2019 Annual Report

FUNAI ELECTRIC CO., LTD.

FUNAI ELECTRIC CO., LTD.

7-7-1 Nakagaito, Daito, Osaka 574-0013, Japan
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https://www2.funai.co.jp/en/index.html

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

We Will Persist in our Challenge to Make our Company "FUNAI Strong" Again and Achieve Sustainable Growth

The FUNAI Group has accomplished its mission to restore profitability and will stabilize the revenue base and aim for the next stage, sustainable growth.
We will take on even greater challenges in the face of many changes and demonstrate the true value of our proprietary technology and ingenuity to make FUNAI strong again, now more than ever.

Hideaki Funakoshi
Representative Director
President & CEO

Reflecting on FY2018

Funai Electric provides high-quality digital consumer electronics products with superior cost-performance, based on our fundamental principle of "Dream with Conviction, and Act on Information" and the group vision of creating products that are the choice of customers around the world.

During FY2018 (ending March 31, 2019), the initial year of our mid-term management plan (FY2018–FY2020), we implemented initiatives aimed reforming the revenue structure to achieve sustainable growth and measures aimed at restoring profitability, and achieved our goals based on the three basic strategies of expanding market share, achieving penetration of the FUNAI brand, and launching new products.

In the printing solutions business, we reassessed unprofitable products and launched the Nail Art Printer and other new products. In the display business, a radical restructuring of the Central American market resulted in an improved profit structure, and we succeeded in reducing material costs for liquid crystal panels and other products experiencing declines. In the North American market, we focused on expanding business with other major mass retailers in addition to Walmart, and steadily accumulated sales results. In Japan, we introduced a high-end OLED TV and expanded the line-up of products exclusively sold by the Yamada Denki Group, and succeeded in expanding our market share.

Opportunities for gaining greater exposure of the FUNAI logo were also expanded through a partnership agreement with the Los Angeles Angels, a major league team in the U.S., aimed at achieving higher penetration of the FUNAI brand. We launched products that apply printer head technology and medical and in-vehicle products as successes in technology we have been working on developing. We also launched new businesses.

"Agile Management" to Adapt to Changes in the Business Environment

Under the Management Policy for Fiscal Year 2018, we worked to move past the losses and succeeded in restoring profitability in the initial fiscal year.

In the future, we will continue to push further ahead on our basic strategy while also working to accomplish our positioning strategy and alliance strategy, which are part of our overall business strategy. We will also focus on creating a stable revenue base through dynamic restructuring of our business portfolio.

The business environment surrounding our company is changing at a dizzying pace due to trade friction between the U.S. and China and the ripple effects on the global economy. This and other changes make many aspects of the environment unpredictable. To respond to such rapid changes, we will enlist the entire company in working on the key issue of accelerating the management agility and make sure that everyone is aware of this, from the management level to each individual employee.

Production locations: We will shut down production in China, which is steadily losing its competitive superiority as a production location due to U.S.-China trade issues, the steep rise in labor costs, and other factors, and are building a global production structure centered mainly on production locations in Thailand, the Philippines, Mexico, and other locations that are advantageous for exporting to the U.S.

Existing businesses: In the display business, we are concentrating management resources on Android TV in North America, televisions equipped with 4K internal tuners, and other products for which we anticipate growth. In the digital media business, we are seeking expansion into Europe and other new markets in addition to the North American and Japanese markets.

New businesses: We are accelerating development of new businesses by taking advantage of areas we specialize in and entering alliances. We are also accelerating development of derivative products that apply the printer head technology we have worked many years to develop, specialty printers that apply optical design technology and other technologies, and automotive devices, EV equipment, medical and healthcare devices, and other equipment.

Make FUNAI Strong through a Stable Revenue Base

As a global company, the Funai Group is targeting top share in the global market based on a stable revenue base. We are working to introduce unique products to the global market and create products that are the choice of all users. I think that this severe environment teeming with changes is precisely the environment that will enable Funai Electric to demonstrate the true value of its unique technical development capabilities and ingenuity. In the future, we will continue to introduce products of superior cost-performance and quality to the global market in a timely manner and make steady progress toward the stage of sustainable growth.

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 Solutions, 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 ofsuperior 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 provides flat-screen televisions; the Digital Media business, which provides DVD and BD (Blu-ray Disc) related products; the Printing Solutions business, which provides 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. We supply these products to Japan and North America, respectively.

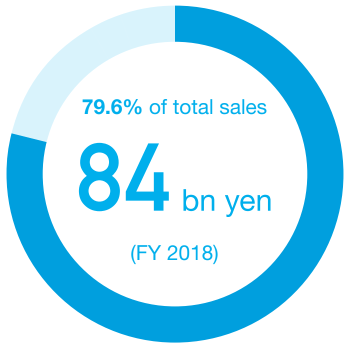
We are recognized for our price competitiveness and capacity to supply these audiovisual products and are particularly proud of our top-ranked share among Japanese manufacturers in flat-panel televisions in the North American market.

Funai utilizes the ink cartridges and printer products we developed ourselves in our Printing Solutions 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 shakeout period in the global digital consumer electronics industry as competition stiffens on function, design, and price 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.

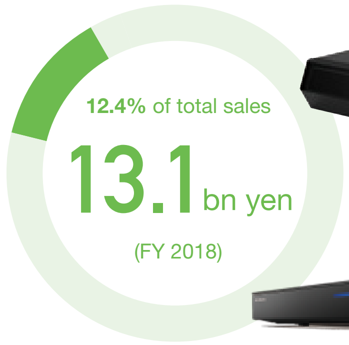
Display Business | Flat-panel Televisions



Globally recognized high-definition imaging, a new option in OLED TVs in Japan

Funai Electric maintains top-ranked share among Japanese manufacturers in the North American market where we sell three brands (Philips, SANYO, and Magnavox). We also began exclusive sales of FUNAI-brand products at Yamada Denki stores in Japan from 2017 and are steadily expanding sales. During FY2019, which marks the third year of sales, we introduced the world's first OLED TV equipped with two 4K tuners and an internal hard disk drive in our 7020 series. This enables users to watch a 4K broadcast while recording a different 4K broadcast. We will use this as leverage in the future as we work to improve our brand image even further and expand share.

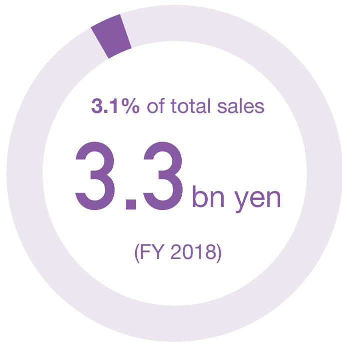
Digital Media Business | DVD/BD-related Products



Enticing AV users with a high-definition simultaneous recording function

In the North American market, we have provided 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

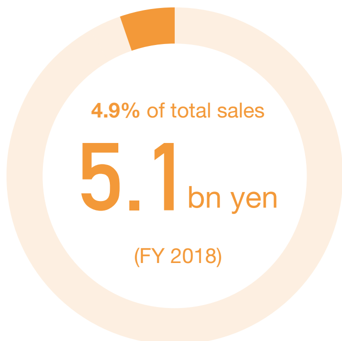


Capitalizing on the diverse range of business needs to achieve expansion of the printer business

Funai is utilizing the expertise it has cultivated in OEM for inkjet printer products since 1997 to expand the business substantially.

We manufacture printer-related products for various purposes in the B2B and OEM segments, such as proprietary ink cartridges for industrial use that employ thermal inkjet technology and the Nail Art Printer. We have also entered an alliance with P&G, the world's largest manufacturer of consumer daily necessities, and will introduce products in the beauty segment.

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 have also jointly developed a bed for nursing care with the medical division of a university in an industry-academic partnership and are working on a prototype. Through this and other products, we are meeting a wide range of needs in the medical and healthcare segments with superior technology. In addition to the above initiatives, we are working on development of devices for installation in vehicles and will provide components and modules that are based on our optical technology, such as meter panels and power inverters.

Brands carried

Brands sold globally

FUNAI

Brands sold in North America

FUNAI SANYO 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.

Funai's sales strategy is to use our close relationships with sales channels to accurately identify market needs and the latest trends, and provide high-quality products with superior cost-performance.

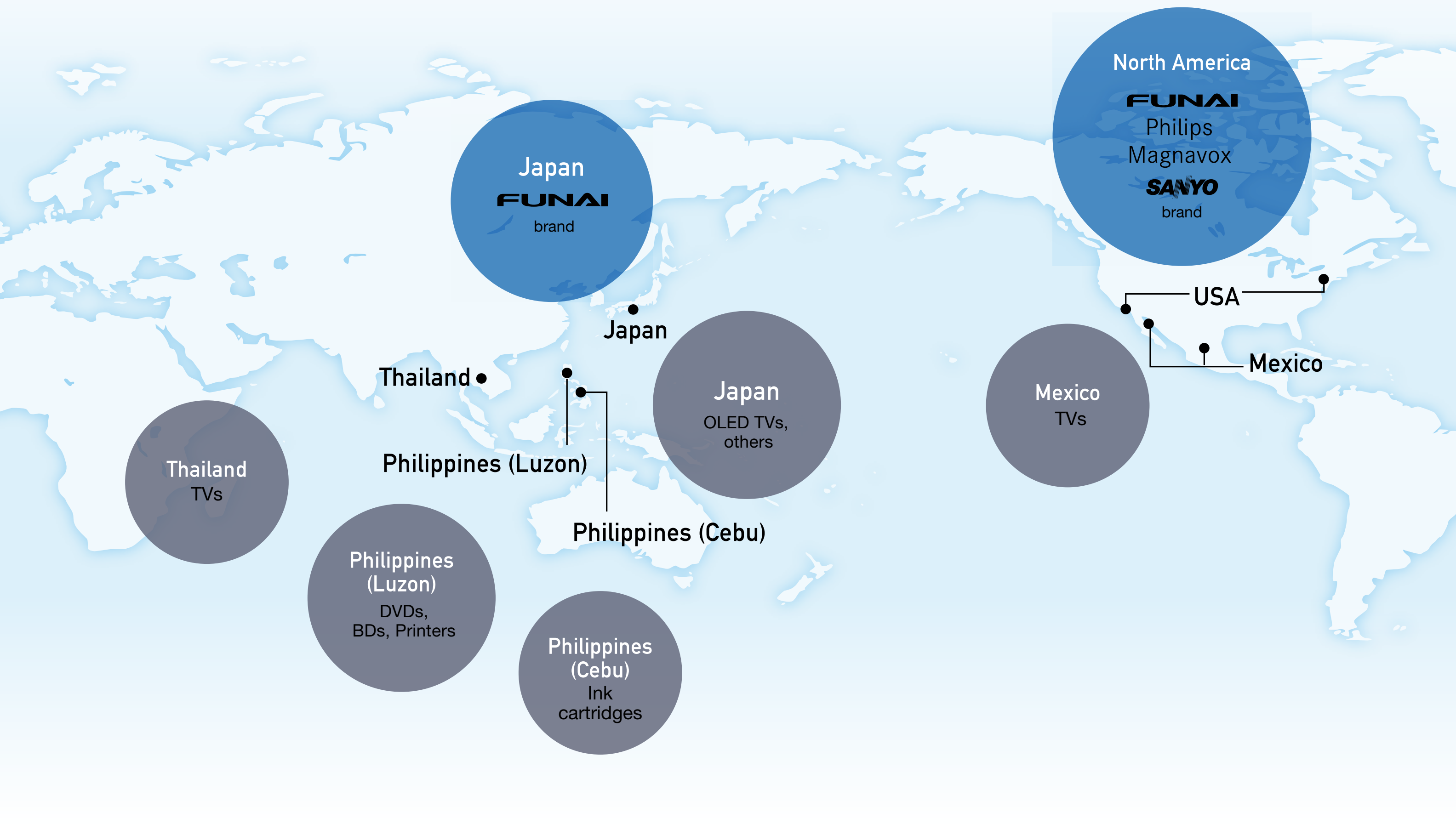
In LCD televisions, our core product, we hold top market* share among Japanese manufacturers in the North American market in terms of unit shipments. We also began exclusive sales of FUNAI-brand products in Yamada Denki stores in the Japanese market from June 2017. Funai is steadily increasing market presence by pursuing a product development and sales strategy matched to the needs of the market. This includes the launch of an OLED TV that is equipped with 4K tuners and internal hard disk drive which enables users to watch one 4K broadcast while recording another 4K broadcast on one television in July 2019, which marks the third year of sales.

