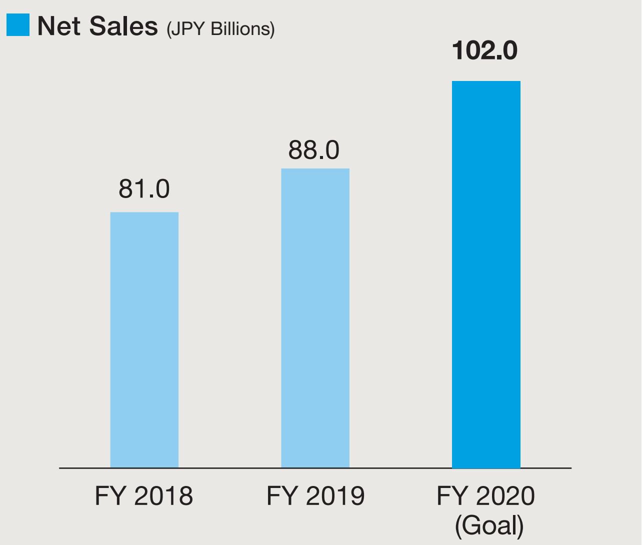




Display Business

Progress on Initiatives to Restore Profitability

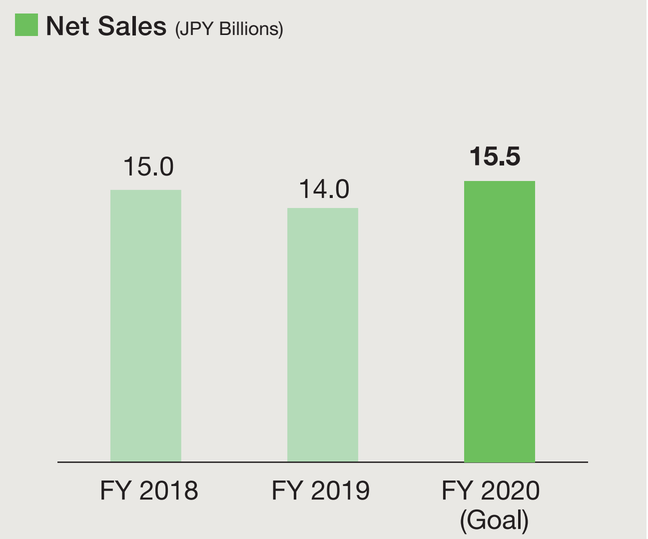
- Expand market share
- Strengthen FUNAI brand and OEM products
- Implement strict PSI and supply chain management



Digital Media Business

Introducing Products that Will be the Choice of Customers to Survive

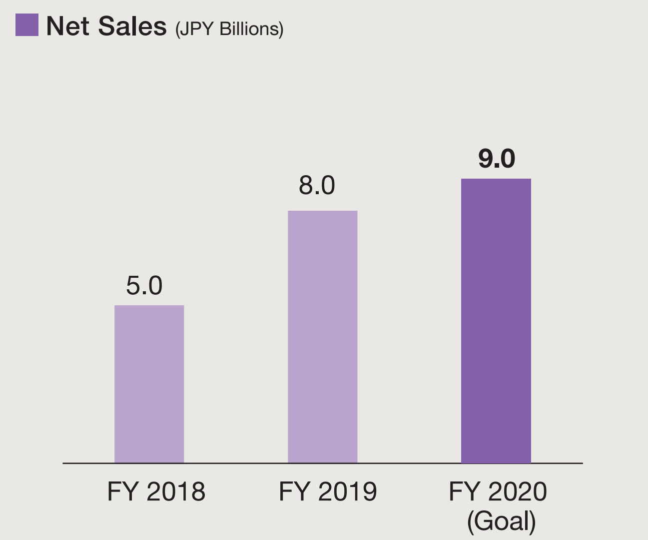
- North America: Capture new customers
- Japan: Strengthen FUNAI brand line-up
- Optimize production structure



Office Solutions Business

Using the B-to-B Business to Turn the Office Solutions Business into a Highly Profitable Business

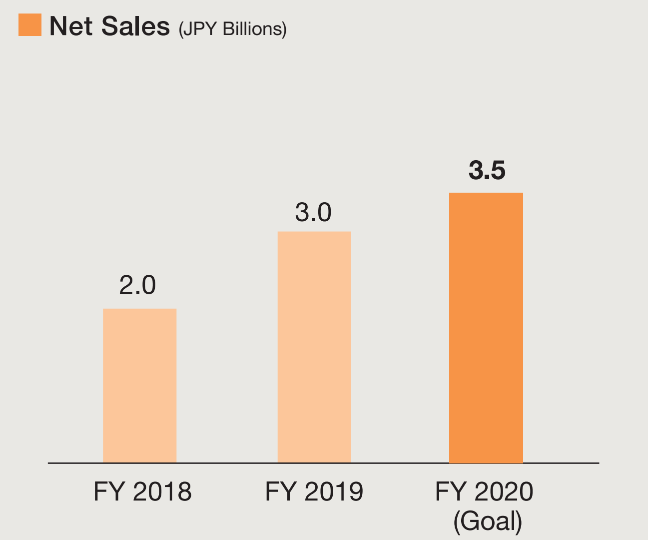
- Launch printer equipped with large capacity ink cartridges
- Capture new customers for inkjet cartridges for commercial use
- Stabilize the profit base by expanding OEM business



Development and New Businesses

Developing New Businesses that Utilize the Technical Capabilities of Funai

- Pursue commercialization of AV equipment for business use
- Expand business in healthcare and medical products
- Pursue commercialization of electric vehicles and components installed in vehicles



Fiscal 2018 Management Policy

Moving Past the Losses and Developing a Competitive Strategy Unique to FUNAI

The highest priority goal in the medium-term management plan of the Funai Electric Group is to move past the losses. We will work to steadily implement the basic strategy formulated for each fiscal year to achieve this.

Here, we introduce the basic strategy for fiscal 2018, which is a period of progress, and the concrete steps we will take to achieve that strategy in each business.

Basic Strategies

1. North America: Market share expansion
2. Japan: FUNAI brand penetration
3. New business development

Display Business

Progress on Initiatives to Restore Profitability

In the North American market, one of Funai's main markets, we will target expansion of business with other major mass retailers while maintaining our strong relationship with Walmart. We will make a fresh effort to expand the amount of regular display space at major mass retail stores and use the online sales channels of each of the mass retailers to expand sales. We will also enhance our product line-up by introducing AI televisions equipped with a voice activation function and smart televisions equipped with Internet functions, as well as other high value-added products. To outperform the emerging Chinese manufacturers in the North American market, we intend to do everything we can to improve cost competitiveness and further expand market share through work on specific projects.

In the Japanese market, Funai began exclusive sales of FUNAI-brand products at Yamada Denki stores from June 2017 and sales are outperforming our initial goal. In fiscal 2018, we will use our alliance with Yamada Denki to accelerate development of products that capture the needs of customers, and will strive to achieve even greater penetration of the FUNAI brand with a stronger product line-up. In July 2018, we updated our flagship 7010 series line-up of 4K organic light-emitting diode TVs with a total of 14 models in six series of LCD televisions. The deployment of advertising based on our partnership agreement with the Los Angeles Angels has also been effective in achieving penetration of the FUNAI brand.

We will also work to improve profitability through the concentration of management resources in the development of OEM products, and enter alliances with panel manufacturers to enable the supply of panels at a reasonable price. We will work to improve the profit structure by optimizing the production structure and reducing service costs through PSI management and strict management of the supply chain.

Digital Media Business

Introducing Products that Will be the Choice of Customers to Survive

In recent years, only a few manufacturers, including Funai, have produced products related to DVD and Blu-ray Discs for the North American market as video streaming services through the Internet or cable television has proliferated rapidly. Funai is aiming to capture top share and, with this, the victor's profits by developing products that will be the choice of customers, in a bid to survive in this market. Our strategy for accelerating the capture of market share from our competitors in the North American market is two-fold: Pursue development of a product line-up that is limited to products in the DVD and Blu-ray disc markets in order to reduce the cost of development, and simultaneously expand market share by acquiring new customers and using their online sales channels.

In the Japanese market, we began exclusive sale of high-performance Blu-ray disc recorders at Yamada Denki stores under the FUNAI brand from June 2017 onward, and sales are performing strongly. We will continue to expand the FUNAI-brand line-up as we work to expand market share, and will also improve the quality of product development and software, and enhance after-sales service to meet the needs of customers and increase customer satisfaction. We are also working to achieve penetration of the FUNAI brand through a partnership agreement with the Los Angeles Angels and will work to gain a foothold for entering the ASEAN market in the future.

Our digital media products are currently being produced in China and the Philippines, but we plan to drastically reform our profit structure by consolidating this to one production location to maximize productivity and reduce costs.

Office Solutions Business

Using the B-to-B Business to Turn the Office Solutions Business into a Highly Profitable Business

During fiscal 2017, we undertook a comprehensive review of unprofitable products and restructured our research and development subsidiary in the U.S. This shrank the level of losses in the office solutions business.

From fiscal 2018 onward, we will utilize the inkjet technology we have developed in printer cartridge heads to actively launch high value-added printer products that are unique to Funai and demonstrate a superiority that cannot be imitated by other companies. We will work to improve profitability and grow the business by taking another step away from development and toward reaping the benefits of our efforts.

We are aiming to stabilize the profit base through expansion of OEM business and are making steady progress on negotiations with the customers to whom we supply CISS printers with high-capacity ink cartridges. In C&I (commercial/industrial ink cartridges) and multipurpose printers, a business we have already developed into a highly profitable B-to-B business, we are accelerating efforts to acquire new customers to whom we will be able to supply a stable volume. We planning to begin mass production of our nail printer during fiscal 2018. We are currently working to expand the sale channels for this product and expect it to be a product that appeals to a broad market, including beauty salons and individuals. We have already begun mass production of coupon printers that are being installed in GMS (general supermarkets) and other retail stores, and expect these to gradually replace older competitor products at these stores in the future.

Funai also plans to launch multiple products in the new niche field of microfluidics (microfluid control) in the future, using the microfluidics technology we have developed thus far as a resource. Our goal is to stabilize the profit base and move the business past the losses while also developing new businesses. Our work on stabilizing profits will also include lateral expansion into the OEM business.

Development and New Businesses

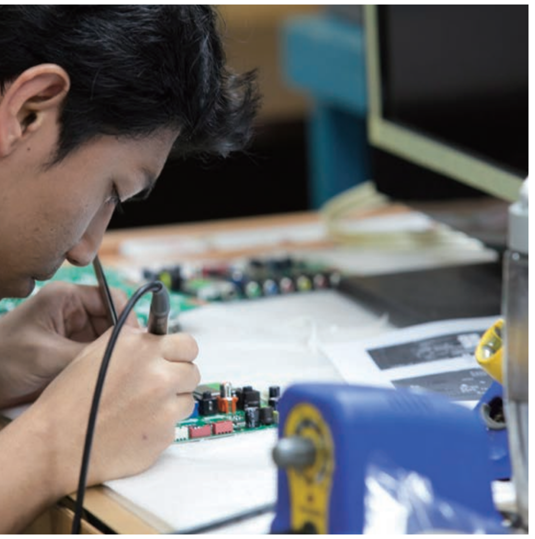
Developing New Businesses that Utilizes the Technical Capabilities of Funai

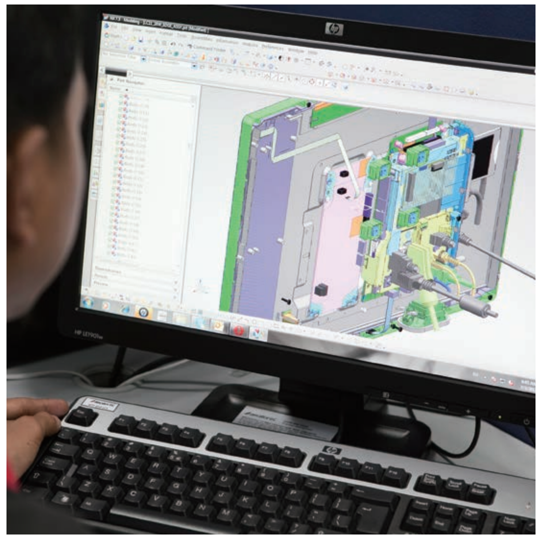
Funai will embark on the development of new businesses that will become the cornerstones of our company in the future by utilizing our technological capabilities in the AV businesses (display business and digital media business) to launch businesses related to electric vehicles in collaboration with partnering companies and expand the applications of microfluidics technology.

