

**Business Report**

(From April 1, 2022 to March 31, 2023)

**1. Matters Concerning the Current State of the Funai Group (the “Group”)****(1) Development and Results of Business Activities**

In the United States, the Group’s main market, the real GDP growth rate for the full year of 2022 was 2.1% compared to the previous year. Rapidly progressing inflation and rising interest rates adversely affected, leading to a significant deceleration from the previous year’s 5.9%, although the result showed growth on par with the potential growth rate despite some predictions that the U.S. economy would enter a recession in 2022. For the full year, personal consumption contributed positively by 1.9 points, services consumption by 2.0 points in particular, with economic growth supported by services consumption.

As for the situation in Japan, according to the "Government Economic Outlook" released by the Cabinet Office on December 22, 2022, the GDP growth rates for FY2022 are forecasted to be around 1.7% in real terms and 1.8% in nominal terms due to the effects of rising global energy and food prices and the global economic slowdown, while the gradual recovery from the COVID-19 crisis continues. In FY2023, the global economy is expected to slow, but the growth driven by private sector demand is expected to be about 1.5% in real terms and 2.1% in nominal terms, as the effects of the "Comprehensive Economic Measures to Overcome High Prices and Revitalize the Economy" will begin in earnest and it will promote investment in people and in growth areas under public-private alliance.

Under these circumstances, the Group recorded net sales of 81.808 billion yen (up 17.4% year-on-year) for the current consolidated fiscal year. This was due to the sales of our mainstay LCD TV business in the North American market significantly exceeding the plan.

Net sales by equipment segment are as follows.

## &lt;Audiovisual Equipment&gt;

In the audiovisual equipment segment, as mentioned above, the sales of our mainstay LCD TV business in the North American market significantly exceeded the plan. Sales of Blu-ray Disc-related products were in line with the plan, as the trend of market contraction that had continued due to the dissemination of video distribution services via the Internet slowed down. As a result, net sales amounted to 73.124 billion yen (up 19.7% year-on-year.)

## &lt;Information Equipment&gt;

In the information equipment segment, sales of mainstay industrial ink cartridges were lower than the plan. Consequently, net sales were 2.954 billion yen (down 39.9% year-on-year.)

## &lt;Other&gt;

In equipment other than the above, sales of dental CT were lower than the plan, while sales of parts exceeded the plan. As a result, net sales were 5.728 billion yen (up 54.4% year-on-year.)

**(Consolidated Net Sales by Equipment)**

Segment	Net Sales	Sales Composition
Audiovisual Equipment	73,124 (million yen)	89.4 (%)
Information Equipment	2,954	3.6
Other	5,728	7.0
<b>Total</b>	<b>81,808</b>	<b>100.0</b>

**(2) Investment in Property, Plant and Equipment**

Investment in property, plant and equipment during the current consolidated fiscal year totaled 1,067 million yen in the Group, which comprised of 457 million yen by its manufacturing companies and 609 million

yen by its sales companies. Such investments were mainly for the improvement of manufacturing facilities.

### (3) Financing

Nothing to be reported.

### (4) Major Organizational Restructuring, etc.

- (i) The Company conducted an absorption-type merger on April 1, 2022, with the Company as the surviving company and its parent company, Shuwa System Holding Co., Ltd. as the disappearing company.
- (ii) To achieve sustained growth and further business development for the Group, the Company shifted to a holding company structure by means of a company split on March 31, 2023, succeeded all businesses of Funai Electric Co., Ltd. except for real estate-related business to its subsidiary, FE-Tech Co., Ltd. On the same day, the Company (Funai Electric Co., Ltd.), which is the holding company, changed its trade name to FUNAI ELECTRIC HOLDINGS CO., LTD. and its operating subsidiary FE-Tech Co., Ltd. to Funai Electric Co., Ltd.

### (5) Issues to be Addressed

- (i) Issues related to the management environment

#### (A) Sales expansion and recovery of earnings strength

The Company positions the expansion of Group sales and the recovery of earnings strength as the most important issues.

Funai Electric Co., Ltd. the operating company, is exposed to fierce competition in the LCD TV business, which accounts for approximately 90% of its sales, due to factors such as the emergence of Chinese manufacturers in the market. At the same time, the market is not expected to grow significantly in the future. Therefore, it is necessary to improve profitability of the existing LCD TV business by further increasing operational efficiency.

As the initiatives by market, we will gain consumer spending at major mass retailers in the main North American market and expand sales channels. In addition, we will develop our sales network in the Mexican market and link it to increased revenue. In addition to internal manufacturing, we will add ODM models to expand our product lineup. We will expand sales overseas through these measures. In the Japanese market, we continue to supply TVs with built-in Fire TV to Yamada Holdings Co., Ltd. in an effort to expand sales.