In printer-related products, we launched the Nail Art Printer, a product that applies Funai's thermal inkjet technology, and it has received good reviews. In new businesses, we are pursuing development and production of nursing care and medical equipment, and are also engaging in product development aimed at next-generation needs through our alliance strategy, under which we have entered alliances with FOMM Corporation, a venture firm that is developing compact electric vehicles; P&G, the world's largest manufacturer of consumer daily necessities; and NTT Plala Inc., the provider of Hikari TV, the largest video platform in Japan.

* 2014–2018: Funai's share of LCD television shipments in North America compared to other Japanese manufacturers, IHS Markit research.

Global sales locations
Global production locations

Sales locations / Production locations



Design

World-Class Price Competitiveness

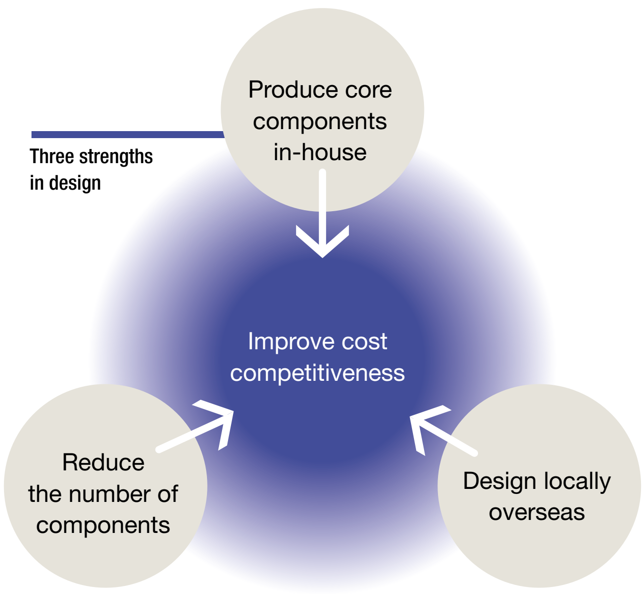
Produce core components in-house, reduce the number of components, and design locally overseas in the optimal location. Pursuit of cost-performance from the design stage onward has given Funai Electric world-class price competitiveness.

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 ef¬ficiency in local parts procurement.

We have built a production structure of manufacturing in the optimal location to respond to the dizzying pace of changes in the global environment. Shenzhen and Hong Kong have been positioned as parts supply bases, and procure a stable supply of parts from reliable suppliers. Mexico, which is the supply base for large LCD televisions, has reduced fixed costs by going fabless and established a production structure capable of swift response to market changes.

A design flow that takes productivity into consideration and focuses on the relentless pursuit of optimal cost-performance for the entire company helps Funai products to emerge as winners amid stiff price competition.

Three strengths in design



Production

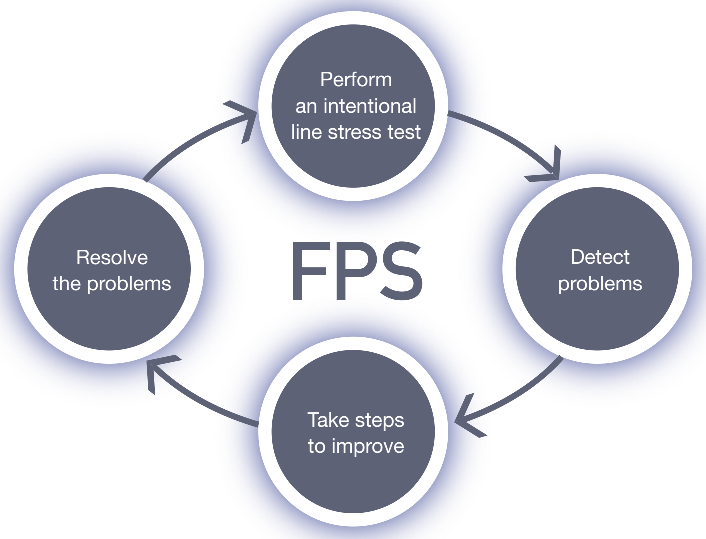
Taking on the Challenge of Ceaseless Improvements in Productivity

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 make Funai strong again by pursuing this even more ardently.

Continual improvement in productivity through FPS



2018–2019

Topic 1

Business Alliance with NTT Plala Inc.: Acceleration of the Alliance Strategy | June 2019 |

In June 2019, Funai concluded a business alliance agreement with NTT Plala Inc., the provider of Hikari TV, Japan's largest video streaming platform. This follows alliances with FOMM Corporation, a venture firm that is developing compact electric vehicles, and P&G, the largest manufacturer of consumer daily necessities in the world. In the future, Funai will actively develop new businesses through such corporate alliances. We will use our alliance strategy to drive the creation of products that are the choice of customers around the world even further.

Funai previously partnered with NTT Plala on airing the Hikari TV video streaming service run by NTT Plala on Funai TVs sold exclusively at Yamada Denki stores. The new business alliance agreement will strengthen the relationship even further. We will provide new products and services that will serve as a platform for home life by integrating the imaging technology and global production platform that Funai has developed over many years with NTT Plala's expertise in network communications technology and video streaming services.

In the future, we will work to create first-of-a-kind businesses that link people up with all types of goods and contents, with an eye toward 5G video streaming.

Topic 2

Two smart home products receive the CES 2019 Innovation Award | January 2019 |

Two of Funai's products, the Nail Art Printer and the Kitchen Android TV, received CES 2019 Innovation Awards (in the Smart Home division) in January 2019. The CES Innovation Award is a distinguished award presented for consumer product designs and technologies that are particularly outstanding.

The Google Assistant-equipped 24-inch Kitchen Android TV (Philips brand) is designed to be placed in the kitchen, which is the center of household activities. It has two remote microphones equipped with the echo canceller function, and can operate Google Assistant by voice. It enables people to access recipes, video streaming services, music playlists, and TV channels via voice operation.

Kitchen Android TV

The Nail Art Printer is a device that makes it easy for anyone to enjoy nail art. It can be used at home, so it can substantially reduce the amount of time spent going to a nail salon to have a manicurist apply nail art. The printer links to a free app that is available in the iOS and Android formats and downloads various photos and pattern designs, and enables people to enjoy sophisticated intricate designs via Funai's thermal inkjet technology.

* Google, Google Assistant, Android and Android TV are trademarks of Google LLC. All trademarks and copyrights are attributable to the owner of the individual trademark or copyright.

Nail Art Printer

Topic 3

CSR Initiatives —A broad range of local and community activities—

■ Activities that contribute to and support communities

In the U.S., the Funai Group participates in the Children's Miracle Network, which supports hospitals that treat pediatric illnesses, and participates in charity projects.

We have also supported Walmart and Sam's Club in participating in the Sharing & Caring support for children in need during the holiday season, and donated Funai TV and DVD products.

We hope that these activities will make children's dreams come true and give them the strength and courage to fight their illnesses, and that they will contribute to the community in general by supporting families, sponsors, and those who donate.

■ Activities that contribute through sports

NTT Plala and Funai sponsored the Hikari TV 4K FUNAI Doubles Golf Tournament held on July 10. Drone images and wearable cameras were used to broadcast this golf tournament, providing content that added new methods of image-based expression. We were able to promote penetration of the FUNAI brand among golf fans by enabling them to enjoy this golf tournament in 4K definition.

■ Locally-rooted contribution activities

Funai products are used as thank you gifts when taxpayers contribute a portion of their taxes to the hometown revitalization fund for the city of Daito in Osaka, where our headquarters is located. We provided over 1,400 units in FY2018. We will continue to make substantial contributions to the Daito City hometown revival tax contribution fund and strive to improve Funai's name recognition.

Management Policy for Fiscal Year 2019

We will Strive to Strengthen the Brand and Expand Sales Channels to Create a Stable Revenue Base

From restoring profitability to greater stability . . .
We are working to build a stable revenue structure by identifying market trends for each product, reinforcing the product line-up, and creating new businesses.

Display and Digital Media Businesses

We are strengthening the FUNAI brand to expand sales.

■ Display Business
We expanded our Android TV line-up before the Chinese manufacturers and will strengthen existing AV products and concentrate management resources in growth markets in the North American market, our core market. In the Japanese market, we will launch televisions with 4K internal tuners and other advanced BS-capable televisions at a reasonable price that is attractive to consumers. These will mainly be sold as FUNAI-brand products sold exclusively through Yamada Denki. In Mexico, we intend to recapture market share by restructuring the business model and will strengthen the sales structure. We will also strengthen initiatives aimed at cutting after-service costs.

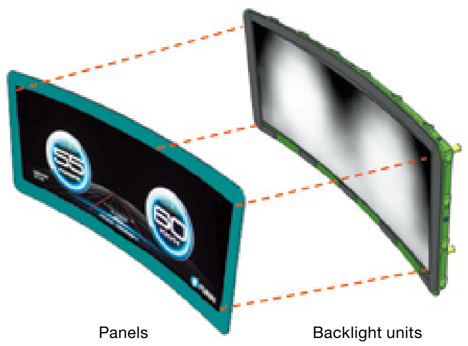
■ Digital Media Business
The withdrawal of a major Korean manufacturer from the BD player market in North America will lead to stiffer competition over market share by the major manufacturers, including Funai Electric. We will narrow our line-up in a bid to recapture market share. In the Japanese market, we will work to expand share by launching a high-end 4K model. Funai has not been involved much in the European and Chinese markets thus far, but we see these as new markets and will begin to expand sales.

Development and New Businesses

Funai will accelerate new business development through alliances

■ Products for Installation in Vehicles
We will begin mass production of backlight units for installation in vehicles from the second half of this fiscal year. The units use Funai's proprietary light balancing technology to achieve a thin-profile, energy-saving, high-contrast unit for installation in vehicles. We have also developed a meter panel that achieves high visibility through the imaging and optical technology we have cultivated in LCD televisions for the EV produced by FOMM Corporation, with which we entered a capital and business alliance year before last, and we are targeting mass production. We are also engaged in advance development of a vehicle power inverter for FOMM Corporation.

■ Medical and Healthcare Devices
Funai has already begun selling dental CT scanners in the U.S. and sales are expanding steadily. We will proceed forward with expansion to the European market in the future in mind as well. We have partnered with a Taiwanese manufacturer on the electric beds we developed jointly with a major American manufacturer and are now able to provide them at a reasonable price. Funai is also planning to enter the Japanese market. We have also developed a mat to prevent bed sores that can automatically change a person's body position while sleeping. This was jointly developed with the medical division of a Japanese university in an industry-academic partnership and we are working on the prototype.



Panels　　Backlight units

Printing Solutions Business

We are actively rolling out products equipped with Funai's proprietary printer head technology.