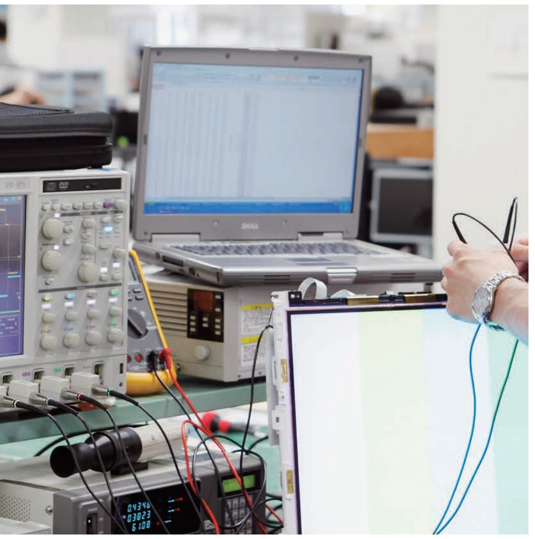
We will utilize the technology in our display business to pursue commercialization of commercial AV equipment such as televisions for hospitals and hotels and digital signage for advertising. During fiscal 2018, we also expect to begin mass production of equipment that uses the microfluidics technology we developed in our office solutions business. We are also making progress on consignment production of dental CT scanners and the mass production of components for electric beds for the U.S. market, and are also developing new businesses in the healthcare and medical fields.

It is electric vehicle-related business that we can expect to grow into a cornerstone as a next-generation business. Funai concluded a basic agreement on joint development with FOMM Corporation in May 2018, a joint venture for the development of compact electric vehicles that we invested capital in last year. Joint development is now fully underway. As we supply components, modules, and other products to FOMM in the future, we will explore alliances with various other partners, and will expand our business domain to a wide range of components installed in vehicles in the car electronics sector, including AV devices, meter panels, direct back lights, inverters, and control units. We are already involved in the OEM business for some of these in-vehicle AV devices. We are also considering supplying products such as interior plastic products and formed exterior body and bumper parts, and will expand our business into sharing services and other areas related to the EV business in the future.

A parallel chronology of product development and the history of Funai Electric







2020

- 2018 — FUNAI COEPORATION, INC. and P&F USA, INC. are merged (under the name of FUNAI CORPORATION, INC.)
- 2017 — Exclusive sale of FUNAI-brand televisions and Blu-ray Disc recorders at Yamada Denki began.
  - Hideaki Funakoshi becomes President & CEO.
  - Tetsuro Funai, the company founder passed away.
- 2016 — FUNAI MANUFACTURING, S.A. DE C.V. established as a manufacturing subsidiary in Mexico.
- 2015 — FUNAI NORTH AMERICA, INC. established in the United States as a holding company.
- 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.
  - FUNAI LEXINGTON TECHNOLOGY CORPORATION established in the United States as a research and development center.
- 2011 — FUNAI ELECTRIC R&D (SHENZHEN) CO., LTD. established in China as a research and development center.

2010

- 2009 — P&F MEXICANA, S.A. DE C.V. established in Mexico as a sales subsidiary for Philips-brand products.
- 2008 — P&F USA, INC. established in the United States as a sales subsidiary for Philips-brand products.
- 2007 — BROADTEC TV R&D CENTER SDN. BHD. (now FUNAI MALAYSIA R&D SDN. BHD.) established in Malaysia as a research and development center.
- 2006 — FUNAI SERVICE CORPORATION established in the United States as a service subsidiary.

2000

- 2003 — FUNAI (THAILAND) CO., LTD. established as a production subsidiary in Thailand.
  - Huang Jiang Plant (Dongguan City, Guangdong Province) started operation as a consignment production plant in China.
- 2000 — Listed on the First Section of the Tokyo Stock Exchange and Osaka Securities Exchange.

1990

- 1999 — Listed on the Second Section of the Osaka Securities Exchange.
- 1996 — FUNAI SERVICE CO., LTD. established as a domestic service subsidiary.
- 1992 — HIGHSONIC INDUSTRIAL LTD. (now FUNAI ELECTRIC (H.K.), LTD.) established in Hong Kong.
- 1991 — FUNAI CORPORATION, INC. established in the United States as a sales subsidiary.

1980

- 1983 — Tokyo Branch Office opened.

1960

- 1977 — Training started which formed the basis for establishing the Funai Production System (FPS).
- 1970 — FUNAI AMERICA ELECTRIC SERVICE CORP. established in the United States as a sales subsidiary.
- 1969 — Construction of new headquarters building completed in Daito City, Osaka Prefecture.
- 1968 — FUNAI ELECTRIC COMPANY OF TAIWAN established as a production subsidiary in Taiwan.
- 1964 — CHUGOKU FUNAI ELECTRIC CO., LTD. established as a production subsidiary in Hiroshima Prefecture.
- 1962 — Representative office established in Chicago, the United States.
- 1961 — FUNAI ELECTRIC CO., LTD. established in Ikuno Ward, Osaka City.

2018- FUNAI organic light-emitting diode TVs

2009- Blu-ray Disc Recorders

2008- Blu-ray Disc Players

2004-2008 Digital Still Cameras

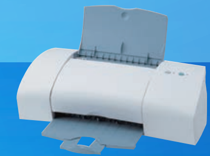
2004- DVD Recorders

2002-2007 Projectors

2002- LCD TVs

2000- Laser Beam Printers

1999- DVD Players



1997- Inkjet Printers

1988-2003 Faxes

1994-2002 Air Conditioners

1987-1995 Auto Bakeries

1986-2009 CRT TVs

1985-1995 Microwave Ovens

1985-2007 TV/VCR Combos

1983-1995 Cordless Telephones

1983-2013 VHS Videos

1971-1995 Cassette Car Stereos

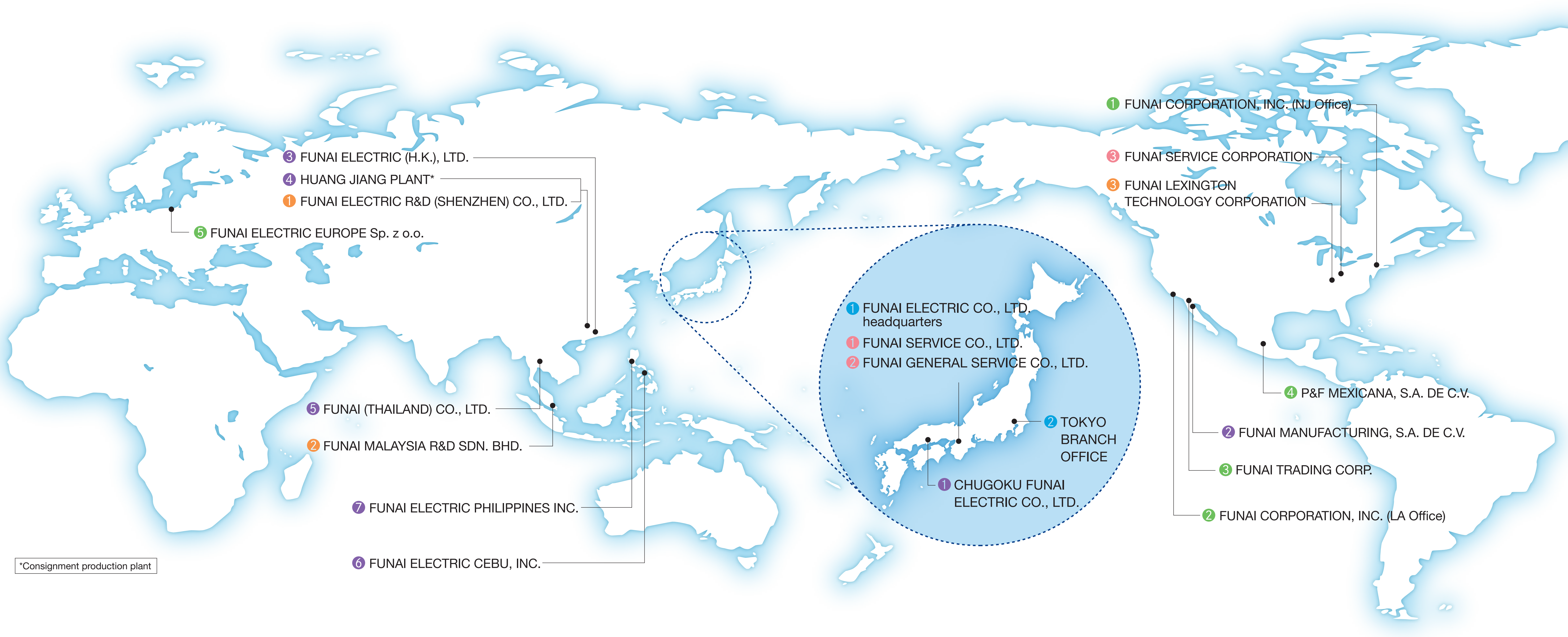
1980-1982 CVC VCRs

1969-1981 Home Stereos

1968-1979 8-Track Car Stereos

1963-1966 Open Reel-to-reel Tape Recorders

1959-1970 Transistor Radios



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://www2.funai.co.jp/en/index.html	
Capital	¥31,307 million (as of March 31, 2018)	
Net sales	¥130,130 million (Fiscal year ended March 31, 2018)	
Employees	No. of employees: 2,324 (consolidated basis, as of March 31, 2018)	
Business category	Electrical equipment	
Principal businesses	Display Business	LCD TVs
	Digital Media Business	DVD players/recorders
		Blu-ray Disc players/ recorders
	Office Solutions Business	Printers
		Ink cartridges
	Development and New Businesses	Other devices

Executives		
Members of the Board	Hideaki Funakoshi	Representative Director and President and CEO
	Takeshi Ito	Director and Officer
	Motoyoshi Adachi	Director and Officer
	Makoto Ueshima	Director and Officer
	Mitsuo Yonemoto	Outside Director
Outside Director (Audit and Supervisory Committee Members)	Fumiaki Kidera	Director
	Masahide Morimoto	Outside Director
	Masakazu Funaishi	Outside Director
Officers	Katsuo Tokuhara	Officer
	Hisaharu Oura	Officer

Offices and subsidiaries

Offices
1 FUNAI ELECTRIC CO., LTD. headquarters
2 TOKYO BRANCH OFFICE

Sales subsidiaries
1 FUNAI CORPORATION, INC. (NJ Office)
2 FUNAI CORPORATION, INC. (LA Office)
3 FUNAI TRADING CORP.
4 P&F MEXICANA, S.A. DE C.V.
5 FUNAI ELECTRIC EUROPE Sp. z o.o.

Production subsidiaries
1 CHUGOKU FUNAI ELECTRIC CO., LTD.
2 FUNAI MANUFACTURING, S.A. DE C.V.
3 FUNAI ELECTRIC (H.K.), LTD.
4 HUANG JIANG PLANT*
5 FUNAI (THAILAND) CO., LTD.
6 FUNAI ELECTRIC CEBU, INC.
7 FUNAI ELECTRIC PHILIPPINES INC.