Regarding information equipment, we incorporate our proprietary microfluidics technology to penetrate into medical and other fields, and continue to strengthen sales of high-capacity inkjet printers.

Regarding new businesses (other), in dental CT, we respond to expanding needs by strengthening our lineup through introduction of new products. For automotive LCD backlights, the Company focuses on further sales expansion for the direct backlight method, which we were the first in the world to mass produce successfully. We will also seek to enter the market for gaming monitors with distinctive features of TV manufacturer, in preparation for the e-sports market, where demand is increasing.

In terms of profit, in the "Audiovisual Equipment" segment, which accounts for approximately 90% of sales, the cost of components has soared in response to the progress of global inflation, making it an issue to curb the cost of sales.

In response, we will take strategic measures to (a) restructure the supply chain, secure stable procurement of components, and ensure stable supply of products, (b) correct product sales prices in response to higher semiconductor and panel prices, and (c) reduce service costs through improvement in design quality.

In addition, we will focus on reducing product return rates and minimizing losses incurred from processing product returns with the aim of creating products selected from around the world. We will strive to improve profit margins through these measures.

(B) Training and appointment of human resources

The Group recognizes that it remains important to bolster its capabilities by improving employee's capabilities to win out new global competition era and implement the medium- to long-term business strategy. Therefore, the Group conducts training for candidates for general manager and section manager regularly every year to foster executive candidates in the future. In addition, we are actively training and assigning employees, regardless of their age and career, by enhancing and expanding internal and external training systems.

Moreover, we also conduct e-learning and other trainings to raise compliance awareness and support self-development regularly every year.

In addition to the above, in light of increased and diversified companies under the umbrella following the transition to a holding company structure, the Company will consider personnel exchanges among Group companies, including temporary secondments to the companies owned by the Group.

(ii) Measures to recover operating performance

The Group will implement the following measures to recover operating performance.

(A) Display business (flat-panel TVs, etc.)

- Strengthen efforts to gain consumer spending at major mass retailers in the North American
- Expand sales of smart TVs with built-in Fire TV jointly developed with Amazon in the Japanese market
- Expand sales by restructuring the business model and value chain in Canadian and Mexican markets

(B) Digital media business (Blu-ray disc related equipment)

- Maintain and secure market share with Blu-ray disc players, etc., in the North American market
- Introduce new FUNAI brand products in the Japanese market and strengthen collaboration with OEM producers

(C) Printing solution business (printer related equipment)

- Expand solution proposals through the ink cartridge "Zion," which achieved the longest ink discharge distance in the industry.
- Expand sales of special-purpose printers, including high-capacity inkjet and label printers
- Increase sales through market development, including penetrating the medical field utilizing microfluidics (microfluid control technology)

(D) New businesses

- Expand sales of automotive backlights and other products and strengthen alliance strategies for automotive-related businesses
- Expand sales of medical and healthcare-related products, including dental CT scanners, and secure the revenue base
- Acquire new customers through ODM business

Furthermore, relationships with financial institutions remain strong, with the Group's cash and deposits balance of 22.196 billion yen as of the end of the current consolidated fiscal year. The Company recorded net income attributable to owners of the parent of 2.363 billion yen in the current consolidated fiscal year, with net assets of 25.579 billion yen as of the end of the current consolidated fiscal year. We believe there are no issues with our financial soundness. We continue to take measures to improve profitability and strengthen our financial profile.

Moreover, Musee Platinum Co., Ltd., which became a subsidiary on April 11, will take advantage of a stronger capital base by being under the umbrella of FUNAI ELECTRIC HOLDINGS CO., LTD., to proceed with acquisitions of companies in the same industry, increase the number of stores to expand sales, and at the same time, will develop new products and promote them in the markets by leveraging product development technology and manufacturing skill Funai Electric holds.

(6) Property and Income/Loss

Fiscal Term		68th (FY2019)	69th (FY2020)	70th (FY2021)	71st (FY2022)
Net sales	(millions of yen)	88,425	80,448	69,697	81,808
Total assets	(millions of yen)	70,683	73,771	72,394	75,687
Equity	(millions of yen)	51,189	51,826	42,011	25,579

Notes: 1. Net income attributable to owners of the parent for the 71st fiscal term was 23.63 billion yen.

2. Total assets and net assets as of March 31, 2023 of Funai Electric Co., Ltd. (consolidated), an operating subsidiary, stood at 71.448 billion yen and 43.958 billion yen respectively.