■ Full-scale Launch of Specialty Printers
The Nail Art Printer launched in the Japanese market on an OEM basis at the end of 2018 were also launched for sale as FUNAI-brand products from June of this year. New nail designs and applications have been developed and we also plan to roll them out to Taiwan, China, Central & South America, and elsewhere in the future.

We intend to introduce high-capacity inkjet printers and label printers, multipurpose printers, and other products that use Funai's proprietary printer head technology to expand sales in China.

■ Business with Proctor & Gamble (P&G)
We will conduct a full-scale launch of the businesses in which we are partnering with P&G, the world's largest manufacturers of consumer daily necessities. The skincare device equipped with our latest applied printer head technology is a revolutionary cosmetic device that integrates electronics and cosmetics. We intend to begin selling it in the U.S. from the second half of 2019. Funai has also developed a cartridge for P&G's electronic aromatic misting device that regularly mists a preset amount air freshener on a continuous basis. Trial sales will begin this fiscal year.

Nail Art Printer

Multipurpose printers

Finish the Bulk of Restructuring and Set the Strategy for Sustainable Growth

FY2018 (Period 67)	FY2019 (Period 68)	FY2020 (Period 69)
Restore Profitability	**Go Live with New Businesses**	**Move toward the sustainable growth stage**
■ Expand market share ■ Achieve penetration of the FUNAI brand ■ Launch new products	■ Expand market share further ■ Go live with new businesses ■ Commercialize the microfluidics business	■ Commercialize the EV business ■ Implement a full-scale launch of alliance business

FY2018 Results

Establish a Revenue Base to Restore Profitability

We achieved our mission to move beyond the losses in FY2018 and implemented three basic measures aimed at establishing a revenue base, mainly to restore profitability.

The first was to expand market share. In North America, which is our main market, we expanded business with major mass retailers. In Japan, we expanded sales by introducing high-end FUNAI-brand products.

The second was to achieve penetration of the FUNAI brand. We deployed effective advertisements through a partnership agreement with the Los Angeles Angels, a major league team, and linked this to sales expansion by increasing penetration of the FUNAI brand.

The third was to launch new products. Funai launched the Nail Art Printer equipped with printer head technology, among other new products. We also accelerated the start-up of development in the medical and in-vehicle device areas, and began EV-related development.

FY2019 Plan

Accelerate the Full-Scale Launch of New Businesses through Alliances

In FY2019, the environment will remain extremely severe for existing businesses impacted by trade friction between the U.S. and China. We will use the business base that we restored to profitability last fiscal year to conduct a full-scale launch of new businesses.

We will go live with businesses that we developed last fiscal year and will begin mass production of the world's first backlight units for installation in vehicles in the vehicle-related segment. We will also begin serious development of a power inverter and metal unit.

In medical and healthcare devices, we will work to expand sales of dental CT scanners and enter the electric bed market in Japan and expand our sales channels.

We will commercialize the microfluidics technology which applies our proprietary printer head technology, and will work to implement full-scale roll-out of the Nail Art Printer and other specialty printers for skin care, air freshening, and other purposes. We will also develop global business through our alliance with P&G, an international brand and major manufacturer of consumer daily necessities.

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

1960

- 1961 FUNAI ELECTRIC CO., LTD. established in Ikuno Ward, Osaka City.
- 1962 Representative office established in Chicago, the United States.
- 1964 CHUGOKU FUNAI ELECTRIC CO., LTD. established as a production subsidiary in Hiroshima Prefecture.
- 1968 FUNAI ELECTRIC COMPANY OF TAIWAN established as a production subsidiary in Taiwan.
- 1969 Construction of new headquarters building completed in Daito City, Osaka Prefecture.

1970

- 1970 FUNAI AMERICA ELECTRIC SERVICE CORP. established in the United States as a sales subsidiary.
- 1977 Training started which formed the basis for establishing the Funai Production System (FPS).

1980

- 1983 Tokyo Branch Office opened.

1990

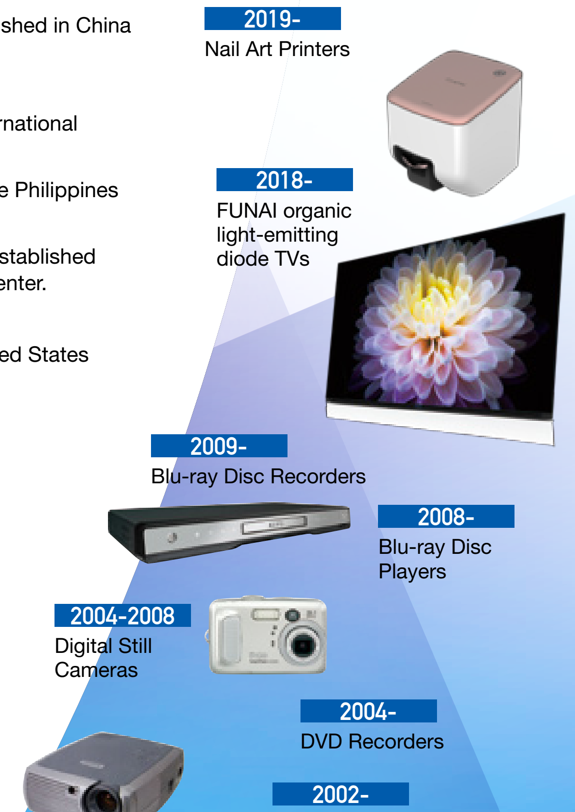
- 1991 FUNAI CORPORATION, INC. established in the United States as a sales subsidiary.
- 1992 HIGHSONIC INDUSTRIAL LTD. (now FUNAI ELECTRIC (H.K.), LTD.) established in Hong Kong.
- 1996 FUNAI SERVICE CO., LTD. established as a domestic service subsidiary.
- 1999 Listed on the Second Section of the Osaka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

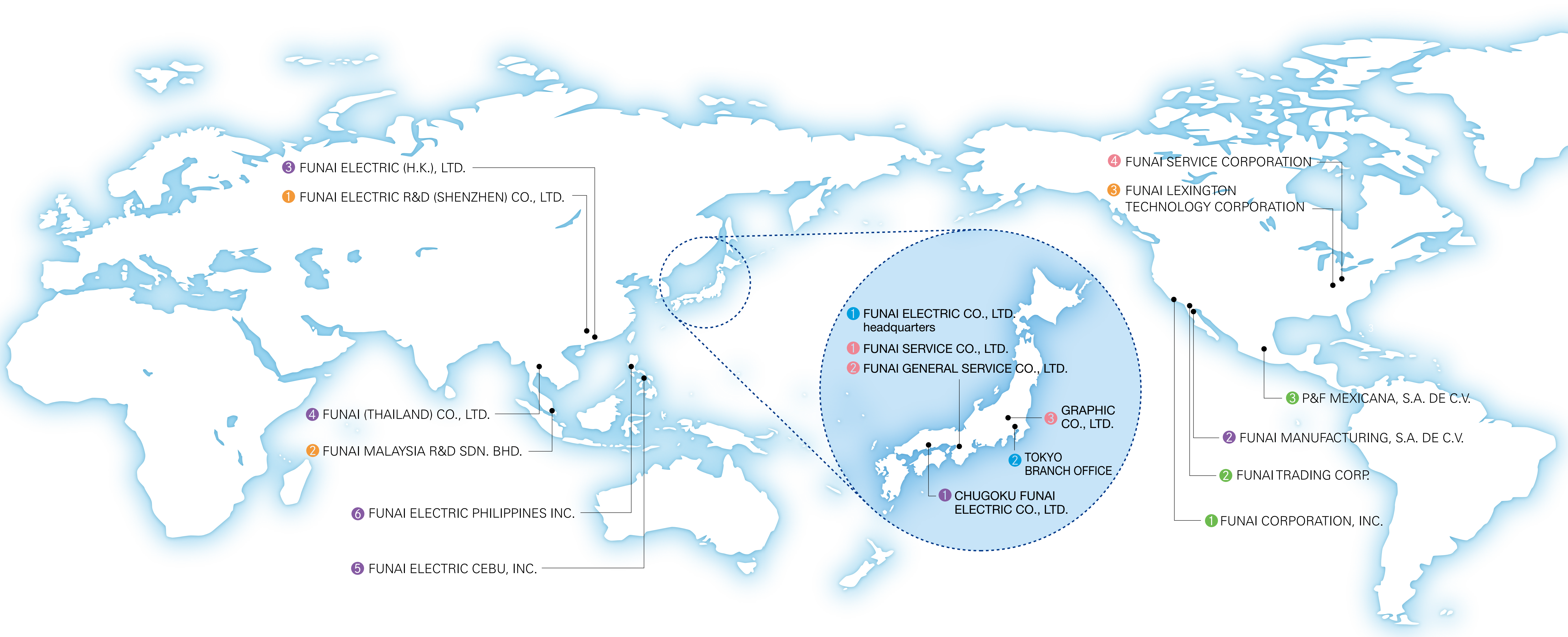
2000

- 2000 Listed on the First Section of the Tokyo Stock Exchange and Osaka Securities Exchange.
- 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.
- 2006 FUNAI SERVICE CORPORATION established in the United States as a service subsidiary.
- 2007 BROADTEC TV R&D CENTER SDN. BHD. (now FUNAI MALAYSIA R&D SDN. BHD.) established in Malaysia as a research and development center.
- 2008 P&F USA, INC. established in the United States as a sales subsidiary for Philips-brand products.
- 2009 P&F MEXICANA, S.A. DE C.V. established in Mexico as a sales subsidiary for Philips-brand products.

2010

- 2011 FUNAI ELECTRIC R&D (SHENZHEN) CO., LTD. established in China as a research and development center.
- 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.
- 2015 FUNAI NORTH AMERICA, INC. established in the United States as a holding company.
- 2016 FUNAI MANUFACTURING, S.A. DE C.V. established as a manufacturing subsidiary in Mexico.
- 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.
- 2018 FUNAI COEPORATION, INC. and P&F USA, INC. are merged (under the name of FUNAI CORPORATION, INC.)





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 https://www2.funai.co.jp/en/index.html	
Capital	31.3 bn yen (as of Mar. 31, 2019)	
Net sales	105.5 bn yen (as of Mar. 31, 2019)	
Employees	2,383 (consolidated, as of Mar. 31, 2019)	
Business category	Electrical equipment	
Principal businesses	Display Business	LCD TVs
	Digital Media Business	DVD players/recorders
		Blu-ray Disc players/ recorders
	Printer 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
	Atsushi Shirakami	Outside Director
Outside Director (Audit and Supervisory Committee Members)	Fumiaki Kidera	Director
	Hiroyuki Yamada	Outside Director
	Takahiro Tanaka	Outside Director
Officers	Hisaharu Oura	Officer

Offices and subsidiaries

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

Sales subsidiaries
1. FUNAI CORPORATION, INC.
2. FUNAI TRADING CORP.
3. P&F MEXICANA, S.A. DE C.V.