Development subsidiaries
1 FUNAI ELECTRIC R&D (SHENZHEN) CO., LTD.
2 FUNAI MALAYSIA R&D SDN. BHD.
3 FUNAI LEXINGTON TECHNOLOGY CORPORATION

Other subsidiaries
1 FUNAI SERVICE CO., LTD.
2 FUNAI GENERAL SERVICE CO., LTD.
3 FUNAI SERVICE CORPORATION

Corporate Governance

1) Basic Philosophy on Corporate Governance

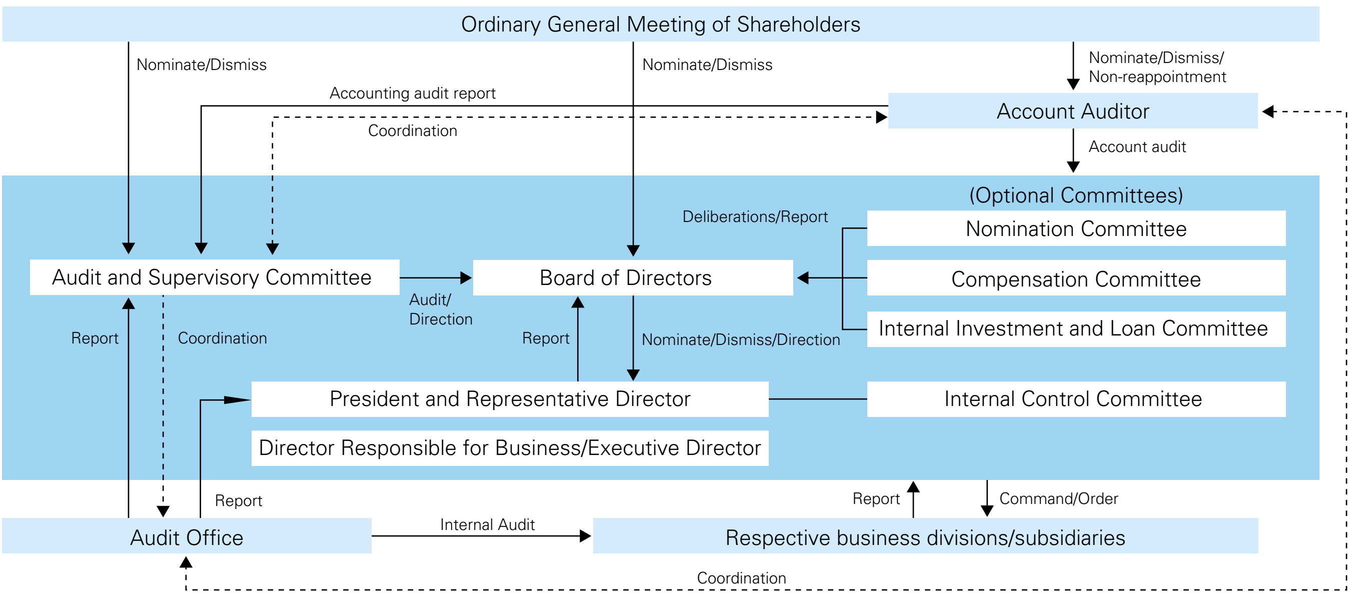
The Funai Electric Group's basic philosophy on corporate governance is to continuously increase corporate value by increasing the transparency of management to shareholders, consumers, vendors, local communities, employees, and other internal and external stakeholders and by responding to changes in 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

The Group adopts an audit and supervisory committee governance structure, establish the Board of Directors, Audit and Supervisory Committee and Accounting Auditor as corporate governance system. The purpose is to further strengthen the supervisory function of the Board of Directors and enhance corporate governance by auditing of Directors who are Audit and Supervisory Committee members having 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 eight members: five 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 consist 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.

Management Discussion and Analysis

Business Performance in the Fiscal Year ended March 31, 2018

In the United States, the Group's mainstay market, the economy has slowed down moderately. This was because the growth of wages was modest, causing personal consumption to stagnate, although employment in the U.S. continued to be strong, supported by solid business performance. However, corporate sentiment is expected to remain solid. In Europe, the economic expansion has lost momentum 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 declined.

Net Sales

Under these circumstances, the Group reported net sales of ¥130,130 million, a 2.8% decrease from the previous fiscal year. This was attributable to the following reasons: (i) sales of LCD TVs substantially fell short of its initial budget because demand for LCD TVs in the U.S. decreased from the previous fiscal year, which resulted in an oversupply causing further cut-throat competition with the decline in sales prices and the sales volume; (ii) sales of DVD-related products fell from the previous fiscal year due to the shrinkage of the market; and (iii) sales of the electronic reception devices of DX Antenna Co., Ltd. were not included in the consolidated sales results of the current year as the Group transferred all shares in DX Antenna, which was a consolidated subsidiary of the Group in the previous fiscal year, to ELECOM Co., Ltd.

Operating loss

The Group reported an operating loss of ¥10,885 million (operating loss of ¥6,775 million in the previous fiscal year). This was due to the following reasons: (i) sales of LCD TVs decreased; (ii) sales promotion expenses increased to sell away inventory of LCD panels procured for the year-end sales season before their prices declined and LCD TVs produced by using these LCD panels; (iii) we failed to provide price-competitive products to the market in a timely manner at a time when LCD panel prices were declining; and (iv) component prices, including memory, remained at a high level.

Net loss attributable to owners of the parent

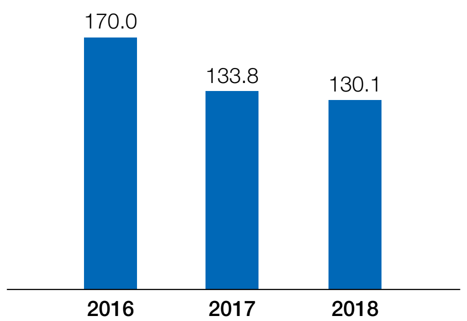
Net loss attributable to owners of the parent ended at ¥24,709 million (a net loss attributable to owners of the parent of ¥6,745 million in the previous fiscal year) because we reported the impairment loss and the foreign exchange loss.

Net Sales by Geographical Area

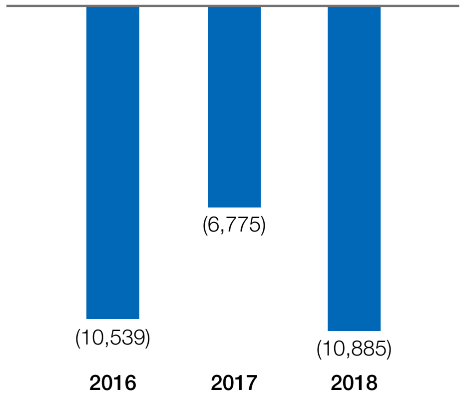
Japan

Electronic reception devices decreased due to excluding the DX Antenna Co., Ltd. from the scope of consolidation by transfer of this all shares held by the Company. However, LCD TVs and BD-recorder increased due to good sales. As a result, net sales were ¥36,199 million (up 16.0% year on year) and segment loss (operating loss) resulted in ¥5,634 million (the previous fiscal year: segment loss of ¥8,219 million).

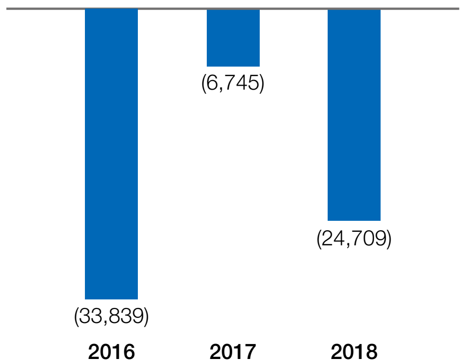
Net Sales (Years ended March 31)
(¥ billion)



Operating Income (Loss)
(¥ million)



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



Americas

LCD TVs, DVD related products and ink cartridges sales decreased. As a result, net sales ended at ¥92,949 million (down 8.7% year on year) and segment loss (operating loss) amounted to ¥965 million (a segment loss of ¥131 million in the previous fiscal year).

Asia

Net sales were ¥853 million (up 211.5% year on year), due to increase on LCD TVs and other parts. Segment loss (operating loss) amounted to ¥3,948million (segment loss of ¥630 million in the previous fiscal year).

Europe

Ink-jet printers and ink-cartridge decreased. As a result, net sales ended at ¥127 million (down 79.3% year on year), segment loss (operating loss) amounted to ¥83 million (a segment profit of ¥45 million in the previous fiscal year).

Net Sales by Product Group

Audiovisual Equipment

DVD related products decreased. However, LCD TVs and BD-recorder increased due to good sales. As a result, net sales of this sector were ¥122,569 million, an increase of 6.3% from the previous fiscal year.

Information Equipment

Ink-jet printers and ink-cartridge decreased. As a result, net sales of this sector were ¥3,334 million, a decrease of 34.3% from the previous fiscal year.

Others

Electronic reception devices decreased due to excluding the DX Antenna Co., Ltd. from the scope of consolidation by transfer of this all shares held by the Company. As a result, net sales of other were ¥4,225 million, a decrease of 68.7% from the previous fiscal year.

Financial Position

Current Assets

Total current assets as of March 31, 2018 decreased by ¥17,724 million from the end of the previous fiscal year to ¥67,779 million.

The change is mainly attributable to decreases of ¥8,321 million cash and cash equivalents and ¥5,617 million trade receivables due to a decrease of sales.

Property, Plant, and Equipment

Net property, plant, and equipment as of March 31, 2018 decreased by ¥4,770 million from the end of the previous fiscal year to ¥8,193 million.

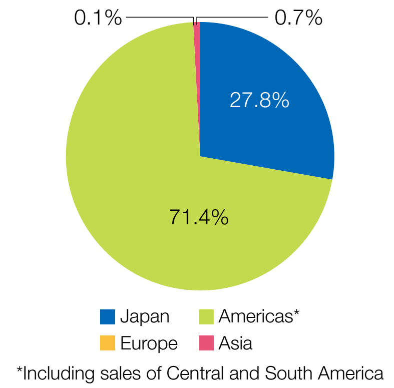
The decrease is due to losses on impairment.

Current Liabilities

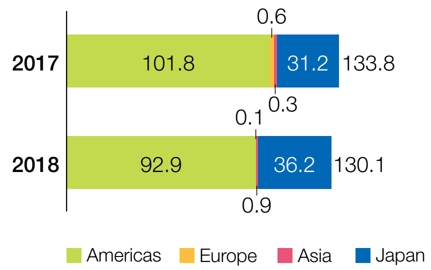
Total current liabilities as of March 31, 2018 decreased by ¥2,732 million from the end of the previous fiscal year to ¥26,842 million.

The change is mainly attributable to a decrease of ¥6,794 million in trade payables and an increase of ¥3,091 million in other payables. The main reason for the decrease in trade payables was a decrease of purchase of raw materials and the increase in other payables was a license fee.

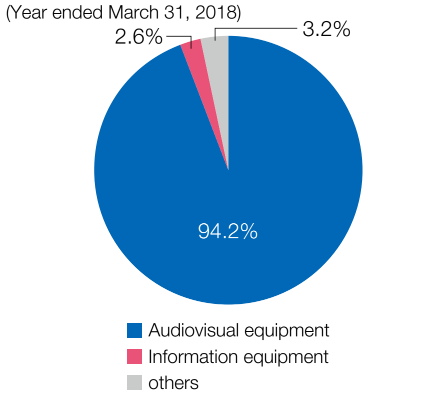
Sales Composition by Region
(Year ended March 31, 2018)



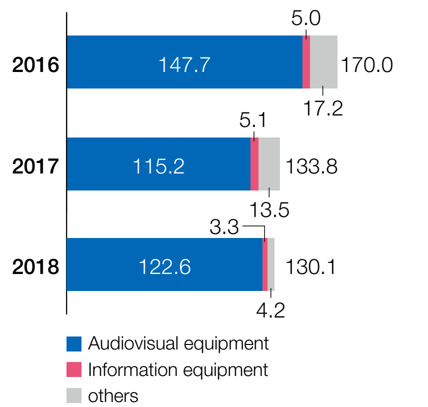
Sales by Region
(¥ billion)



Sales Composition by Products
(Year ended March 31, 2018)



Sales by Products
(¥ billion)



Long-Term Liabilities
Long-term liabilities as of March 31, 2018 increased by ¥257 million from the end of the previous fiscal year to ¥2,711 million.

The change is mainly attributable to an increase of ¥463 million in long-term payable - other.

Total Equity
Total equity as of March 31, 2018 decreased by ¥25,939 million from the end of the previous fiscal year to ¥50,717 million.

The change is mainly attributable to a decrease of ¥1,099 million in foreign currency translation adjustments and a decrease of ¥25,050 million in retained earnings.

Cash Flows
Cash and cash equivalents on a consolidated basis as of March 31, 2018 decreased by ¥8,320 million from the end of the previous fiscal year to ¥30,650 million. The change is mainly attributable to loss before income taxes 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 ¥5,369 million in the fiscal year under review. (Net cash used in operating activities was ¥13,329 million in the previous fiscal year.) The primary reason of this is mainly attributable to loss before income taxes and a decrease of trade payables, while a decrease in trade receivables and an increase in other payables.

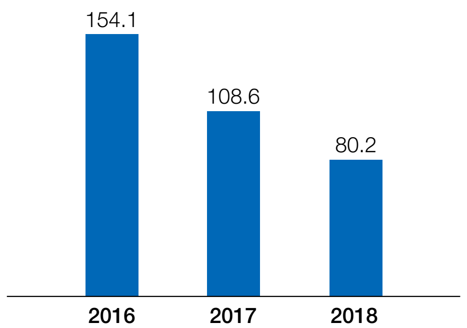
Cash Flows from Investing Activities
Net cash used in investing activities was ¥2,174 million in the fiscal year under review. (Net cash provided by investing activities was ¥13,266 million in the previous fiscal year.) The primary reason of this is mainly attributable to an increase in time deposits and purchases of property, plant and equipment, while a decrease in time deposits and a collection of loans receivable.

Cash Flows from Financing Activities
Net cash used in financing activities was ¥584 million in the fiscal year under review. (Net cash used in financing activities was ¥11,150 million in the previous fiscal year.) The primary reason of this is mainly attributable to dividends paid.

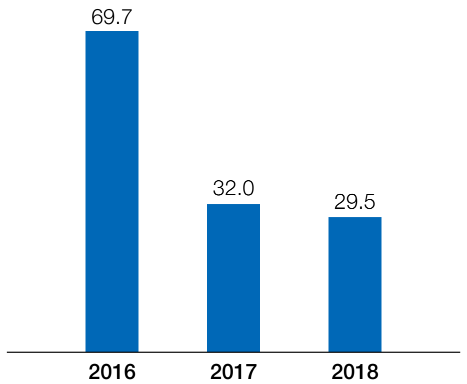
Business and Other Risks
Risks that may have a significant impact on the Group's financial situation and operating results are outlined below.

(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 audiovisual equipment (LCD TVs, DVD-related products, etc.) and information equipment (printers, etc.), in addition to other products (In-vehicle backlight, 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.

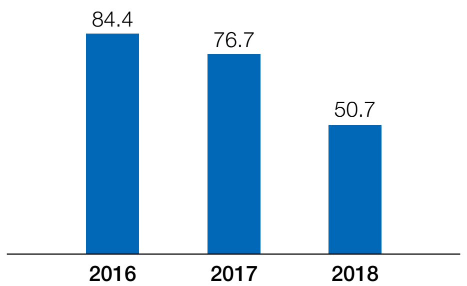
Total Assets (Years ended March 31)
(¥ billion)



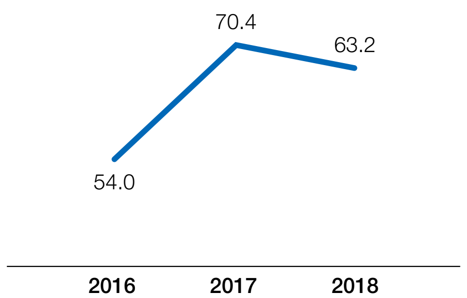
Total Liabilities
(¥ billion)



Total Equity
(¥ billion)



Shareholders' Equity Ratio
(%)



i) 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.

ii) 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.

iii) 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.

iv) 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.

v) 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
i) 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 72.5% of net sales in this fiscal year, and Walmart group alone accounted for 59.9% of these net sales.

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

ii) 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, 98.0% of our products were produced overseas, with 58.6% 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.

iii) Foreign currency risk

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

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

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.

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

i) 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.

ii) 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.

iii) 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.

iv) 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.

v) 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.

vi) 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 and the previous 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 and other requirements for some time, there is no significant concern about financing.

Since the Group reviewed the medium-term management strategies formulated in the previous fiscal year in this fiscal year and implemented following countermeasures gradually on the basis of the strategies, the Group believes that a resolution of the matter can be achieved.

(a) Display business
- Increase sales at existing customers and exploit new customers in the North American market.
- Concentration of management resources in developing FUNAI brand products and OEM products in the Japanese market.

(b) Digital media business
- Development of product-focused niche strategy in the North American market.
- Enhancement of FUNAI brand products and development of new OEMs in the Japanese market.

(c) Office solution business
- Improve profit margin by increasing sales of high value-added printer products.
- Derivative business development utilizing microfluidics (micro fluid control technology).

(d) New business
- Increase sales by developing and launching new products related to health care, medical and the automotive market.

	Millions of Japanese yen (Note 1)					Millions of U.S. dollars (Notes 1 and 2)
Years ended March 31	2014	2015	2016	2017	**2018**	**2018**
Net Sales	233,802	216,553	170,041	133,838	**130,130**	**$1,227.64**
Operating Income (Loss)	(6,071)	(659)	(10,539)	(6,775)	**(10,885)**	**$(102.69)**
Net Income (Loss)	(7,400)	31	(33,839)	(6,745)	**(24,709)**	**$(233.10)**
Total Equity	114,743	123,218	84,439	76,656	**50,717**	**$478.46**
Total Assets	180,729	188,902	154,191	108,685	**80,270**	**$757.27**
Shareholders' Equity	113,568	122,014	83,328	76,507	**50,699**	**$478.29**
Net Cash Provided by (Used in) Operating Activities	(1,251)	16,897	(7,549)	(13,329)	**(5,369)**	**$(50.65)**
Net Cash (Used in) Provided by Investing Activities	(2,730)	(17,360)	11,805	13,266	**(2,174)**	**$(20.51)**
Free Cash Flow*	(3,981)	(463)	4,256	(63)	**(7,543)**	**$(71.16)**
Capital Investment	5,094	3,275	2,462	3,070	**2,155**	**$20.33**
Depreciation Expense	6,479	5,855	4,498	4,098	**2,258**	**$21.30**
Return on Assets (%)	(3.95)	0.02	(19.73)	(5.13)	**(26.15)**	
Return on Equity (%)	(6.39)	0.03	(32.96)	(8.44)	**(38.85)**	
Debt/Equity Ratio (%)	9.51	9.11	14.54	0.99	**1.02**	

	Japanese yen					U.S. dollars
	2014	2015	2016	2017	**2018**	**2018**
Shareholders' Equity per Share	3,328.58	3,576.14	2,442.28	2,242.38	**1,485.96**	**$14.02**
Net Income (Loss) per Share	(216.89)	0.92	(991.81)	(197.70)	**(724.21)**	**$(6.83)**
Cash Dividends per Share	35	35	30	10	**0**	**$0.00**

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 ¥106=U.S.$1.00 (the approximate rate of exchange at March 31, 2018) is used for the above calculations.

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

Consolidated Balance Sheet

FUNAI ELECTRIC CO., LTD. and Consolidated Subsidiaries
March 31, 2018

	Millions of Japanese yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2018**	2017	**2018**
CURRENT ASSETS:			
Cash and cash equivalents (Note 15)	**¥30,650**	¥38,971	**$289,157**
Time deposits (Note 15)	**1,739**	1,165	**16,412**
Receivables:			
Trade (Note 15)	**9,953**	15,571	**93,905**
Other	**1,583**	2,400	**14,941**
Allowance for doubtful accounts	**(1,021)**	(847)	**(9,640)**
Inventories (Note 5)	**23,609**	26,253	**222,728**
Deferred tax assets (Note 14)	**468**	489	**4,422**
Prepaid expenses and other current assets	**795**	1,500	**7,503**
Total current assets	**67,779**	85,503	**639,431**
PROPERTY, PLANT AND EQUIPMENT:			
Land (Note 6)	**3,479**	3,592	**32,824**
Buildings and structures (Note 6)	**13,012**	14,832	**122,757**
Machinery, equipment and other (Note 6)	**21,992**	28,203	**207,477**
Lease assets (Notes 6 and 13)	**595**	597	**5,617**
Construction in progress	**17**	187	**165**
Total property, plant and equipment	**39,097**	47,413	**368,841**
Accumulated depreciation	**(30,903)**	(34,449)	**(291,542)**
Net property, plant and equipment	**8,193**	12,963	**77,298**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 7 and 15)	**291**	132	**2,748**
Investments in and advances to unconsolidated subsidiaries and associated companies	**994**	1,841	**9,383**
Patents (Note 6)		2,576	
Long-term loans	**196**	244	**1,856**
Long-term prepaid expenses (Note 6)	**502**	2,620	**4,741**
Assets for retirement benefits (Note 9)	**1,840**	1,543	**17,362**
Deferred tax assets (Note 14)	**225**	454	**2,130**
Other assets (Note 6)	**484**	1,056	**4,575**
Allowance for doubtful accounts	**(239)**	(252)	**(2,257)**
Total investments and other assets	**4,297**	10,217	**40,541**
TOTAL	**¥80,270**	¥108,685	**$757,271**

See notes to consolidated financial statements.

	Millions of Japanese yen		Thousands of U.S. dollars (Note 1)
LIABILITIES AND EQUITY	**2018**	2017	**2018**
CURRENT LIABILITIES:			
Current portion of long-term debt (Note 8)	**¥236**	¥242	**$2,230**
Payables:			
Trade (Note 15)	**11,808**	18,603	**111,399**
Other (Note 15)	**10,372**	7,280	**97,849**
Income taxes payable	**664**	813	**6,264**
Other current liabilities	**3,761**	2,635	**35,485**
Total current liabilities	**26,842**	29,575	**253,230**
LONG-TERM LIABILITIES:			
Long-term debt (Note 8)	**282**	514	**2,660**
Liability for retirement benefits (Note 9)	**1,029**	1,062	**9,712**
Long-term payables – other	**744**	281	**7,021**
Deferred tax liabilities (Note 14)	**655**	595	**6,183**
Total long-term liabilities	**2,711**	2,453	**25,577**
COMMITMENTS AND CONTINGENT LIABILITIES (Note 13)			
EQUITY (Notes 10, 11 and 18):			
Common stock:			
Authorized, 80,000,000 shares; issued, 36,130,796 shares in 2018 and 2017	**31,307**	31,307	**295,354**
Capital surplus	**33,603**	33,603	**317,011**
Stock acquisition rights	**17**	149	**166**
Retained earnings	**21,970**	47,020	**207,269**
Treasury stock – at cost 2,011,829 shares in 2018 and 2,011,765 shares in 2017	**(24,341)**	(24,341)	**(229,636)**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	**13**	11	**127**
Foreign currency translation adjustments	**(12,305)**	(11,206)	**(116,091)**
Defined retirement benefit plans	**451**	111	**4,261**
Total equity	**50,717**	76,656	**478,463**
TOTAL	**¥80,270**	¥108,685	**$757,271**

See notes to consolidated financial statements.

Consolidated Statement of Operations

FUNAI ELECTRIC CO., LTD. and Consolidated Subsidiaries
Year Ended March 31, 2018

	Millions of Japanese yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
NET SALES	¥130,130	¥133,838	$1,227,643
COST OF SALES (Note 12)	121,529	114,795	1,146,509
Gross profit	8,600	19,043	81,134
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 12)	19,485	25,818	183,825
Operating loss	(10,885)	(6,775)	(102,691)
OTHER INCOME (EXPENSES):			
Interest and dividend income	248	253	2,342
Interest expense	(67)	(152)	(637)
Foreign exchange loss – net	(1,107)	(1,122)	(10,446)
Income from rental of property, plant and equipment	62	119	585
(Loss) gain on sales or disposal of property, plant and equipment – net	(9)	1,325	(89)
Compensation expenses	(225)		(2,123)
Equity in losses of an unconsolidated subsidiary and an associated company		(2)	
Loss on sale of an investment in a consolidated subsidiary (Note 3)		(704)	
Gain on sales of investments in unconsolidated subsidiaries and associated companies	29		274
Loss on impairment of long-lived assets (Note 6)	(12,586)	(339)	(118,741)
Gain on reversal of stock acquisition rights	146	0	1,380
Other – net	60	89	569
Other expenses- net	(13,450)	(531)	(126,887)
LOSS BEFORE INCOME TAXES	(24,335)	(7,307)	(229,579)
INCOME TAXES (Note 14):			
Current	257	67	2,424
Deferred	116	(632)	1,101
Total income taxes	373	(565)	3,526
NET LOSS	(24,709)	(6,742)	(233,105)
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS		3	
NET LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ (24,709)	¥ (6,745)	$ (233,105)

	Japanese yen		U.S. dollars
PER SHARE OF COMMON STOCK (Notes 2.w and 17):			
Basic net loss	¥ (724.21)	¥ (197.70)	$ (6.83)
Cash dividends applicable to the year		10.00	

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

FUNAI ELECTRIC CO., LTD. and Consolidated Subsidiaries
Year Ended March 31, 2018

	Millions of Japanese yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
NET LOSS	¥ (24,709)	¥ (6,742)	$ (233,105)
OTHER COMPREHENSIVE INCOME (LOSS) (Note 16):			
Unrealized gain (loss) on available-for-sale securities	1	(148)	15
Foreign currency translation adjustments	(1,099)	954	(10,373)
Defined retirement benefit plans	340	(207)	3,209
Share of other comprehensive income in associates		44	
Total other comprehensive (loss) income	(757)	643	(7,149)
COMPREHENSIVE LOSS	¥ (25,467)	¥ (6,098)	$ (240,254)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ (25,467)	¥ (6,098)	$ (240,254)
Noncontrolling interests		(0)	