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

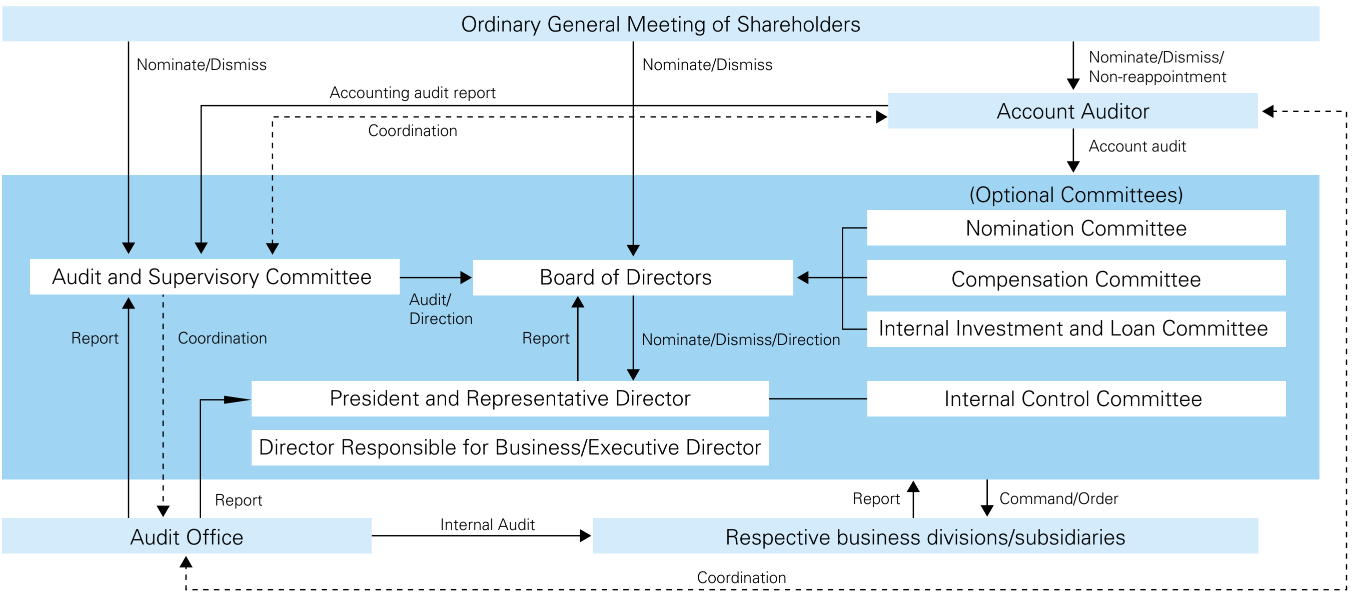
On the basis of this philosophy, the Group has introduced an executive officer system to ensure expeditious decision-making and establish a system for prompt business execution. The Group is also strengthening CSR activities. We have formulated the Funai Group Code of Conduct, which regulates the conduct 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 nine members: six directors who are not Audit and Supervisory Committee members (including two 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. In the Board of Directors, outside directors account for one-third of the total number of directors. It is a system that can make more objective, fair and fair decisions. 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.

The Board of Directors consists of the following five members, including one independent outside director.

Chairman	Hideaki Funakoshi	Representative Director and President & CEO
Committee	Takeshi Ito	Director and Officer
Committee	Motoyoshi Adachi	Director and Officer
Committee	Makoto Ueshima	Director and Officer
Committee	Mitsuo Yonemoto	Outside Director

• Compensation Committee

The Compensation Committee consists of directors 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.

The Compensation Committee consists of the following six members, including three independent outside director.

Chairman	Hideaki Funakoshi	Representative Director and President & CEO
Committee	Takeshi Ito	Director and Officer
Committee	Makoto Ueshima	Director and Officer
Committee	Mitsuo Yonemoto	Outside Director
Committee	Hiroyuki Yamada	Outside Director Audit and Supervisory Committee Member
Committee	Takahiro Tanaka	Outside Director Audit and Supervisory Committee Member

• Internal Investment and Loan Committee

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

Internal Investment and Loan Committee consists of the following five members.

Chairman	Hideaki Funakoshi	Representative Director and President & CEO
Committee	Takeshi Ito	Director and Officer
Committee	Motoyoshi Adachi	Director and Officer
Committee	Makoto Ueshima	Director and Officer
Committee	Hisaharu Oura	Officer

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. Accounting auditor

The Company has appointed Deloitte Touche Tohmatsu LLC as independent auditors.

Business Performance in the Fiscal Year ended March 31, 2019

During the fiscal year under review (April 1, 2018 to March 31, 2019), in the United States, the Group's mainstay market, the economy is trending firmly, reflecting an increase in private consumption and capital investment, and improvement in the employment and income environment. Despite this overall tone, the pace of economic growth slowed at one point due to the government shutdown. Going forward, sufficient consideration should be given to risks stemming from uncertainties related to U.S. government policy, including trade issues, such as U.S.-China trade friction, and a potential change in the Federal Reserve Board's monetary tightening policy.

In Europe, there is a growing risk that rivalry with the EU will reignite, including turmoil triggered by Brexit negotiations and the budget deficit in Italy which is set to breach EU rules. In light of this, the outlook for the EU economy remains murky.

Meanwhile, in Japan, the economy is modestly recovering, owing to an improvement in employee and incomes, as well as a rebound in private consumption. On top of this, special demand is anticipated owing to the Tokyo Olympic and Paralympic Games, which will be held in July 2020. However, there is a concern that private consumption and investment are brittle due to growing risk of an economic downturn reflecting uncertainties related to overseas economic trends and government policies, including trade issue trends and impact, and the economic outlook for countries in Asia, including China.

Amid this backdrop, the Group worked steadily to achieve its vision—to become a company that creates products that are the choice of people around the world. The vision was promoted in the FY2018 management policy as a measure to shed losses. As its basic strategy, the Group tackled (1) market share expansion in North America, (2) Funai brand penetration in Japan, and (3) new business development.

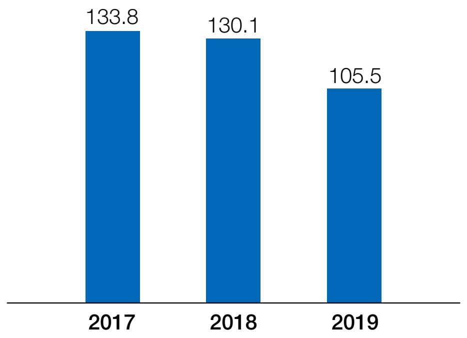
Net Sales

Consequently, the Group booked net sales of ¥105,549 million (down of 18.9% year on year). The overall decline reflects negative trends in North America, the Group's mainstay sales market. Sales in North America faltered due to ongoing inventory adjustments along distribution channels, especially in the first quarter of the period under review, and sales of surplus inventory took precedence, mainly at large mass merchandisers. In addition, sales decreased as a result of efforts to select and focus existing businesses. However, sales did increase at large mass merchandisers in the United States and in Canada owing to the development of new business partners. This paves the way for future expansion in market share. In Japan, sales to Yamada Denki Co., Ltd., with which the Group has an exclusive distribution agreement, were in line with plans.

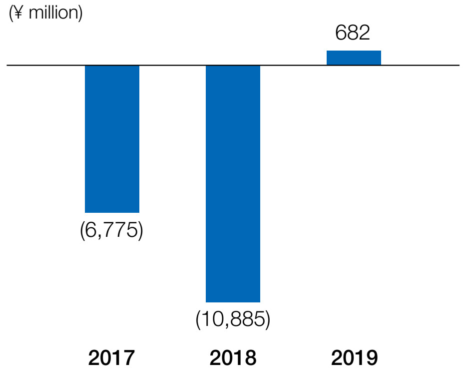
Operating income

In the profit front, the Group posted operating income of ¥682 million (operating loss of ¥10,885 million in the previous fiscal year). Operating income improved sharply year on year reflecting a decline in component costs, including those for LCD panels, the Group's review of its business model and unprofitable product sales, and a certain scale of benefit from a reduction in manufacturing and selling, general and administrative expenses.

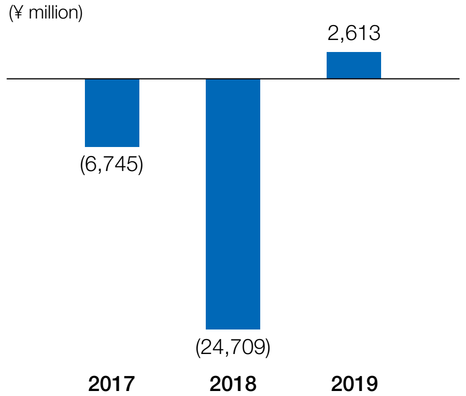
Net Sales (Years ended March 31)
(¥ billion)



Operating Income (Loss)
(¥ million)



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



Profit attributable to owners of the parent

Profit attributable to owners of the parent stood at ¥2,613 million (a net loss attributable to owners of the parent of ¥24,709 million in the previous fiscal year). This mainly reflects the posting of income taxes-deferred (profit) associated with the merger of sales companies in North America.

Net Sales by Geographical Area

Japan

Following suit from the previous fiscal year, sales trended mainly in line with plans owing primarily to the market launch of new FUNAI brand products, including high-end organic electroluminescent display (OELD) TVs, through Yamada Denki from July 14, 2018. Consequently, the Company posted net sales of ¥36,624 million (up 1.2% year on year) and segment income (operating income) of ¥637 million (segment loss of ¥5,634 million in the previous fiscal year).

Americas

In the fiscal year under review, the Company started off the year hindered by surplus inventory issues which inundated the entire market in North America, mirroring trends seen in the previous fiscal year. Sales of new LCD TV sales faltered due to priority placed on the disposal of surplus inventories by large mass merchandisers. In addition, sales also dropped due to a decrease in demand for DVD and BD related equipment reflecting impact of online video distribution services. Consequently, net sales amounted to ¥68,083 million (down 26.8% year on year) and segment income (operating income) was ¥160 million (segment loss of ¥965 million in the previous fiscal year).

Asia

Sales of LCD TV terminated after a review of unprofitable products and component sales increased. Consequently, net sales amounted to ¥819 million (down 4.0% year on year). Segment income (operating income) was ¥709 million (segment loss of ¥3,948 million in the previous fiscal year).

Europe

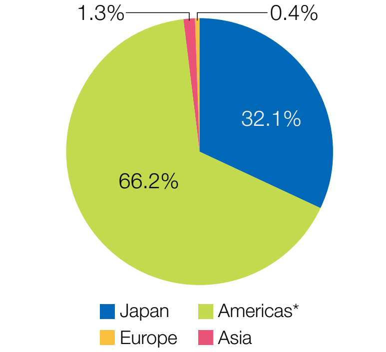
Sales of ink-cartridges for ink-jet printers declined owing to a review of hardware (ink-jet printer) sales. Consequently, net sales amounted to ¥22 million (down 82.5% year on year) and segment income (operating income) was ¥64 million (segment loss of ¥83 million in the previous fiscal year).

Net Sales by Product Group

Audiovisual Equipment

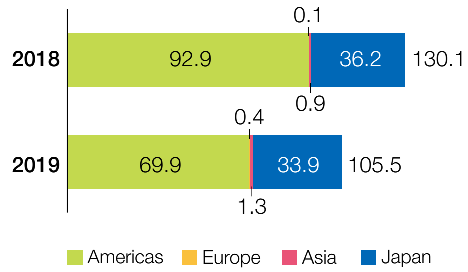
In the audiovisual equipment segment, sales decreased in comparison with the previous year, due to a reduction in LCD-TV sales due to impact from inventory adjustments along distribution channels in North America, and particularly due to a fall in sales of DVD and BD related products due to lower demand for DVD players and the emergence of low-priced products sold by Chinese manufacturers, and impact from a withdrawal from consumer electronics by an OEM partner in Japan. As a result, net sales amounted to ¥97,059 million (down 20.8% year on year).