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

FUNAI ELECTRIC CO., LTD. and Consolidated Subsidiaries
Year Ended March 31, 2018

	Thousands	Millions of Japanese yen										
							Accumulated other comprehensive income					
	Number of shares of common stock outstanding	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Noncontrolling interests	Total equity
BALANCE, APRIL 1, 2016	**34,119**	**¥31,307**	**¥33,301**	**¥145**	**¥54,789**	**¥(24,341)**	**¥160**	**¥ (12,204)**	**¥314**	**¥83,473**	**¥965**	**¥84,439**
Net loss attributable to owners of the parent					(6,745)					(6,745)		(6,745)
Cash dividends, ¥30.00 per share					(1,023)					(1,023)		(1,023)
Purchase of treasury stock	(0)					(0)				(0)		(0)
Change in a parent's ownership interest in a subsidiary arising from transactions with noncontrolling interests			301							301		301
Net change in the year				3			(149)	998	(202)	650	(965)	(314)
BALANCE, MARCH 31, 2017	**34,119**	**31,307**	**33,603**	**149**	**47,020**	**(24,341)**	**11**	**(11,206)**	**111**	**76,656**		**76,656**
Net loss attributable to owners of the parent					**(24,709)**					**(24,709)**		**(24,709)**
Cash dividends, ¥10.00 per share					**(341)**					**(341)**		**(341)**
Purchase of treasury stock	**(0)**					**(0)**				**(0)**		**(0)**
Net change in the year				**(131)**			**1**	**(1,099)**	**340**	**(889)**		**(889)**
BALANCE, MARCH 31, 2018	**34,119**	**¥31,307**	**¥33,603**	**¥17**	**¥21,970**	**¥(24,341)**	**¥13**	**¥(12,305)**	**¥451**	**¥50,717**		**¥50,717**

	Thousands of U.S. dollars (Note 1)										
						Accumulated other comprehensive income					
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Noncontrolling interests	Total equity
BALANCE, MARCH 31, 2017	**$295,354**	**$317,011**	**$1,407**	**$443,593**	**$ (229,636)**	**$112**	**$ (105,717)**	**$1,052**	**$723,178**		**$723,178**
Net loss attributable to owners of the parent				(233,105)					(233,105)		(233,105)
Cash dividends, $0.09 per share				(3,218)					(3,218)		(3,218)
Purchase of treasury stock					(0)				(0)		(0)
Net change in the year			(1,241)			15	(10,373)	3,209	(8,390)		(8,390)
BALANCE, MARCH 31, 2018	**$295,354**	**$317,011**	**$166**	**$207,269**	**$ (229,636)**	**$127**	**$ (116,091)**	**$4,261**	**$478,463**		**$478,463**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

FUNAI ELECTRIC CO., LTD. and Consolidated Subsidiaries
Year Ended March 31, 2018

	Millions of Japanese yen		Thousands of U.S. dollars (Note 1)
	2018	2017	**2018**
OPERATING ACTIVITIES:			
Loss before income taxes	**¥ (24,335)**	¥ (7,307)	**$ (229,579)**
Adjustments for:			
Income taxes – paid	**(320)**	(69)	**(3,026)**
Income taxes – refund	**411**	49	**3,885**
Depreciation and amortization	**2,258**	4,098	**21,306**
Loss (gain) on sales or disposal of property, plant and equipment	**9**	(1,325)	**89**
Loss on impairment of long-lived assets	**12,586**	339	**118,741**
Equity in losses of an unconsolidated subsidiary and an associated company		2	
Gain on sales of investment securities		(127)	
Gain on sales of investment securities in unconsolidated subsidiaries and associated companies	**(29)**		**(274)**
Loss on sale of an investment in a consolidated subsidiary		704	
Changes in assets and liabilities:			
Decrease in trade receivables	**5,386**	4,601	**50,816**
Decrease in inventories	**1,421**	8,379	**13,409**
(Decrease) increase in trade payables	**(6,214)**	3,470	**(58,622)**
Increase (decrease) in other payables	**3,368**	(25,539)	**31,778**
Decrease in liability for retirement benefits	**(2)**	(147)	**(27)**
Increase in allowance for doubtful accounts	**212**	451	**2,008**
Other - net	**(122)**	(910)	**(1,159)**
Total adjustments	**18,966**	(6,022)	**178,926**
Net cash used in operating activities	**(5,369)**	(13,329)	**(50,652)**
INVESTING ACTIVITIES:			
Payments for time deposits	**(1,364)**	(6,205)	**(12,877)**
Proceeds from time deposits	**737**	10,392	**6,961**
Proceeds from sales of property, plant and equipment	**167**	3,977	**1,575**
Purchases of property, plant and equipment	**(2,100)**	(3,042)	**(19,818)**
Purchases of intangible assets	**(299)**	(117)	**(2,822)**
Proceeds from sales of investment securities		178	
Proceeds from sales of investment in unconsolidated subsidiaries and associated companies	**336**		**3,670**
Proceeds from sales of investment in a subsidiary resulting in changes in consolidation scope Payments for loans receivable		7,899	
Purchases of investment securities	**(157)**	(10)	**(1,981)**
Payments for loans receivable	**(0)**	(4)	**(2)**
Proceeds from collection of loans receivable	**568**	25	**5,363**
Other – net	**(61)**	174	**(579)**
Net cash (used in) provided by investing activities	**(2,174)**	13,266	**(20,511)**
FINANCING ACTIVITIES:			
Decrease in short-term bank borrowings - net		(6,510)	
Repayment of long-term debt		(3,192)	
Dividends paid	**(341)**	(1,023)	**(3,218)**
Other – net	**(243)**	(424)	**(2,298)**
Net cash used in financing activities	**(584)**	(11,150)	**(5,517)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**(192)**	3,069	**(1,812)**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(8,320)**	(8,145)	**(78,493)**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**38,971**	47,116	**367,651**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥30,650**	¥38,971	**$289,157**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

FUNAI ELECTRIC CO., LTD. and Consolidated Subsidiaries
Year Ended March 31, 2018

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards ("IFRS").

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2017 consolidated financial statements to conform to the classifications used in 2018.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Funai Electric Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥106 to $1, the approximate rate of exchange at March 31, 2018. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Additionally, the Company rounded down Japanese yen figures to the nearest million and U.S. dollar figures to the nearest thousand, except for per share data.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation — The consolidated financial statements as of March 31, 2018, include the accounts of the Company and its 20 (20 in 2017) significant subsidiaries (collectively, the "Group").

Under the control and influence concepts, those companies over whose operations the Company, directly or indirectly, is able to exercise control are fully consolidated and those companies over which the Group has the ability to exercise significant influence are accounted for using the equity method.

There are no unconsolidated subsidiaries which are accounted for using the equity method as of March 31, 2018 and 2017. One subsidiary, which was accounted for using the equity method, was liquidated during the fiscal year ended March 31, 2017. Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements — Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either IFRS or the generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification or "FASB ASC") tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process, so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in the equity through other comprehensive income; (c) expensing capitalized development costs of research and development (R&D); and (d) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting.

c. Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method — ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments," requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either IFRS or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted, so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (d) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting.

d. Business Combinations — Business combinations are accounted for using the purchase method. Acquisition related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

e. Cash Equivalents — Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificates of deposit, commercial paper, and bond funds, all of which mature or become due within three months of the date of acquisition.

f. Allowance for Doubtful Accounts — The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

g. Inventories — Inventories of the Company and its consolidated domestic subsidiaries are mainly stated at the lower of cost, determined using the average method for merchandise, finished products and work in process and using the first-in, first-out method for raw materials, or net selling value.

Inventories of consolidated foreign subsidiaries are mainly stated at the lower of cost, determined using the first-in, first-out method, or net selling value.

h. Investment Securities — Investment securities are classified and accounted for depending on management's intent. All investment securities are classified as available-for-sale securities. Marketable available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of equity.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

i. Property, Plant and Equipment — Property, plant and equipment are stated at cost. Depreciation of property, plant, and equipment of the Company and its consolidated domestic subsidiaries is computed substantially using the declining-balance method, while the straight-line method is applied to buildings acquired after April 1, 1998, and building improvements and structures acquired after April 1, 2016 at rates based on the estimated useful lives of the assets. Depreciation of property, plant, and equipment of consolidated foreign subsidiaries is principally computed using the straight-line method at rates based on the estimated useful lives of the assets. The range of useful lives is principally from three to 50 years for buildings and structures and from one to 20 years for machinery, equipment, and other.

Lease assets are depreciated using the straight-line method over the respective lease periods.

j. Patents — Patents are carried at cost, less accumulated amortization, which is computed using the straight-line method over the estimated useful lives.

k. Other Intangible Assets — Intangible assets are stated at cost. Amortization of intangible assets of the Company and its consolidated subsidiaries is computed using the straight-line method. Amortization of software for internal use is computed using the straight-line method over the estimated useful life (five years).

l. Long-Lived Assets — The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the sum of the discounted cash flows from the continued use and eventual disposition of the asset, or the net selling price at disposition.

m. Retirement and Pension Plans — The Company and certain consolidated subsidiaries have noncontributory funded defined benefit pension plans and unfunded retirement benefit plans for employees. Certain consolidated foreign subsidiaries also have defined contribution pension plans.

The Group accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the consolidated balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss. Actuarial gains and losses are amortized using the straight-line method over a period within the average remaining years of service of the employees (10 years) starting from the following period. Past service cost is amortized using the straight-line method over a period within the average remaining years of service of the employees (10 years).

Retirement allowances for Directors and Executive Officers are recorded as a liability at the amount that would be required if all Directors and Executive Officers retired at each consolidated balance sheet date.

n. Asset Retirement Obligations — An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

o. Stock Options — The Company measures the cost of stock options granted to Directors, Executive Officers and employees of the Company, Executive Officers and employees of the subsidiaries based on the fair value at the date of grant and recognizes the compensation expense over the vesting period as consideration for receiving goods or services. In the consolidated balance sheet, stock options are presented as stock acquisition rights as a separate component of equity until exercised.

p. Research and Development Costs — Research and development costs are charged to income as incurred.

q. Leases — All finance lease transactions are capitalized by recognizing lease assets and lease obligations in the balance sheet.

r. Construction Contracts — Construction revenue and construction costs are recognized by the percentage-of -completion method if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs, and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract is deemed to be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts.

s. Income Taxes — The provision for income taxes is computed based on pretax income and included in the consolidated statements of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

t. Foreign Currency Transactions — All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of operations to the extent that they are not hedged by forward exchange contracts.

u. Foreign Currency Financial Statements — The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date, except for equity, which is translated at the historical rate.

Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income as a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate.

v. Derivatives and Hedging Activities — The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign currency exchange rates and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are recognized as either assets or liabilities and measured at fair value, and gains and losses on derivative transactions are recognized in the consolidated statements of operations.

w. Per Share Information — Basic net loss per share ("EPS") is computed by dividing net loss attributable to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted net income per share is not disclosed as the Company recognizes net loss per share and the effect of including potential common shares is anti-dilutive.

Cash dividends per share presented in the accompanying consolidated statements of operations are dividends applicable to the respective years, including dividends to be paid after the end of the year.

x. New Accounting Pronouncements

a) Leases — In January 2016, IFRS 16 Leases was issued. For lessees, IFRS 16 requires most leases to be recognized on the balance sheet (under a single model), eliminating the distinction between operating and finance leases. On the other hand, it remains largely unchanged for lessors and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 Leases and related interpretations.

Under IFRS 16, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and is depreciated accordingly. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined, and the liability accrues interest. Under IFRS 16, lessors classify leases as operating or finance in nature, as under current IAS 17.

IFRS 16 must be applied for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 Revenue from Contracts with Customers has also been applied.

In February 2016, the FASB issued an accounting standards update which requires lessees to recognize most leases on their balance sheets, but recognize expenses on their income statements in a manner similar to current guidance. For lessors, the guidance modifies the classification criteria and the accounting for sales-type and direct financing leases. This guidance is effective for annual reporting periods beginning after December 15, 2018, and early adoption is permitted.

The foreign subsidiaries expect to apply the new standards on leases effective April 1, 2019, and are in the process of measuring the effects of applying the new standards in future applicable periods.

b) Revenue recognition — On March 30, 2018, the ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition." The core principle of the standard and guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The accounting standard and guidance are effective for annual periods beginning on or after April 1, 2021. Earlier application is permitted for annual periods beginning on or after April 1, 2018.

The foreign subsidiaries expect to apply the new standards on revenue recognition effective April 1, 2018 and thereafter, and the Company expects to apply the accounting standard and guidance for annual periods beginning on or after April 1, 2021. The Company is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

3. BUSINESS COMBINATION

(Year Ended March 31, 2017)

Sale of an investment in a consolidated subsidiary

The Company decided to enter into a basic agreement for the sale of an investment in a subsidiary (share ratio of stock issued: 96%) at the Board of Directors' Meeting held on November 7, 2016, and reached a basic agreement on the same day. After negotiations, the Board of Directors reached a resolution to sell the investments, entered into a final agreement on February 21, 2017 and sold the investments on March 30, 2017.

[Overview of Business Combination]

(1) Name of the divested company and its main business
Name of the company: DX ANTENNA CO., LTD. ("DX ANTENNA")
Main business: Sales of receiving, communication and security related devices

(2) Name of transferee: ELECOM CO., LTD ("ELECOM")

(3) Reason for the divestiture
The business combination was conducted to focus management resources on the Group's core business in face of the decrease in sales of the LED TV business due to severe competition in the Group's main market, North America.
Considering the similarity of products between DX ANTENNA and ELECOM, the Company resolved to transfer the shares of DX ANTENNA to ELECOM.

(4) Date of the business combination : March 30, 2017

(5) Legal form of business combination
Share transfer in which consideration is limited to cash

[Overview of accounting treatment]

The difference between the consolidated carrying amount and the sales amounts of DX ANTENNA was recognized as transfer profit (loss).

The Company recorded a transfer loss of ¥704 million under "Loss on sales of an investment in a consolidated subsidiary" in "Other income (expenses)".

4. ADDITIONAL INFORMATION OF CASH FLOWS

On March 30, 2017, the Company sold its shares in DX ANTENNA, with changes of consolidation scope.
Assets and liabilities of the divested company and net cash provided by the sales were as follows:

	Millions of Japanese yen
	2017
Current assets	**¥12,006**
Noncurrent assets	**3,826**
Current liabilities	**(3,178)**
Long-term liabilities	**(821)**
Unrealized gain on available-for-sale securities	**(128)**
Foreign currency translation adjustments	**(3)**
Defined retirement benefit plans	**(290)**
Noncontrolling interests	**(470)**
Loss on sales of investment in a consolidated subsidiary	**(704)**
Related expenses to sales of the investment	**132**
Total sales amounts	**10,367**
Related expenses to sales of the investment	**(132)**
Cash and cash equivalents	**(2,336)**
Proceeds from sales of investment in a subsidiary	**¥7,899**

5. INVENTORIES

Inventories at March 31, 2018 and 2017, consisted of the following:

	Millions of Japanese yen		Thousands of U.S. dollars
	2018	2017	**2018**
Merchandise and finished products	**¥13,251**	¥15,459	**$125,012**
Work in process	**516**	1,149	**4,869**
Raw materials and supplies	**9,841**	9,644	**92,846**
Total	**¥23,609**	¥26,253	**$222,728**

6. LONG-LIVED ASSETS

In principle, when the Group conducts an impairment test, the Group categorizes business assets on the basis of each legal entity whose cash inflows and outflows are continuously recorded. Idle assets are evaluated individually.

During the fiscal year ended March 31, 2018, the Group recorded losses on impairment in the following asset groups:

Use	Location	Type	Millions of Japanese yen	Thousands of U.S. dollars
Business assets	FUNAI ELECTRIC CO.,LTD. (Daito City, Osaka)	Machinery, equipment and other	¥148	$1,405
		Lease assets	4	47
		Patents	2,451	23,130
		Long-term prepaid expenses	4,883	46,067
		Software (included in "Other assets" in "Investment and other assets")	75	716
Business assets	FUNAI ELECTRIC (H.K.) LTD. (New Territories, Hong Kong)	Buildings and structures	42	402
		Machinery, equipment and other	650	6,133
Business assets	FUNAI THAILAND CO., LTD. (Nakhon Ratchasima, Thailand)	Land	56	532
		Buildings and structures	596	5,627
		Machinery, equipment and other	594	5,610
		Software (included in "Other assets" in "Investment and other assets")	1	12

Use	Location	Type	Millions of Japanese yen	Thousands of U.S. dollars
Business assets	FUNAI ELECTRIC PHILIPPINES INC. (Batangas, the Philippines)	Buildings and structures	474	4,474
		Machinery, equipment and other	549	5,181
		Software (included in "Other assets" in "Investment and other assets")	34	324
Business assets	FUNAI ELECTRIC CEBU, INC. (Cebu, the Philippines)	Buildings and structures	539	5,088
		Machinery, equipment and other	661	6,240
		Software (included in "Other assets" in "Investment and other assets")	33	316
Business assets	FEP REAL ESTATE, INC. (Makati, the Philippines)	Land	42	398
Business assets	FUNAI CORPORATION, INC. (New Jersey, USA)	Buildings and structures	8	83
		Machinery, equipment and other	5	50
		Lease assets (included in "Other assets" in "Investment and other assets")	293	2,769
Business assets	FUNAI TRADING CORP. (California, USA)	Buildings and structures	5	49
		Machinery, equipment and other	61	582
		Software (included in "Other assets" in "Investment and other assets")	55	521
Business assets	FUNAI LEXINGTON TECHNOLOGY CORPORATION (Kentucky, USA)	Buildings and structures	59	563
		Machinery, equipment and other	202	1,910
		Software (included in "Other assets" in "Investment and other assets")	3	36
Business assets	FUNAI MANUFACTURING, S.A. DE C.V. (Tijuana, Mexico)	Buildings and structures	13	125
		Machinery, equipment and other	9	91
		Software (included in "Other assets" in "Investment and other assets")	8	77
Business assets	P&F MEXICANA, S.A. DE C.V. (Mexico, Mexico)	Machinery, equipment and other	4	42
		Software (included in "Other assets" in "Investment and other assets")	13	127
	Total		¥12,586	$118,741

The Company reduced the book values of the business assets on which the profitability had declined significantly to their recoverable amounts and recorded a loss on impairment of long-lived assets of ¥12,586 million ($118,741 thousand) as other income (expenses).

The recoverable amounts of the assets were determined at their net selling price. The net selling amounts of buildings, structures and land were based on the appraised value which were reasonably calculated by real estate appraisers. The net selling amounts of other assets were considered as zero.

During the fiscal year ended March 31, 2017, the Group recorded loss on impairment in the following asset groups:

Use	Location	Type
Assets planned to be retired	FUNAI ELECTRIC CEBU, INC. (Cebu, the Philippines)	Machinery, equipment and other assets

Since acquiring the shares of a manufacturing subsidiary of Lexmark International, Inc. (now Funai Electric Cebu, Inc.), the Group has engaged in contract production of inkjet cartridges from Lexmark International, Inc. Although the Group previously categorized the assets as business assets, the production of certain models was discontinued, so the Group reduced the book values of the related manufacturing equipment to their recoverable amounts and recorded a loss on impairment of long-lived assets of ¥339 million in other income (expenses).

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

7. INVESTMENT SECURITIES

The costs and aggregate fair values of investment securities at March 31, 2018 and 2017 were as follows:

	Millions of Japanese yen			
	Cost	Unrealized gains	Unrealized losses	Fair value
2018				
Securities classified as:				
Available-for-sale:				
Equity securities	**¥35**	**¥13**		**¥49**
2017				
Securities classified as:				
Available-for-sale:				
Equity securities	¥35	¥11		¥47

	Thousands of U.S. dollars			
	Cost	Unrealized gains	Unrealized losses	Fair value
2018				
Securities classified as:				
Available-for-sale:				
Equity securities	**$336**	**$127**		**$463**

Available-for-sale securities whose fair values are not readily determinable as of March 31, 2018 and 2017, were as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2018	2017	**2018**
Available-for-sale:			
Equity securities	**¥242**	¥84	**$2,284**

There are no sales transactions of available-for-sale securities during the year ended March 31, 2018.
The information on available-for-sale securities which were sold during the year ended March 31, 2017 is as follows:

	Millions of Japanese yen		
	Proceeds	Realized gains	Realized losses
2017			
Available-for-sale:			
Equity securities	**¥178**	**¥127**	

8. LONG-TERM DEBT

Long-term debt at March 31, 2018 and 2017, consisted of the following:

	Millions of Japanese yen		Thousands of U.S. dollars
	2018	2017	**2018**
Obligations under finance leases	**¥518**	¥756	**$4,891**
Less current portion	**(236)**	(242)	**(2,230)**
Long-term debt, less current portion	**¥282**	¥514	**$2,660**

Annual maturities of obligations under finance leases at March 31, 2018, were as follows:

Year Ending March 31	Millions of Japanese yen	Thousands of U.S. dollars
2019	¥236	$2,230
2020	205	1,942
2021	68	642
2022	6	58
2023 and thereafter	1	16
Total	¥ 518	$ 4,891

9. RETIREMENT AND PENSION PLANS

The Company and certain consolidated subsidiaries have severance payment plans for employees, Directors, and Executive Officers. Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service, and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The Company and certain consolidated subsidiaries have noncontributory funded defined benefit pension plans for employees. Certain consolidated foreign subsidiaries also have defined contribution pension plans. Some consolidated subsidiaries use the simplified method to calculate retirement benefit obligations.

The liability for retirement benefits at March 31, 2018 and 2017 for Directors and Executive Officers is ¥1,025 million ($9,675 thousand) and ¥1,047 million, respectively. The retirement benefits for Directors are paid subject to the approval by the shareholders.

(1) The changes in defined benefit obligation for the year ended March 31, 2018 and 2017, were as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2018	2017	2018
Balance at beginning of year	¥6,588	¥8,468	$62,156
Current service cost	399	480	3,773
Interest cost	87	92	822
Benefits paid	(641)	(494)	(6,052)
Actuarial (gains) losses	(148)	47	(1,399)
Decrease in exclusion from consolidation scope		(1,896)	
Others	14	(109)	135
Balance at end of year	¥6,300	¥6,588	$59,436

(2) The changes in plan assets for the year ended March 31, 2018 and 2017, were as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2018	2017	2018
Balance at beginning of year	¥8,117	¥9,629	$76,577
Expected return on plan assets	107	106	1,015
Benefits paid	(641)	(494)	(6,052)
Contributions from the employer	396	592	3,743
Actuarial losses (gains)	186	(2)	1,758
Decrease exclusion from consolidation scope		(1,589)	
Others	(29)	(124)	(280)
Balance at end of year	¥8,136	¥8,117	$76,761

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets was as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2018	2017	2018
Plan assets	¥8,022	¥7,975	$75,681
Funded defined benefit obligation	(6,181)	(6,431)	(58,318)
Net asset arising from defined benefit obligation	¥1,840	¥1,543	$17,362
Funded defined benefit obligation	¥ (118)	¥ (156)	$ (1,117)
Plan assets	114	141	1,080
Net liability arising from defined benefit obligation	¥ (3)	¥ (15)	$ (37)

(4) The components of net periodic benefit costs for the year ended March 31, 2018 and 2017, were as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2018	2017	2018
Service cost	¥399	¥480	$3,773
Interest cost	87	92	822
Expected return on plan assets	(107)	(106)	(1,015)
Recognized actuarial losses	163	158	1,544
Amortization of prior service cost	(1)	(40)	(13)
Amortization of transitional obligation		58	
Others	40	9	383
Net periodic benefit costs	¥582	¥652	$5,494

(5) Amounts recognized in other comprehensive income (loss) (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2018	2017	2018
Actuarial gains (losses)	¥498	¥(177)	$4,701
Prior service cost	(1)	(222)	(13)
Others		58	
Total	¥496	¥(340)	$4,688

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2018 and 2017, were as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2018	2017	2018
Unrecognized actuarial gains	¥608	¥109	$5,737
Unrecognized prior service cost	4	5	41
Total	¥612	¥115	$5,778

(7) Plan assets

(a) Components of plan assets

Plan assets as of March 31, 2018 and 2017, consisted of the following:

	2018	2017
Debt investments	**59%**	61%
Equity investments	**20%**	18%
Loans receivable / short-term fund	**0%**	2%
Others	**21%**	19%
Total	**100%**	100%

(b) Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return that are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the year ended March 31, 2018 and 2017, were set forth as follows:

	2018	2017
Discount rate	**1.4%**	1.4%
Expected rate of return on plan assets	**1.3%**	1.3%
Expected rates of pay raises	**5.6%**	5.6%
Lump sum election rate	**75.5%**	86.5%

10. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria, such as (1) having a Board of Directors, (2) having the independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the Directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends–in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. With respect to the third condition above, the Board of Directors of companies with (a) board committees (namely, an appointment committee, compensation committee and audit committee), or (b) an audit and supervisory committee (as implemented under the Companies Act effective May 1, 2015) may also declare dividends at any time because such companies, by their nature, meet the criteria under the Companies Act. The Company is organized as a company with an audit and supervisory committee, effective June 25, 2015. The Company meets all the above criteria, and accordingly, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution by the shareholders.