Sales Composition by Region
(Year ended March 31, 2019)

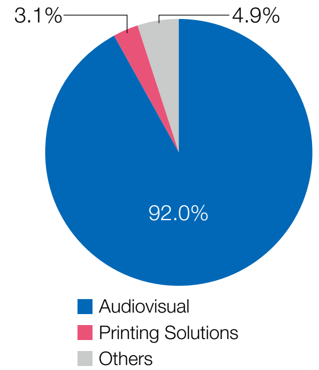


*Including sales of Central and South America

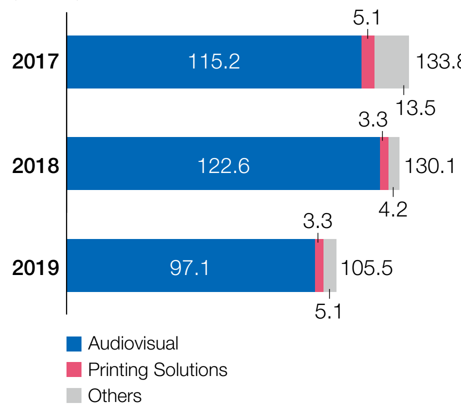
Sales by Region
(¥ billion)



Sales Composition by Products
(Year ended March 31, 2019)



Sales by Products
(¥ billion)



Information Equipment

In the information equipment segment, net sales amounted to ¥3,306 million (down 0.8% year on year). This reflects a sales decrease of roughly ¥1.7 billion, due to the curtailment of unprofitable ink jet printers in North America, and a shift to FY2019 of the launch of new product sales - CISS (large-capacity cartridge ink-jet printers) to China and multi-functional printers. Meanwhile, sales rose for commercial-use ink cartridges owing to continued marketing of ink cartridges for ink jet printers and an expansion in sales of label and nail art printers.

Others Products

In other equipment segment, automotive backlight unit sales expanded, LCD module sales grew, and sales increased for medical and healthcare-related products, such as CT for dental clinics and bed modules for the nursing care field. As a result, net sales amounted to ¥5,183 million (up 22.7% year on year).

Financial Position

Current Assets

Total current assets as of March 31, 2019 increased by ¥2,647 million from the end of the previous fiscal year to ¥69,958 million.

The change is mainly attributable to increases of ¥3,026 million cash and cash equivalents due to an increase of collections of trade receivables and ¥1,217 million inventory of raw materials and supplies due to an increase of purchase of raw materials such as LCD panels and to decreases of ¥2,229 million trade receivables due to a decrease of sales and collections of trade receivables.

Fixed asset

Fixed asset as of March 31, 2019 increased by ¥380 million from the end of the previous fiscal year to ¥13,335 million.

The increase is due to an increase of deferred tax assets.

Current Liabilities

Total current liabilities as of March 31, 2019 increased by ¥1,279 million from the end of the previous fiscal year to ¥28,121 million.

The change is mainly attributable to an increase of ¥3,810 million in trade payables and a decrease of ¥2,084 million in other payables. The main reason for the increase in trade payables was an increase of purchase of raw materials and the decrease in other payables was a license fee.

Long-Term Liabilities

Long-term liabilities as of March 31, 2019 decreased by ¥1,591 million from the end of the previous fiscal year to ¥1,114 million.

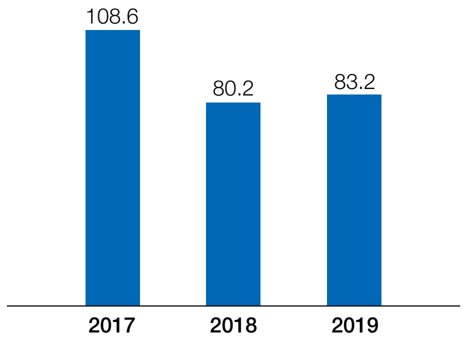
The change is mainly attributable to a decrease of ¥997 million in retirement allowance for directors and executive officers.

Total Equity

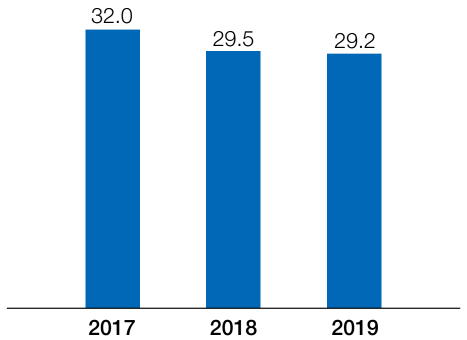
Total equity as of March 31, 2019 increased by ¥3,340 million from the end of the previous fiscal year to ¥54,057 million.

The change is mainly attributable to an increase of ¥696 million in foreign currency translation adjustments and an increase of ¥2,613 million in retained earnings.

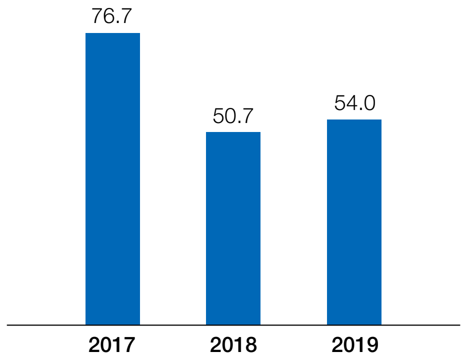
Total Assets (Years ended March 31)
(¥ billion)



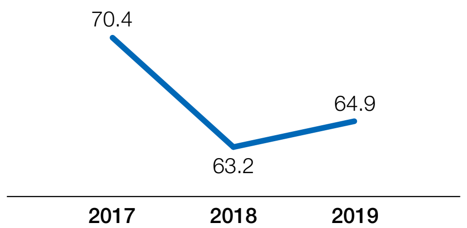
Total Liabilities
(¥ billion)



Total Equity
(¥ billion)



Shareholders' Equity Ratio
(%)



Cash Flows

Cash and cash equivalents on a consolidated basis as of March 31, 2019 increased by ¥2,893 million from the end of the previous fiscal year to ¥33,544 million. The change is mainly attributable to profit before income taxes, a decrease in trade receivables and an increase 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 ¥3,507 million in the fiscal year under review. (Net cash used in operating activities was ¥5,369 million in the previous fiscal year.) The primary reason of this is mainly attributable to profit before income taxes, a decrease in trade receivables and an increase of trade payables, while a decrease in other payables.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥775 million in the fiscal year under review. (Net cash provided by investing activities was ¥2,174 million in the previous fiscal year.) The primary reason of this is mainly attributable to a decrease in time deposits and purchases of property, plant and equipment, while an increase in time deposits and proceeds from sales of property, plant and equipment.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥239 million in the fiscal year under review. (Net cash used in financing activities was ¥584 million in the previous fiscal year.) The primary reason of this is mainly attributable to repayments of lease obligations.

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 flat-screen TVs, DVD and printers-related products in addition to other products (In-vehicle backlight, CT for dental clinics, 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.

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 66.2% of net sales in this fiscal year, and Walmart group alone accounted for 50.8% of these net sales.

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

ii) Foreign currency risk

The Group determines production sites for its principal products upon consideration of optimal production location and sales systems.

LCD TVs are produced in Thailand and Mexico and printers-related products, Ink cartridges and DVD/BD-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

Given the Group recorded a significant operating loss, ordinary loss, loss attributable to owners of the parent and negative operating cash flow in the previous consolidated fiscal year, at this stage there are events and circumstances that cast significant doubt on the Company's viability as a going concern.

There are no significant concerns about fundraising as the current balance of cash and deposits will sufficiently satisfy working capital needs for the time being.

In addition, the Group formulated a medium-term management policy, for which FY2018 is the first year of implementation. In line with the basic policy, the Group posted operating cash flow of ¥3,507 million. Moreover, the Company aims to gradually implement measures in line with the following policies for each of its businesses going forward. In light of this, the Group believes that a resolution of the matter can be achieved.

(a) Display business
- Further expand market share at new mass retailers and enhance total competitiveness such as quality and cost.
- Reduce returns and discards by strengthening efforts to the North American Christmas sales battle and improving internal and external service business processes.
- The Japanese market sells TVs with built-in advanced BS tuners, and gains market share in the Mexican market by restructuring business models.

(b) Digital Media business
- Develop a niche strategy with BD players that other companies withdrew in the North American market and capture market share.
- Strengthen cooperation with OEMs in the Japanese market and strengthen lineup of FUNAI brand products.

(c) Printing solution business
- Improve profitability by expanding sales of OEM and own brand of nail art printer.
- Expand sales of label printers and high-capacity inkjet printers.
- Expand sales by bringing to market derivative products that make use of microfluidics (micro fluid control technology).

(d) New business
- Expanded sales channels for automotive backlights (existing edge type and new direct type).
- Sales expansion of medical and healthcare related module products in addition to dental CT and securing of revenue base.
- Strengthen alliance strategy through EV business and start mass production and sales of new products for commercial display.

Five-Year Summary

	Millions of Japanese yen (Note 1)					Millions of U.S. dollars (Notes 1 and 2)
Years ended March 31	2015	2016	2017	2018	**2019**	**2019**
Net Sales	216,553	170,041	133,838	130,130	**105,549**	**$950.89**
Operating Income (Loss)	(659)	(10,539)	(6,775)	(10,885)	**682**	**$6.14**
Net Income (Loss)	31	(33,839)	(6,745)	(24,709)	**2,613**	**$23.54**
Total Equity	123,218	84,439	76,656	50,717	**54,057**	**$487.00**
Total Assets	188,902	154,191	108,685	80,265	**83,293**	**$750.39**
Shareholders' Equity	122,014	83,328	76,507	50,699	**54,025**	**$486.71**
Net Cash Provided by (Used in) Operating Activities	16,897	(7,549)	(13,329)	(5,369)	**3,507**	**$31.60**
Net Cash (Used in) Provided by Investing Activities	(17,360)	11,805	13,266	(2,174)	**(775)**	**($6.98)**
Free Cash Flow*	(463)	4,256	(63)	(7,543)	**2,732**	**$24.61**
Capital Investment	3,275	2,462	3,070	2,156	**1,424**	**$12.83**
Depreciation Expense	5,855	4,498	4,098	2,258	**974**	**$8.78**
Return on Assets (%)	0.02	(19.73)	(5.13)	26.15	**3.20**	
Return on Equity (%)	0.03	(32.96)	(8.44)	(38.85)	**4.99**	
Debt/Equity Ratio (%)	9.11	14.54	0.99	0.63	**0.96**	

	Japanese yen					U.S. dollars
	2015	2016	2017	2018	**2019**	**2019**
Shareholders' Equity per Share	3,576.14	2,442.28	2,242.38	1,485.96	**1,583.46**	**$14.26**
Net Income (Loss) per Share	0.92	(991.81)	(197.70)	(724.21)	**76.59**	**$0.69**
Cash Dividends per Share	35	30	10	0	**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 ¥111=U.S.$1.00 (the approximate rate of exchange at March 31, 2019) 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, 2019

	Millions of Japanese yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2019**	**2018**	**2019**
CURRENT ASSETS:			
Cash and cash equivalents (Note 13)	**¥ 33,544**	¥ 30,650	**$ 302,201**
Time deposits (Note 13)	**1,872**	1,739	**16,870**
Receivables:			
Trade (Note 13)	**7,724**	9,953	**69,589**
Other	**1,490**	1,583	**13,429**
Allowance for doubtful accounts	**(718)**	(1,021)	**(6,471)**
Inventories (Note 3)	**25,258**	23,609	**227,552**
Prepaid expenses and other current assets	**786**	795	**7,082**
Total current assets	**69,958**	67,310	**630,254**
PROPERTY, PLANT AND EQUIPMENT:			
Land (Note 4)	**2,955**	3,479	**26,622**
Buildings and structures (Note 4)	**13,389**	13,012	**120,626**
Machinery, equipment and other (Note 4)	**21,112**	21,992	**190,202**
Lease assets (Notes 4 and 11)	**616**	595	**5,552**
Construction in progress	**57**	17	**521**
Total property, plant and equipment	**38,131**	39,097	**343,526**
Accumulated depreciation	**(29,972)**	(30,903)	**(270,021)**
Net property, plant and equipment	**8,159**	8,193	**73,504**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5 and 13)	**279**	291	**2,513**
Investments in and advances to unconsolidated subsidiaries and associated companies	**994**	994	**8,961**
Long-term loans	**29**	196	**265**
Long-term prepaid expenses (Note 4)	**474**	502	**4,278**
Assets for retirement benefits (Note 7)	**1,881**	1,840	**16,952**
Deferred tax assets (Note 12)	**1,201**	689	**10,821**
Other assets (Note 4)	**383**	484	**3,458**
Allowance for doubtful accounts	**(68)**	(239)	**(618)**
Total investments and other assets	**5,176**	4,761	**46,634**
TOTAL	**¥83,293**	¥80,265	**$750,393**

See notes to consolidated financial statements.