(c) Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined using a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

11. STOCK OPTIONS

(1) The stock options outstanding for the fiscal year ended March 31, 2018, are as follows:

Stock option	Persons granted	Number of options granted	Date of grant	Exercise price	Exercise period
2008 stock option	One Director Officer 10 Executive Officers 315 employees	431,700 shares	November 20, 2008	¥1,609 ($15)	From August 1, 2010 to July 31, 2017
2014 stock option	Three Directors Two Executive Officers Two Executive Officers of a subsidiary One employee of a subsidiary	120,000 shares	October 10, 2014	¥1,296 ($12)	From September 1, 2016 to August 31, 2023
2016 stock option	Four Directors One Executive Officer 50 employees Two employees of a subsidiary	174,000 shares	January 30, 2017	¥1,019 ($10)	From September 1, 2018 to August 31, 2023
2017 stock option	Two Directors Two Executive Officers 122 employees	170,000 shares	November 29, 2017	¥947 ($9)	From September 1, 2019 to August 31, 2024

(2) The stock option activity is as follows:

The number of stock options

	2008 stock option (Shares)	2014 stock option (Shares)	2016 Stock option (Shares)	2017 Stock option (Shares)
Year ended March 31, 2017				
Nonvested				
March 31, 2016 – Outstanding				
Granted			174,000	
Canceled				
Vested				
March 31, 2017 – Outstanding			174,000	
Vested				
March 31, 2016 – Outstanding	252,700			
Vested		31,000		
Exercised				
Canceled	(24,100)	(4,600)		
March 31, 2017 – Outstanding	228,600	26,400		
Year ended March 31, 2018				
Nonvested				
March 31, 2017 – Outstanding			174,000	
Granted				170,000
Canceled			(41,000)	(9,500)
Vested				
March 31, 2018 – Outstanding			133,000	160,500

	2008 stock option (Shares)	2014 stock option (Shares)	2016 Stock option (Shares)	2017 Stock option (Shares)
Vested				
March 31, 2017 – Outstanding	228,600	26,400		
Vested				
Exercised				
Canceled	(228,600)	(10,800)		
March 31, 2018 – Outstanding		15,600		

The price information of the stock option is as follows:

	2008 stock option
Exercise price	¥1,609 ($15)
Average stock price at exercise	
Fair value price at grant date	
a. From August 1, 2010 to July 31, 2017	¥440 ($4)
b. From August 1, 2011 to July 31, 2017	¥447 ($4)
c. From August 1, 2012 to July 31, 2017	¥454 ($4)
d. From August 1, 2013 to July 31, 2017	¥458 ($4)
e. From August 1, 2014 to July 31, 2017	¥475 ($4)
f. From August 1, 2015 to July 31, 2017	¥487 ($5)
g. From August 1, 2016 to July 31, 2017	¥510 ($5)

	2014 stock option
Exercise price	¥1,296 ($12)
Average stock price at exercise	
Fair value price at grant date	
a. From September 1, 2016 to August 31, 2023	¥236 ($2)
b. From September 1, 2017 to August 31, 2023	¥280 ($3)
c. From September 1, 2018 to August 31, 2023	¥330 ($3)
d. From September 1, 2019 to August 31, 2023	¥353 ($3)
e. From September 1, 2020 to August 31, 2023	¥359 ($3)
f. From September 1, 2021 to August 31, 2023	¥359 ($3)
g. From September 1, 2022 to August 31, 2023	¥356 ($3)

	2016 stock option
Exercise price	¥1019 ($10)
Average stock price at exercise	
Fair value price at grant date	
a. From September 1, 2018 to August 31, 2023	¥188 ($2)
b. From September 1, 2019 to August 31, 2023	¥199 ($2)
c. From September 1, 2020 to August 31, 2023	¥206 ($2)
d. From September 1, 2021 to August 31, 2023	¥212 ($2)
e. From September 1, 2022 to August 31, 2023	¥216 ($2)

	2017 stock option
Exercise price	¥947 ($9)
Average stock price at exercise	
Fair value price at grant date	
a. From September 1, 2019 to August 31, 2024	¥199 ($2)
b. From September 1, 2020 to August 31, 2024	¥213 ($2)
c. From September 1, 2021 to August 31, 2024	¥233 ($2)
d. From September 1, 2022 to August 31, 2024	¥246 ($2)
e. From September 1, 2023 to August 31, 2024	¥258 ($2)

(3) The Assumption Used to Measure the Fair Value of the 2017 Stock Option
Estimate method: Black-Sholes option-pricing model

2017 stock option	a	b	c	d	e
Volatility of stock price	37.39%	37.78%	39.14%	39.55%	39.87%
Estimated remaining outstanding period	4.255years	4.756years	5.257years	5.755years	6.256years
Estimated dividend	¥10 ($0.09)	¥10 ($0.09)	¥10 ($0.09)	¥10 ($0.09)	¥10 ($0.09)
Risk free interest rate	-0.135%	-0.128%	-0.118%	-0.104%	-0.095%

* Volatility of stock price is calculated based on the actual stock price during the below periods;
a: From August 28, 2013 to November 29, 2017
b: From February 26, 2013 to November 29, 2017
c: From August 27, 2012 to November 29, 2017
d: From February 27, 2012 to November 29, 2017
e: From August 28, 2011 to November 29, 2017

(4) Estimated method of number of vested options
Since it is difficult to estimate the number of canceled options reasonably, the Company estimates the number of canceled options as zero.

12. R&D COSTS

R&D costs charged to income were ¥6,242 million ($58,896 thousand) and ¥7,248 million for the years ended March 31, 2018 and 2017, respectively.

13. LEASES

The Group leases certain machinery and vehicles.
The minimum rental commitments under noncancelable operating leases at March 31, 2018 and 2017, were as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2018	2017	**2018**
Due within 1 year	**¥454**	¥ 581	**$4,290**
Due after 1 year	**899**	579	**8,489**
Total	**¥1,354**	¥1,160	**$12,780**

14. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.6% and 30.9% for the years ended March 31, 2018 and 2017, respectively.

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities at March 31, 2018 and 2017, were as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2018	2017	**2018**
Deferred tax assets:			
Liability for retirement benefits	**¥320**	¥321	**$3,020**
Accounts payable – other	**1,499**	969	**14,143**
Allowance for doubtful accounts	**361**	479	**3,406**
Accrued employees' bonuses	**146**	165	**1,385**
Impairment loss on investment securities	**20**	20	**194**
Inventories	**351**	233	**3,313**
Loss on impairment of long-lived assets	**2,622**	51	**24,738**
Transfer pricing adjustment		699	
Tax loss carryforwards	**18,953**	17,700	**178,804**
Other	**1,441**	1,435	**13,597**
Less valuation allowance	**(24,966)**	(21,053)	**(235,537)**
Total	**749**	1,025	**7,066**
Deferred tax liabilities:			
Reserve for reduction entry of property assets	**53**	56	**503**
Prepaid pension cost	**561**	471	**5,293**
Other	**95**	148	**900**
Total	**709**	676	**6,697**
Net deferred tax assets	**¥39**	¥349	**$369**

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of operations was not presented because of the net loss for the periods.

On June 29, 2011, the Company received notice from the Osaka Regional Taxation Bureau suggesting that a subsidiary in Hong Kong did not satisfy the conditions for exclusion from incorporating of income generated by the subsidiary into the income of the Company for the duration of three years from April 1, 2007 to March 31, 2010, for taxation purposes. Because the Company objected to this corrective action, the Company applied for assessments by the Osaka National Tax Tribunal on August 25, 2011. On July 18, 2012, the Company received a written verdict on this case indicating that our assertions had been dismissed. The Company, unable to accept the verdict, filed an appeal to have the action canceled with the Tokyo District Court on January 17, 2013, however the Court rejected the Company's claim on September 28, 2016. The Company unable to accept the judgment, so filed the appeal to the Tokyo High Court on October 12, 2016, however the Court rejected the Company's claim on October 26, 2017. In response to this decision, the Company did not file a final appeal and petition for acceptance of final appeal, so the appeal court's final decision was made on November 10, 2017.

The additional tax, including corporate income taxes, inhabitant taxes, and enterprise taxes, amounted to ¥825 million (¥935 million, including incidental taxes). This amount has been processed as expenses under the category of "Income taxes – prior years" in the fiscal year ended March 31, 2012, in accordance with Japanese Institute of Certified Public Accountants Audit and Assurance Practice Committee Report No. 63, "Treatment of Accounting and Presentation of Taxes for the purpose of Audits."

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

15. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

1. Status of Financial Instruments

(1) Group Policy for Financial Instruments

The Group obtains financing from banks and invests funds in short-term deposits. The Group has a policy of not using derivatives for speculation purposes.

(2) Nature and Extent of Risks Arising from Financial Instruments and Risk Management for Financial Instruments

Trade receivables, such as trade notes and trade accounts, are exposed to customer credit risk.

To avoid such risk, the Group has stipulated sales management rules and manages trading terms and credit lines by each customer.

Investment securities, mainly equity instruments, are exposed to market risk. With regard to the risks, the market values and the financial positions of the issuers are reviewed periodically and reported to the Internal Investment and Loan Committee.

Most payables, such as trade notes and trade accounts, become due and payable within one year.

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

Trade receivables and loans are exposed to liquidity risks. The Group manages these risks by having each company perform monthly financial planning.

2. Fair Value of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, another rational valuation technique is used instead. The list below does not contain financial instruments whose fair values are not readily determinable.

(a) Fair Value of financial instruments

	Millions of Japanese yen		
	Carrying amount	Fair value	Unrealized gain/loss
2018			
Cash and cash equivalents	**¥30,650**	**¥30,650**	
Time deposits	**1,739**	**1,739**	
Receivables-trade	**9,953**	**9,953**	
Investment securities	**49**	**49**	
Total	**¥42,393**	**¥42,393**	
Payables-trade	**¥11,808**	**¥11,808**	
Payables-other	**10,372**	**10,372**	
Total	**¥22,180**	**¥22,180**	

	Millions of Japanese yen		
	Carrying amount	Fair value	Unrealized gain/loss
2017			
Cash and cash equivalents	¥38,971	¥38,971	
Time deposits	1,165	1,165	
Receivables-trade	15,571	15,571	
Investment securities	47	47	
Total	¥55,754	¥55,754	
Payables-trade	¥18,603	¥18,603	
Payables-other	7,280	7,280	
Total	¥25,883	¥25,883	

	Thousands of U.S. dollars		
	Carrying amount	Fair value	Unrealized gain/loss
2018			
Cash and cash equivalents	**$289,157**	**$289,157**	
Time deposits	**16,412**	**16,412**	
Receivables-trade	**93,905**	**93,905**	
Investment securities	**463**	**463**	
Total	**$399,939**	**$399,939**	
Payables-trade	**$111,399**	**$111,399**	
Payables-other	**97,849**	**97,849**	
Total	**$209,249**	**$209,249**	

Assets

Cash and cash equivalents, time deposits, and receivables – trade

The carrying values of cash and cash equivalents, time deposits, and receivables – trade approximate fair value because of their short maturities.

Investment securities

Investment securities are measured at the quoted market prices on a stock exchange for the equity instruments.
Fair value information for investment securities is included in Note 7.

Liabilities

Payables – trade, and payables – other

The carrying value of payables approximates fair value because of their short maturities.