Consolidated Balance Sheet

LIABILITIES AND EQUITY	Millions of Japanese yen 2019	2018	Thousands of U.S. dollars (Note 1) 2019
CURRENT LIABILITIES:			
Current portion of long-term debt (Note 6)	¥217	¥236	$1,958
Payables:			
Trade (Note 13)	15,618	11,808	140,708
Other (Note 13)	8,287	10,372	74,663
Income taxes payable	126	664	1,136
Other current liabilities	3,872	3,761	34,883
Total current liabilities	28,121	26,842	253,350
LONG-TERM LIABILITIES:			
Long-term debt (Note 6)	102	282	920
Liability for retirement benefits (Note 7)	61	1,029	552
Long-term payables – other	333	744	3,003
Deferred tax liabilities (Note 12)	617	650	5,564
Total long-term liabilities	1,114	2,705	10,040
COMMITMENTS AND CONTINGENT LIABILITIES (Note 11)			
EQUITY (Notes 8, 9 and 16):			
Common stock:			
Authorized, 80,000,000 shares; issued,			
36,130,796 shares in 2019 and 2018	31,307	31,307	282,050
Capital surplus	33,603	33,603	302,731
Stock acquisition rights	31	17	282
Retained earnings	24,583	21,970	221,475
Treasury stock – at cost			
2,011,830 shares in 2019 and 2,011,829 shares in 2018	(24,341)	(24,341)	(219,292)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	1	13	10
Foreign currency translation adjustments	(11,609)	(12,305)	(104,589)
Defined retirement benefit plans	480	451	4,333
Total	(11,127)	(11,840)	(100,245)
Total equity	54,057	50,717	487,001
TOTAL	¥83,293	¥80,265	$750,393

See notes to consolidated financial statements.

Consolidated Statement of Operations

FUNAI ELECTRIC CO., LTD. and Consolidated Subsidiaries
Year Ended March 31, 2019

	Millions of Japanese yen 2019	2018	Thousands of U.S. dollars (Note 1) 2019
NET SALES	¥105,549	¥130,130	$950,897
COST OF SALES (Note 10)	91,849	121,529	827,468
Gross profit	13,700	8,600	123,428
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 10)	13,018	19,485	117,282
Operating income (loss)	682	(10,885)	6,146
OTHER INCOME (EXPENSES):			
Interest and dividend income	402	248	3,622
Interest expense	(10)	(67)	(91)
Foreign exchange gain (loss) – net	539	(1,107)	4,859
Income from rental of property, plant and equipment	66	62	595
Loss on sales or disposal of property, plant and equipment – net	(0)	(9)	(3)
Compensation expenses	(320)	(225)	(2,883)
Gain on sales of investments in unconsolidated subsidiary and associated company		29	
Gain on liquidation of subsidiary	163		1,472
Loss on impairment of long-lived assets (Note 4)	(177)	(12,586)	(1,598)
Compensation for damages	(51)		(466)
Gain on reversal of stock acquisition rights	4	146	36
Other – net	84	60	759
Other income (expenses) – net	699	(13,450)	6,301
INCOME (LOSS) BEFORE INCOME TAXES	1,381	(24,335)	12,447
INCOME TAXES (Note 12):			
Current	(310)	257	(2,795)
Deferred	(921)	116	(8,299)
Total income taxes	(1,231)	373	(11,095)
NET INCOME (LOSS)	2,613	(24,709)	23,542
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT	¥2,613	¥ (24,709)	$23,542

	Japanese yen		U.S. dollars
PER SHARE OF COMMON STOCK (Notes 2.v and 15):			
Basic net income (loss)	¥76.59	¥ (724.21)	$0.69

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

FUNAI ELECTRIC CO., LTD. and Consolidated Subsidiaries
Year Ended March 31, 2019

	Millions of Japanese yen		Thousands of U.S. dollars (Note 1)
	2019	2018	**2019**
NET INCOME (LOSS)	**¥2,613**	¥ (24,709)	**$ 23,542**
OTHER COMPREHENSIVE INCOME (LOSS) (Note 14):			
Unrealized (loss) gain on available-for-sale securities	**(12)**	1	**(110)**
Foreign currency translation adjustments	**859**	(1,099)	**7,745**
Defined retirement benefit plans	**29**	340	**263**
Total other comprehensive income (loss)	**876**	(757)	**7,898**
COMPREHENSIVE INCOME (LOSS)	**¥3,490**	¥ (25,467)	**$ 31,441**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	**¥ 3,490**	¥ (25,467)	**$ 31,441**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

FUNAI ELECTRIC CO., LTD. and Consolidated Subsidiaries
Year Ended March 31, 2019

	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 equity
BALANCE, APRIL 1, 2017	**34,119**	**¥31,307**	**¥33,603**	**¥149**	**¥47,020**	**¥(24,341)**	**¥11**	**¥(11,206)**	**¥111**	**¥76,656**
Net loss attributable to owners of the parent					(24,709)					(24,709)
Cash dividends, ¥10.00 per share					(341)					(341)
Purchase of treasury stock	(0)					(0)				(0)
Net change in the year				(131)			1	(1,099)	340	(889)
BALANCE, MARCH 31, 2018	**34,119**	**31,307**	**33,603**	**17**	**21,970**	**(24,341)**	**13**	**(12,305)**	**451**	**50,717**
Net income attributable to owners of the parent					**2,613**					**2,613**
Purchase of treasury stock	**(0)**					**(0)**				**(0)**
Net change in the year				**13**			**(12)**	**696**	**29**	**726**
BALANCE, MARCH 31, 2019	**34,119**	**¥31,307**	**¥33,603**	**¥ 31**	**¥24,583**	**¥ (24,341)**	**¥1**	**¥ (11,609)**	**¥ 480**	**¥54,057**

	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 equity
BALANCE, MARCH 31, 2018	**$ 282,050**	**$ 302,731**	**$159**	**$197,932**	**$ (219,292)**	**$121**	**$ (110,862)**	**$4,069**	**$456,910**
Net income attributable to owners of the parent				23,542					23,542
Purchase of treasury stock					(0)				(0)
Net change in the year			123			(110)	6,272	263	6,548
BALANCE, MARCH 31, 2019	**$282,050**	**$302,731**	**$282**	**$221,475**	**$ (219,292)**	**$10**	**$ (104,589)**	**$4,333**	**$487,001**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

FUNAI ELECTRIC CO., LTD. and Consolidated Subsidiaries
Year Ended March 31, 2019

	Millions of Japanese yen		Thousands of U.S. dollars (Note 1)
	2019	2018	**2019**
OPERATING ACTIVITIES:			
Income (loss) before income taxes	**¥ 1,381**	¥ (24,335)	**$ 12,447**
Adjustments for:			
Income taxes – paid	**(381)**	(320)	**(3,436)**
Income taxes – refund	**235**	411	**2,124**
Depreciation and amortization	**974**	2,258	**8,781**
Loss on sales or disposal of property, plant and equipment	**0**	9	**3**
Loss on impairment of long-lived assets	**177**	12,586	**1,598**
Gain on sales of investment securities in unconsolidated subsidiaries and associated companies		(29)	
Changes in assets and liabilities:			
Decrease in trade receivables	**2,419**	5,386	**21,798**
(Increase) decrease in inventories	**(685)**	1,421	**(6,178)**
Increase (decrease) in trade payables	**3,589**	(6,214)	**32,340**
(Decrease) increase in other payables	**(2,291)**	3,368	**(20,644)**
(Decrease) increase in net defined benefit liability	**(0)**	18	**(1)**
Decrease in provision for directors' retirement benefits	**(997)**	(21)	**(8,989)**
(Decrease) increase in allowance for doubtful accounts	**(641)**	212	**(5,780)**
Other – net	**(273)**	(123)	**(2,462)**
Total adjustments	**2,126**	18,966	**19,154**
Net cash provided by (used in) operating activities	**3,507**	(5,369)	**31,601**
INVESTING ACTIVITIES:			
Payments for time deposits	**(1,025)**	(1,364)	**(9,241)**
Proceeds from time deposits	**942**	737	**8,493**
Proceeds from sales of property, plant and equipment	**606**	167	**5,464**
Purchases of property, plant and equipment	**(1,360)**	(2,100)	**(12,261)**
Purchases of intangible assets	**(13)**	(299)	**(126)**
Proceeds from sales of investment in unconsolidated subsidiaries and associated companies		336	
Purchases of investment securities		(157)	
Payments for loans receivable	**(2)**	(0)	**(23)**
Proceeds from collection of loans receivable	**19**	568	**173**
Other – net	**59**	(61)	**535**
Net cash used in investing activities	**(775)**	(2,174)	**(6,985)**
FINANCING ACTIVITIES:			
Repayments of lease obligations	**(239)**	(243)	**(2,158)**
Purchase of treasury stock	**(0)**	(0)	**(0)**
Dividends paid		(341)	
Net cash used in financing activities	**(239)**	(584)	**(2,158)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**400**	(192)	**3,610**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,893**	(8,320)	**26,069**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**30,650**	38,971	**276,132**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥33,544**	¥30,650	**$302,201**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

FUNAI ELECTRIC CO., LTD. and Consolidated Subsidiaries
Year Ended March 31, 2019

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 2018 consolidated financial statements to conform to the classifications used in 2019.

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 ¥111 to $1, the approximate rate of exchange at March 31, 2019. 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, 2019, include the accounts of the Company and its 18 (20 in 2018) 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, 2019 and 2018. 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. 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.

On February 16, 2018, the ASBJ issued ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting," which requires deferred tax assets and deferred tax liabilities to be classified as investments and other assets and long-term liabilities, respectively. Deferred tax assets were previously classified as current assets and investments and other assets, and deferred tax liabilities were previously classified as current liabilities and long-term liabilities under the previous accounting standard. The revised accounting standard is effective for annual periods beginning on or after April 1, 2018. The Company retrospectively applied the revised accounting standard effective April 1, 2018, and deferred tax assets of ¥468 million which were previously classified as current assets as of March 31, 2018, have been reclassified as investments and other assets in the accompanying consolidated balance sheet.

"Accounting Standard for Tax Effect Accounting" as defined in Paragraphs 3 to 5 of the Partial Amendment to Accounting Standard for the Tax Effect Accounting Note 8 (excluding the total amount of valuation allowance.) and Note 9 have been added in the Note on Tax Effect Accounting. However the contents pertaining to the previous fiscal year are not presented in accordance with the transitional treatment stipulated in Note 7 of the Partial Amendment to Accounting Standards for the Tax Effect Accounting.

s. 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.

t. 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.

u. 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.

v. Per Share Information — Basic net income (loss) per share ("EPS") is computed by dividing net income (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/or the effect of including potential common shares as 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.

w. 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 International Accounting Standards ("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. ACCOUNTING CHANGE

The Company applied IFRS 15, "Revenue from Contracts with Customers," effective April 1, 2018, at consolidated overseas subsidiaries excluding the United States.

The impact from adoption of this amendment was immaterial for the year ended March 31, 2019.

4. INVENTORIES

Inventories at March 31, 2019 and 2018, consisted of the following:

	Millions of Japanese yen		Thousands of U.S. dollars
	2019	2018	**2019**
Merchandise and finished products	**¥13,517**	¥13,251	**$121,777**
Work in process	**681**	516	**6,139**
Raw materials and supplies	**11,059**	9,841	**99,635**
Total	**¥25,258**	¥23,609	**$227,552**

5. LONG-LIVED ASSETS

When the Group conducts an impairment test, the Group categorizes business assets on the basis of management accounting in the consolidated group. Idle assets are evaluated individually.

During the fiscal year ended March 31, 2019, 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)	Long-term prepaid expenses	¥37	$334
Business assets	FUNAI ELECTRIC PHILIPPINES INC. (Batangas, the Philippines)	Machinery, equipment and other	88	797
Business assets	FUNAI ELECTRIC CEBU, INC. (Cebu, the Philippines)	Buildings and structures	3	34
		Machinery, equipment and other	33	299
		Software (included in "Other assets" in "Investment and other assets")	3	33
Business assets	FUNAI LEXINGTON TECHNOLOGY CORPORATION (Kentucky, USA)	Machinery, equipment and other	10	98
	Total		¥177	$1,598

The Company reduced the book values of the business assets on which the profitability had declined significantly to their recoverable amounts and recorded losses on impairment of long-lived assets of ¥177 million ($1,598 thousand) as other income (expenses).

The recoverable amounts of the assets were determined at their net selling price. The net selling amounts of buildings and structures 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, 2018, the Group recorded losses on impairment in the following asset groups:

Use	Location	Type	Millions of Japanese yen
Business assets	FUNAI ELECTRIC CO.,LTD. (Daito City, Osaka)	Machinery, equipment and other	¥148
		Lease assets	4
		Patents	2,451
		Long-term prepaid expenses	4,883
		Software (included in "Other assets" in "Investment and other assets")	75
Business assets	FUNAI ELECTRIC (H.K.) LTD. (New Territories, Hong Kong)	Buildings and structures	42
		Machinery, equipment and other	650
Business assets	FUNAI THAILAND CO., LTD. (Nakhon Ratchasima, Thailand)	Land	56
		Buildings and structures	596
		Machinery, equipment and other	594
		Software (included in "Other assets" in "Investment and other assets")	1
Business assets	FUNAI ELECTRIC PHILIPPINES INC. (Batangas, the Philippines)	Buildings and structures	474
		Machinery, equipment and other	549
		Software (included in "Other assets" in "Investment and other assets")	34
Business assets	FUNAI ELECTRIC CEBU, INC. (Cebu, the Philippines)	Buildings and structures	539
		Machinery, equipment and other	661
		Software (included in "Other assets" in "Investment and other assets")	33
Business assets	FEP REAL ESTATE, INC. (Makati, the Philippines)	Land	42
Business assets	FUNAI CORPORATION, INC. (New Jersey, USA)	Buildings and structures	8
		Machinery, equipment and other	5
		Lease assets (included in "Other assets" in "Investment and other assets")	293
Business assets	FUNAI TRADING CORP. (California, USA)	Buildings and structures	5
		Machinery, equipment and other	61
		Software (included in "Other assets" in "Investment and other assets")	55
Business assets	FUNAI LEXINGTON TECHNOLOGY CORPORATION (Kentucky, USA)	Buildings and structures	59
		Machinery, equipment and other	202
		Software (included in "Other assets" in "Investment and other assets")	3
Business assets	FUNAI MANUFACTURING, S.A. DE C.V. (Tijuana, Mexico)	Buildings and structures	13
		Machinery, equipment and other	9
		Software (included in "Other assets" in "Investment and other assets")	8
Business assets	P&F MEXICANA, S.A. DE C.V. (Mexico, Mexico)	Machinery, equipment and other	4
		Software (included in "Other assets" in "Investment and other assets")	13
	Total		¥12,586

The Company reduced the book values of the business assets on which the profitability had declined significantly to their recoverable amounts and recorded losses on impairment of long-lived assets of ¥12,586 million 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.

6. INVESTMENT SECURITIES

The costs and aggregate fair values of investment securities at March 31, 2019 and 2018 were as follows:

	Millions of Japanese yen			
	Cost	Unrealized gains	Unrealized losses	Fair value
2019				
Securities classified as:				
Available-for-sale:				
Equity securities	**¥35**	**¥1**		**¥36**
2018				
Securities classified as:				
Available-for-sale:				
Equity securities	¥35	¥13		¥49

	Thousands of U.S. dollars			
	Cost	Unrealized gains	Unrealized losses	Fair value
2019				
Securities classified as:				
Available-for-sale:				
Equity securities	**$321**	**$10**		**$332**

Available-for-sale securities whose fair values are not readily determinable as of March 31, 2019 and 2018, were as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2019	2018	**2019**
Available-for-sale:			
Equity securities	**¥242**	¥242	**$2,181**

There are no sales transactions of available-for-sale securities during the year ended March 31, 2019 and 2018.

7. LONG-TERM DEBT

Long-term debt at March 31, 2019 and 2018, consisted of the following:

	Millions of Japanese yen		Thousands of U.S. dollars
	2019	2018	**2019**
Obligations under finance leases	**¥319**	¥518	**$2,878**
Less current portion	**(217)**	(236)	**(1,958)**
Long-term debt, less current portion	**¥102**	¥282	**$920**

Annual maturities of obligations under finance leases at March 31, 2019, were as follows:

Year Ending March 31	Millions of Japanese yen	Thousands of U.S. dollars
2020	¥217	$1,958
2021	77	696
2022	12	115
2023	7	67
2024	4	39
Total	¥319	$2,878

8. 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, 2019 and 2018 for Directors and Executive Officers is ¥27 million ($250 thousand) and ¥1,025 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, 2019 and 2018, were as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at beginning of year	¥6,300	¥6,588	$56,759
Current service cost	367	399	3,313
Interest cost	85	87	766
Benefits paid	(566)	(641)	(5,107)
Actuarial gains	(107)	(148)	(964)
Others	11	14	105
Balance at end of year	¥6,090	¥6,300	$54,872

(2) The changes in plan assets for the year ended March 31, 2019 and 2018, were as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at beginning of year	¥8,136	¥ 8,117	$73,303
Expected return on plan assets	108	107	976
Benefits paid	(566)	(641)	(5,107)
Contributions from the employer	320	396	2,885
Actuarial (gains) losses	(63)	186	(572)
Others	4	(29)	36
Balance at end of year	¥7,939	¥ 8,136	$71,522

(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
	2019	2018	2019
Plan assets	¥7,823	¥8,022	$70,482
Funded defined benefit obligation	(5,941)	(6,181)	(53,529)
Net asset arising from defined benefit obligation	¥1,881	¥1,840	$16,952
Funded defined benefit obligation	¥ (149)	¥ (118)	$ (1,342)
Plan assets	115	114	1,040
Net liability arising from defined benefit obligation	¥ (33)	¥ (3)	$ (302)

(4) The components of net periodic benefit costs for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2019	2018	2019
Service cost	¥367	¥399	$3,313
Interest cost	85	87	766
Expected return on plan assets	(108)	(107)	(976)
Recognized actuariallosses	16	163	146
Amortization of prior service cost	(1)	(1)	(13)
Others	9	40	82
Net periodic benefit costs	¥368	¥582	$3,318

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2019	2018	2019
Actuarial gains	¥59	¥498	$538
Prior service cost	(1)	(1)	(13)
Total	¥58	¥496	$525

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2019 and 2018, were as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2019	2018	2019
Unrecognized actuarial gains	¥667	¥608	$6,017
Unrecognized prior service cost	2	4	26
Total	¥670	¥612	$6,043

(7) Plan assets

(a) Components of plan assets

Plan assets as of March 31, 2019 and 2018, consisted of the following:

	2019	2018
Debt investments	56%	59%
Equity investments	21%	20%
Loans receivable / short-term fund	2%	0%
Others	21%	21%
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 years ended March 31, 2019 and 2018, were set forth as follows:

	2019	2018
Discount rate	1.4%	1.4%
Expected rate of return on plan assets	1.3%	1.3%
Expected rates of pay raises	5.5%	5.6%
Lump sum election rate	76.9%	75.5%

9. 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.

10. STOCK OPTIONS

(1) The stock options outstanding for the fiscal year ended March 31, 2019, are as follows:

Stock option	Persons granted	Number of options granted	Date of grant	Exercise price	Exercise period
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 ($12)	From September 1, 2016 to August 31, 2023
2016 stock option	Four Directors One Executive Officer 50 employees Two employees of a subsidiary	174,000 shares	January 30, 2017	¥1,019 ($ 9)	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

	2014 stock option (Shares)	2016 Stock option (Shares)	2017 Stock option (Shares)
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
Vested			
March 31, 2017 – Outstanding	26,400		
Vested			
Exercised			
Canceled	(10,800)		
March 31, 2018 – Outstanding	15,600		
Year ended March 31, 2019			
Nonvested			
March 31, 2018 – Outstanding		133,000	160,500
Granted			
Canceled			(14,000)
Vested		133,000	
March 31, 2019 – Outstanding			146,500
Vested			
March 31, 2018 – Outstanding	15,600		
Vested		133,000	
Exercised			
Canceled	(3,200)	(19,800)	
March 31, 2019 – Outstanding	12,400	113,200	

The price information of the stock option is as follows:

	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	¥1,019 ($9)
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) 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.

11. R&D COSTS

R&D costs charged to income were ¥5,582 million ($50,289 thousand) and ¥6,242 million for the years ended March 31, 2019 and 2018, respectively.

12. LEASES

The Group leases certain machinery and vehicles.
The minimum rental commitments under noncancelable operating leases at March 31, 2019 and 2018, were as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2019	2018	**2019**
Due within 1 year	**¥ 573**	¥454	**$5,166**
Due after 1 year	**2,190**	899	**19,736**
Total	**¥2,764**	¥1,354	**$24,903**

13. INCOME TAXES

(1) 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% for the years ended March 31, 2019 and 2018, respectively.
The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities at March 31, 2019 and 2018, were as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2019	2018	**2019**
Deferred tax assets:			
Liability for retirement benefits	**¥13**	¥320	**$117**
Accounts payable – other	**1,601**	1,499	**14,423**
Allowance for doubtful accounts	**178**	361	**1,603**
Accrued employees' bonuses	**151**	146	**1,360**
Impairment loss on investment securities	**20**	20	**180**
Inventories	**291**	351	**2,621**
Loss on impairment of long-lived assets	**1,900**	2,622	**17,117**
Tax loss carryforwards	**17,969**	18,953	**161,882**
Other	**1,604**	1,441	**14,450**
Total of tax loss carryforwards and temporary differences	**23,734**	25,716	**213,819**
Less valuation allowance for tax loss carryforwards	**(17,489)**		**(157,558)**
Less valuation allowance for temporary differences	**(4,829)**		**(43,504)**
Total valuation allowance	**(22,319)**	(24,966)	**(201,072)**
Total	**1,414**	749	**12,738**
Deferred tax liabilities:			
Reserve for reduction entry of property assets	**50**	53	**450**
Prepaid pension cost	**573**	561	**5,162**
Other	**207**	95	**1,864**
Total	**831**	709	**7,486**
Net deferred tax assets	**¥583**	¥ 39	**$5,252**

The main component of changes in valuation allowance is a decrease in valuation allowance for tax loss carryforwards.