(b) Financial instruments whose fair value cannot be reliably determined

	Millions of Japanese yen		Thousands of U.S. dollars
	2018	2017	**2018**
Investments in equity instruments that do not have a quoted market price in an active market	**¥1,236**	¥1,377	**$11,668**

(c) Maturity analysis for financial assets and securities with contractual maturities

	Millions of Japanese yen			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
2018				
Cash and cash equivalents	**¥30,650**			
Time deposits	**1,739**			
Receivables-trade	**9,953**			
Total	**¥42,344**			
2017				
Cash and cash equivalents	¥38,971			
Time deposits	1,165			
Receivables-trade	15,571			
Total	¥55,707			

	Thousands of U.S. dollars			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
2018				
Cash and cash equivalents	**$289,157**			
Time deposits	**16,412**			
Receivables-trade	**93,905**			
Total	**$399,475**			

Please see Note 8 for annual maturities of obligations under finance leases.

16. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2018	2017	**2018**
Unrealized loss on available-for-sale securities:			
Gain (loss) arising during the year	**¥1**	¥93	**$15**
Reclassification adjustments to profit or loss		(255)	
Amount before income tax effect	**1**	(162)	**15**
Income tax effect		13	
Total	**¥1**	¥ (148)	**$15**
Foreign currency translation adjustments:			
Adjustments arising during the year	**¥ (1,099)**	¥971	**$ (10,373)**
Reclassification adjustments to profit or loss		(16)	
Amount before income tax effect	**(1,099)**	954	**(10,373)**
Income tax effect			
Total	**¥ (1,099)**	¥954	**$ (10,373)**
Defined retirement benefit plans:			
Adjustments arising during the year	**¥334**	¥ (50)	**$3,157**
Reclassification adjustments to profit or loss	**162**	(290)	**1,530**
Amount before income tax effect	**496**	(340)	**4,688**
Income tax effect	**(156)**	133	**(1,478)**
Total	**¥340**	¥ (207)	**$3,209**

	Millions of Japanese yen		Thousands of U.S. dollars
	2018	2017	**2018**
Share of other comprehensive income (loss) in associates:			
Loss arising during the year		¥ (6)	
Reclassification adjustments to profit or loss		50	
Total		¥44	
Total other comprehensive (loss) income	**¥ (757)**	¥ 643	**$ (7,149)**

17. NET LOSS PER SHARE

Information on basic net EPS for the years ended March 31, 2018 and 2017, was as follows:

	Millions of Japanese yen	Thousands of shares	Japanese yen	U.S dollars
	Net loss attributable to Owners of the Parent	Weighted-average Shares	EPS	
For the year ended March 31, 2018:				
Basic EPS				
Net loss available to common Shareholders	**¥ (24,709)**	**34,119**	**¥ (724.21)**	**$ (6.83)**
For the year ended March 31, 2017:				
Basic EPS				
Net loss available to common shareholders	¥ (6,745)	34,119	¥ (197.70)	

Diluted net income per share is not disclosed due to the net loss for the years ended March 31, 2018 and 2017.

18. SUBSEQUENT EVENTS

Reduction of capital reserve and legal reserve and appropriation of the surplus

The Company resolved to reduce its capital reserve (component of capital surplus) and legal reserve (component of retained earnings) and appropriate the surplus at the Board of Directors' Meeting held on May 21, 2018, in accordance with the provisions of the Company's Articles of Incorporation pursuant to Article 459, Paragraph 1 of the Companies Act.

1. Purpose of reduction of capital reserve and legal reserve and appropriation the surplus

By supplementing the deficit, the Company improves the financial structure to enable the distribution of the dividends when the Company makes a profit and ensures flexibility and mobility in future financial strategies.

2. Outline of reduction of capital reserve and legal reserve

In accordance with Article 448, Paragraph 1 of the Companies Act, the capital reserve was reduced and transferred to other capital surplus and the legal reserve was reduced and transferred to other retained earnings.

(1) Reduced reserve
Capital reserve ¥ 12,810 million ($ 120,852 thousand)
Legal reserve ¥ 209 million ($ 1,975 thousand)

(2) Increased surplus
Other capital surplus ¥ 12,810 million ($ 120,852 thousand)
Other retained earnings ¥ 209 million ($ 1,975 thousand)

3. Outline of appropriation of surplus

In accordance with Article 452 of the Companies Act, the amount of General reserve has been reduced and transferred to other retained earnings.

(1) Reduced reserve
General reserve ¥ 12,428 million ($ 117,249 thousand)

(2) Increased surplus
Other retained earnings ¥ 12,428 million ($ 117,249 thousand)

4. Effective date of reduction in capital reserve and appropriation of surplus

(1) Date of the Resolution of the Board of Directors' Meeting May 21, 2018
(2) Effective date May 21, 2018

19. SEGMENT INFORMATION

Under ASBJ Statement No.17, "Accounting Standard for Segment Information Disclosures," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. The Group is engaged in the manufacture and sale of consumer electronics products. Mainly, the Company operates in Japan, FUNAI CORPORATION, INC. and P&F USA, INC. operates in the Americas, FUNAI ELECTRIC (H.K.) LTD. and FUNAI (THAILAND) Co., LTD. operate in Asia, and FUNAI ELECTRIC EUROPE Sp.zo.o. operates in Europe. Each overseas subsidiary is an independent management unit, which develops product strategies and business activities in its respective region. Therefore, the Group consists of four geographic segments based on the manufacturing and sales structures: "Japan," "Americas," "Asia," and "Europe."

(2) Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets, and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies." Sales prices between the segments are set on an arm's-length basis.

(3) Information about Sales, Profit (Loss), Assets, and Other Items

	Millions of Japanese yen						
	2018						
	Japan	Americas	Asia	Europe	Total	Reconciliations (Note A)	Consolidated (Note B)
Sales:							
Sales to external customers	**¥36,199**	**¥92,949**	**¥853**	**¥127**	**¥130,130**		**¥130,130**
Intersegment sales or transfers	**83,389**	**2,293**	**98,355**		**184,038**	**(184,038)**	
Total	**¥119,589**	**¥95,243**	**¥99,209**	**¥127**	**¥314,169**	**¥ (184,038)**	**¥130,130**
Segment loss (Note B)	**¥ (5,634)**	**¥ (965)**	**¥ (3,948)**	**¥ (83)**	**¥ (10,631)**	**¥ (253)**	**¥ (10,885)**
Segment assets	**76,263**	**24,892**	**28,038**	**¥1,407**	**130,600**	**(50,330)**	**80,270**
Other							
Depreciation	**706**	**110**	**1,442**		**2,258**		**2,258**
Increase in property, plant and equipment and intangible assets	**815**	**164**	**1,445**		**2,425**	**¥ (16)**	**2,408**
Impairment losses of assets	**¥7,564**	**¥745**	**¥4,276**		**¥12,586**		**¥12,586**

	Millions of Japanese yen						
	2017						
	Japan	Americas	Asia	Europe	Total	Reconciliations (Note A)	Consolidated (Note B)
Sales:							
Sales to external customers	¥31,200	¥101,751	¥274	¥612	¥133,838		¥133,838
Intersegment sales or transfers	83,776	1,194	87,607		172,577	¥(172,577)	
Total	¥114,977	¥102,945	¥87,881	¥612	¥306,416	¥(172,577)	¥133,838
Segment (loss) profit (Note B)	¥ (8,219)	¥ (131)	¥ (630)	¥ 45	¥ (8,935)	¥ 2,160	¥ (6,775)
Segment assets	88,400	34,976	42,110	1,868	167,355	(58,669)	108,685
Other							
Depreciation	1,589	171	2,337	¥0	4,098		4,098
Increase in property, plant and equipment and intangible assets	¥654	¥332	2,250		3,237	¥ (0)	3,237
Impairment losses of assets			¥339		¥339		¥339

	Thousands of U.S. dollars						
	2018						
	Japan	Americas	Asia	Europe	Total	Reconciliations (Note A)	Consolidated (Note B)
Sales:							
Sales to external customers	**$341,508**	**$876,880**	**$8,055**	**$1,199**	**$1,227,643**		**$1,227,643**
Intersegment sales or transfers	**786,691**	**21,638**	**927,884**		**1,736,215**	**(1,736,215)**	
Total	**$1,128,200**	**$898,519**	**$935,940**	**$1,199**	**$2,963,858**	**$ (1,736,215)**	**$1,227,643**
Segment loss (Note B)	**$ (53,156)**	**$ (9,110)**	**$ (37,247)**	**$ (787)**	**$ (100,301)**	**$ (2,390)**	**$ (102,691)**
Segment assets	**719,465**	**234,835**	**264,509**	**$13,273**	**1,232,084**	**(474,813)**	**757,271**
Other							
Depreciation	**6,661**	**1,038**	**13,606**		**21,306**		**21,306**
Increase in property, plant and equipment and intangible assets	**7,690**	**1,552**	**13,637**		**22,879**	**$ (156)**	**22,723**
Impairment losses of assets	**$71,367**	**$7,031**	**$40,343**		**$118,741**		**$118,741**

Note A Components of reconciliations are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2018	2017	**2018**
Segment (loss) profit			
Elimination of intersegment transactions	**¥ (735)**	¥2,705	**$ (6,938)**
Corporate expenses(*1)	**(772)**	(767)	**(7,283)**
Adjustment of inventory	**1,254**	222	**11,831**
Total	**¥ (253)**	¥2,160	**$ (2,390)**

	Millions of Japanese yen		Thousands of U.S. dollars
	2018	2017	**2018**
Segment assets			
Corporate assets(*2)	**¥20,635**	¥22,762	**$194,676**
Adjustment of inventory	**(44)**	(1,298)	**(419)**
Elimination of intersegment assets and liabilities, etc.	**(70,921)**	(80,133)	**(669,070)**
Total	**¥(50,330)**	¥(58,669)	**$(474,813)**

(*1) Corporate expenses are mainly general and administrative expenses not attributable to any reportable segment.

(*2) Corporate assets mainly consist of cash surpluses (cash and cash equivalents and time deposits) and long-term-investments (investments securities, etc.) that are not attributable to any reportable segment.

Note B Segment (loss) profit is adjusted to operating loss in the consolidated statements of operations.

(4) Related Information

1. Information about each product and service

	Millions of Japanese yen			
	2018			
	Audiovisual equipment	Information equipment	Other	Total
Sales to external customers	**¥122,569**	**¥3,334**	**¥4,225**	**¥130,130**

	Millions of Japanese yen			
	2017			
	Audiovisual equipment	Information equipment	Other	Total
Sales to external customers	¥115,262	¥5,075	¥13,500	¥133,838

	Thousands of U.S. dollars			
	2018			
	Audiovisual equipment	Information equipment	Other	Total
Sales to external customers	**$1,156,319**	**$31,458**	**$39,864**	**$1,227,643**

2. Information about geographical areas

a. Sales

Note: Sales are classified by country or region based on the location of customers.

Millions of Japanese yen						
2018						
	Americas					
Japan	USA	Mexico	Other	Asia	Europe	Total
¥33,897	**¥89,020**	**¥2,844**	**¥2,438**	**¥1,391**	**¥538**	**¥130,130**

Millions of Japanese yen						
2017						
	Americas					
Japan	USA	Mexico	Other	Asia	Europe	Total
¥29,521	¥93,384	¥6,895	¥2,588	¥424	¥1,023	¥133,838

Thousands of U.S. dollars						
2018						
	Americas					
Japan	USA	Mexico	Other	Asia	Europe	Total
$319,789	**$839,813**	**$26,831**	**$23,007**	**$13,125**	**$5,075**	**$1,227,643**

b. Property, plant and equipment

Millions of Japanese yen					
2018					
		Asia			
Japan	Americas	Philippines	Thailand	Other	Total
¥4,528	**¥2**	**¥3,097**	**¥564**	**¥0**	**¥8,193**

Millions of Japanese yen					
2017					
		Asia			
Japan	Americas	Philippines	Thailand	Other	Total
¥4,544	¥263	¥5,922	¥1,697	¥535	¥12,963

Thousands of U.S. dollars					
2018					
		Asia			
Japan	Americas	Philippines	Thailand	Other	Total
$42,724	**$21**	**$29,223**	**$5,325**	**$4**	**$77,298**

3. Information about major customers

	Sales			
	Millions of Japanese yen		Thousands of U.S. dollars	
Name of Customer	**2018**	2017	**2018**	Related segment name
WAL-MART STORES, INC.	**¥77,979**	¥78,530	**$735,657**	Americas
YAMADA DENKI CO., LTD.	**¥17,115**	¥997	**$161,464**	Japan

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of Funai Electric Co., Ltd. and its consolidated subsidiaries as of March 31, 2018, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

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.

Opinion

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

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 27, 2018

Member of
Deloitte Touche Tohmatsu Limited