(2) The expiration of tax loss carryforwards, the related valuation allowances, and the resulting net deferred tax assets as of March 31, 2019, was as follows:

	Millions of Japanese yen						
	1 year or less	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years	Total
2019							
Deferred tax assets relating to tax loss carryforwards (Note A)	¥239	¥2,508	¥657	¥165	¥14,398	¥17,969	
Less valuation allowances for tax loss carryforwards	¥(239)	¥(2,508)	¥(657)	¥(165)	¥(13,919)	¥(17,489)	
Net deferred tax assets relating to tax loss carryforwards (Note B)					¥479	¥479	

	Thousands of U.S. dollars						
2019	1 year or less	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years	Total
2019							
Deferred tax assets relating to tax loss carryforwards (Note A)	$2,158	$22,596	$5,920	$1,490	$129,719	$161,885	
Less valuation allowances for tax loss carryforwards	$(2,158)	$ (22,596)	$(5,920)	$(1,490)	$(125,400)	$(157,566)	
Net deferred tax assets relating to tax loss carryforwards (Note B)					$4,319	$4,319	

Note A: Deferred tax assets relating to tax loss carryforwards is the amount of tax loss carryforwards multiplied by the effective statutory tax rate.

Note B: Net deferred tax assets for tax loss carryforwards is considered recoverable as a result of the taxable income forecast based on future profitability of the Display business in the Americas.

(3) A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of operations for the year ended March 31, 2019, was as follows (the reconciliation for the year ended March 31, 2018, was not presented because of net loss for the period):

	2019
Normal effective statutory tax rate	30.6 %
Expenses not deductible for income tax purposes	4.1
Nontaxable dividends received	(11.3)
Inhabitant tax on per capita basis	0.6
Lower income tax rates applicable to income in certain foreign countries	6.9
Change in valuation allowance	(121.7)
Other – net	1.6
Actual effective tax rate	(89.1) %

14. 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.

	Millions of Japanese yen		
	Carrying amount	Fair value	Unrealized gain/loss
2019			
Cash and cash equivalents	**¥33,544**	**¥33,544**	
Time deposits	**1,872**	**1,872**	
Receivables – trade	**7,724**	**7,724**	
Investment securities	**36**	**36**	
Total	**¥43,178**	**¥43,178**	
Payables – trade	**¥15,618**	**¥15,618**	
Payables – other	**8,287**	**8,287**	
Total	**¥23,906**	**¥23,906**	

	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	

	Thousands of U.S. dollars		
	Carrying amount	Fair value	Unrealized gain/loss
2019			
Cash and cash equivalents	**$302,201**	**$302,201**	
Time deposits	**16,870**	**16,870**	
Receivables – trade	**69,589**	**69,589**	
Investment securities	**332**	**332**	
Total	**$388,993**	**$388,993**	
Payables – trade	**$140,708**	**$140,708**	
Payables – other	**74,663**	**74,663**	
Total	**$215,371**	**$215,371**	

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 5.

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
	2019	2018	**2019**
Investments in equity instruments that do not have a quoted market price in an active market	**¥1,236**	¥1,236	**$11,136**

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

	Millions of Japanese yen			
	1 year or less	After 1 year through 5 years	After 5 years through 10 years	After 10 years
2019				
Cash and cash equivalents	**¥33,544**			
Time deposits	**1,872**			
Receivables – trade	**7,724**			
Total	**¥43,141**			
2018				
Cash and cash equivalents	¥30,650			
Time deposits	1,739			
Receivables – trade	9,953			
Total	¥42,344			

	Thousands of U.S. dollars			
	1 year or less	After 1 year through 5 years	After 5 years through 10 years	After 10 years
2019				
Cash and cash equivalents	**$302,201**			
Time deposits	**16,870**			
Receivables – trade	**69,589**			
Total	**$388,661**			

Please see Note 6 for annual maturities of obligations under finance leases.

15. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2019	2018	2019
Unrealized (loss) gain on available-for-sale securities:			
(Loss) gain arising during the year	¥ (12)	¥1	$ (110)
Reclassification adjustments to profit or loss			
Amount before income tax effect	(12)	1	(110)
Income tax effect			
Total	¥ (12)	¥1	$ (110)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥1,023	¥ (1,099)	$9,219
Reclassification adjustments to profit or loss	(163)		(1,473)
Amount before income tax effect	859	(1,099)	7,745
Income tax effect			
Total	¥859	¥ (1,099)	$7,745
Defined retirement benefit plans:			
Adjustments arising during the year	¥43	¥334	$392
Reclassification adjustments to profit or loss	14	162	133
Amount before income tax effect	58	496	525
Income tax effect	(29)	(156)	(262)
Total	¥29	¥340	$263
Total other comprehensive income (loss)	¥876	¥ (757)	$7,898

16. NET INCOME (LOSS) PER SHARE

Information on basic net EPS for the years ended March 31, 2019 and 2018, was as follows:

	Millions of Japanese yen	Thousands of shares	Japanese yen	U.S. dollars
	Net income (loss) attributable to Owners of the Parent	Weighted-average Shares	EPS	
For the year ended March 31, 2019:				
Basic EPS				
Net income available to common shareholders	¥2,613	34,118	¥76.59	$0.69
For the year ended March 31, 2018:				
Basic EPS				
Net loss available to common shareholders	¥ (24,709)	34,119	¥ (724.21)	

Diluted net income per share is not disclosed due to no outstanding potentially dilutive securities for the year ended March 31, 2019.
Diluted net income per share is not disclosed due to the net loss for the year ended March 31, 2018.

17. SUBSEQUENT EVENTS

Reduction of capital reserve

The Company resolved to reduce its capital reserve at the Annual Shareholders' Meeting held on June 26, 2019.

1. Purpose of reduction of capital reserve

In order to ensure flexibility and mobility in future financial strategies, the Company reduced the capital reserve and transferred it to other capital surplus.

2. Outline of reduction of capital reserve

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

(1) Reduced reserve
Capital reserve ¥ 3,000 million ($ 27,027 thousand)

(2) Increased surplus
Other capital surplus ¥ 3,000 million ($ 27,027 thousand)

3. Effective date of reduction in capital reserve

(1) Date of the Resolution of the Board of Directors' Meeting	May 13, 2019
(2) Date of the Resolution of the Annual Shareholders' Meeting	June 26, 2019
(3) Date of the announcement of petition of objection by creditors	June 27, 2019
(4) Final date of petition of objection by creditors	July 27, 2019
(5) Effective date	July 29, 2019

18. 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. operates in the Americas, FUNAI (THAILAND) Co., LTD. operates 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						
	2019						
	Japan	Americas	Asia	Europe	Total	Reconciliations (Note A)	Consolidated (Note B)
Sales:							
Sales to external customers	**¥36,624**	**¥68,083**	**¥819**	**¥22**	**¥105,549**		**¥105,549**
Intersegment sales or transfers	**61,580**	**6,424**	**62,850**		**130,856**	**(130,856)**	
Total	**¥98,205**	**¥74,508**	**¥63,670**	**¥22**	**¥236,406**	**¥ (130,856)**	**¥105,549**
Segment profit (Note B)	**¥637**	**¥160**	**¥709**	**¥64**	**¥1,571**	**¥(889)**	**¥682**
Segment assets	**69,613**	**25,640**	**28,395**	**¥1,414**	**125,064**	**(41,770)**	**83,293**
Other							
Depreciation	**340**	**26**	**615**		**982**	**(8)**	**974**
Increase in property, plant and equipment and intangible assets	**170**	**173**	**1,152**		**1,495**	**¥(46)**	**1,449**
Impairment losses of assets	**¥37**	**¥10**	**¥129**		**¥177**		**¥177**

	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	76,258	24,892	28,038	¥1,407	130,595	(50,330)	80,265
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

	Thousands of U.S. dollars						
	2019						
	Japan	Americas	Asia	Europe	Total	Reconciliations (Note A)	Consolidated (Note B)
Sales:							
Sales to external customers	**$329,950**	**$613,361**	**$7,385**	**$200**	**$950,897**		**$950,897**
Intersegment sales or transfers	**554,781**	**57,882**	**566,225**		**1,178,888**	**(1,178,888)**	
Total	**$884,732**	**$671,243**	**$573,610**	**$200**	**$2,129,786**	**$ (1,178,888)**	**$950,897**
Segment profit (Note B)	**$5,739**	**$1,447**	**$6,389**	**$584**	**$14,160**	**$(8,013)**	**$6,146**
Segment assets	**627,148**	**230,992**	**255,817**	**$12,747**	**1,126,704**	**(376,311)**	**750,393**
Other							
Depreciation	**3,069**	**238**	**5,547**		**8,855**	**(73)**	**8,781**
Increase in property, plant and equipment and intangible assets	**1,536**	**1,558**	**10,378**		**13,473**	**$(418)**	**13,055**
Impairment losses of assets	**$334**	**$98**	**$1,165**		**$1,598**		**$1,598**

Note A Components of reconciliations are as follows:

	Millions of Japanese yen		Thousands of U.S. dollars
	2019	2018	**2019**
Segment loss			
Elimination of intersegment transactions	**¥ (34)**	¥ (735)	**$ (310)**
Corporate expenses (*1)	**(128)**	(772)	**(1,159)**
Adjustment of inventory	**(726)**	1,254	**(6,543)**
Total	**¥ (889)**	¥ (253)	**$ (8,013)**

	Millions of Japanese yen		Thousands of U.S. dollars
	2019	2018	**2019**
Segment assets	**2019**	2018	**2019**
Corporate assets (*2)	**¥24,771**	¥20,635	**$223,164**
Adjustment of inventory	**(770)**	(44)	**(6,944)**
Elimination of intersegment assets and liabilities, etc.	**(65,771)**	(70,921)	**(592,532)**
Total	**¥ (41,770)**	¥ (50,330)	**$ (376,311)**

(*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 is adjusted to operating profit (loss) in the consolidated statements of operations.

(4) Related Information

1. Information about each product and service

	Millions of Japanese yen			
	2019			
	Audiovisual equipment	Information equipment	Other	Total
Sales to external customers	**¥97,059**	**¥3,306**	**¥5,183**	**¥105,549**

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

	Thousands of U.S. dollars			
	2019			
	Audiovisual equipment	Information equipment	Other	Total
Sales to external customers	**$874,411**	**$29,790**	**$46,696**	**$950,897**

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						
2019						
	Americas					
Japan	USA	Mexico	Other	Asia	Europe	Total
¥33,930	**¥66,183**	**¥636**	**¥3,084**	**¥1,321**	**¥392**	**¥105,549**

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

Thousands of U.S. dollars						
2019						
	Americas					
Japan	USA	Mexico	Other	Asia	Europe	Total
$305,679	**$596,250**	**$5,738**	**$27,784**	**$11,906**	**$3,537**	**$950,897**

b. Property, plant and equipment

Millions of Japanese yen					
2019					
		Asia			
Japan	Americas	Philippines	Thailand	Other	Total
¥4,390	**¥132**	**¥2,628**	**¥894**	**¥112**	**¥8,159**

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					
2019					
		Asia			
Japan	Americas	Philippines	Thailand	Other	Total
$39,554	**$1,195**	**$23,681**	**$8,061**	**$1,011**	**$73,504**

3. Information about major customers

	Sales			
	Millions of Japanese yen		Thousands of U.S. dollars	
Name of Customer	**2019**	2018	**2019**	Related segment name
WAL-MART STORES, INC.	**¥53,601**	¥77,979	**$482,895**	Americas
YAMADA DENKI CO., LTD.	**¥16,281**	¥17,115	**$146,682**	Japan