## (7) Parent Company and Major Subsidiaries

### (i) Parent company

Trade Name	Capital Stock	Percentage of Voting Rights against the Company	Relationship with the Company
SHUWA SYSTEM CO., LTD	95 million yen	100.00%	—

(Note) The Company conducted an absorption-type merger on April 1, 2022, with the Company as the surviving company and its parent company, Shuwa System Holding Co., Ltd. as the disappearing company.

### (ii) Major subsidiaries

Trade Name	Capital Stock	Percentage of Voting Rights of the Company	Main Business
Funai Electric Co., Ltd	31,312 million yen	100.00%	Development and sales of electrical equipment
FUNAI CORPORATION, INC.	US\$ 123.5 million	100.00% (100.00%)	Sales of the Company's products
FUNAI (THAILAND) CO., LTD.	THB 1,568 million	100.00% (100.00%)	Sales of the Company's products

Notes: 1. As of March 31, 2023, the Company succeeded all businesses except for real estate-related business to FE-Tech Co., Ltd. through a company split and changed its trade name to Funai Electric Co., Ltd.

2. The number in parentheses in the Company's voting rights ratio column is the indirect ownership ratio.

## (8) Main Business

Segment	Principal Products
Audiovisual Equipment	LCD TV, organic EL TV, Blu-ray disc recorders Blu-ray disc player, hard disk recorder
Information Equipment	Industrial ink cartridges, printer engines, label printers, nail art printers
Other	Dental CT, automotive backlights, gaming monitors, and other equipment

## (9) Major Business Sites of the Group

Category	Name	Location
Funai Electric Co., Ltd.	O s a k a H e a d O f f i c e	Daito City, Osaka
	T o k y o H e a d O f f i c e	Chiyoda-ku, Tokyo
Funai Electric Co., Ltd	O s a k a H e a d O f f i c e	Daito City, Osaka
	T o k y o H e a d O f f i c e	Chiyoda-ku, Tokyo

**(10) Employees of the Group**

No. of Employees (persons)	Change from the End of the Previous Fiscal Year (+/-) (persons)
2,062	-82

Notes: 1. The above number of employees represents those who are at work.

2. The number of employees decreased from the previous consolidated fiscal year end mainly due to personnel reduction at FUNAI(THAILAND)CO.,LTD. and FUNAI ELECTRIC CEBU,INC., production subsidiaries of Funai Electric Co., Ltd.

**(11) Major Lenders**

Nothing to be reported.

**(12) Matters Concerning the Transactions with Parent Company, etc.**

When conducting important transactions with parent company, etc., the Company shall pay careful attention that the necessity and terms of the transaction are not significantly different from the ones with third parties and make decisions fairly and appropriately so that the transaction does not harm the interests of the Company.

Although the Company accepts Directors from the parent company, the Board of Directors decides whether or not to implement the transaction after multifaceted discussions to obtain opinions from Outside Directors based on the perspective of ensuring independence from the parent company, etc. Accordingly, the Company determines that the transaction does not harm the interests of the Company.

Furthermore, no determination of the Board of Directors is at variance with the opinions of Outside Directors.

**(13) Other Important Matters Concerning the Current State of the Group**

- (i) In line with the transition to a holding company on March 31, 2023, the Company reduced the amount of capital to 100 million yen and shifted to a company without a Board of Directors.
- (ii) The Company acquired all the shares of Musee Platinum Co., Ltd. on April 11, 2023, and made it a subsidiary to promote diversification of the business structure.

**2. Matters Concerning Accounting Auditor****(1) Name of Accounting Auditor**

HLB Meisei LLC

(Note) Deloitte Touche Tohmatsu LLC, which was the accounting auditor of the Company, resigned on March 31, 2023, based on the agreed termination of the audit agreement dated October 13, 2022, by the agreed cancellation letter dated March 28, 2023.

**(2) Outline of Liability Limitation Agreements**

Nothing to be reported.

**(3) Outline of Indemnification Agreements**

Nothing to be reported.

**3. Matters Concerning Development of Systems to Ensure Appropriateness of Business Operations****(1) System to Ensure Appropriateness of Business Operations**

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

Under the “Funai Group Charter of Conduct,” the “Regulations of Officers’ Compliance,” and the “Regulations of Compliance,” the Company shall clarify acts to be taken by Directors, Officers, and employees to ensure their performance of duties in compliance with laws or ordinances and the Articles of Incorporation. The Company also established the “Whistleblower Protection Regulations” to prohibit unfavorable treatment of whistleblowers.

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

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

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

The Company appoints the Officers responsible for risk management to properly grasp and evaluate risks the Company is exposed to and manage risks related to their respective operations in charge under the “Risk Management Regulations.”

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

Under the “Officer System” introduced to ensure quick and effective decision-making by the management, the Company shall assign Executive Officers under the control of the Executive Director to ensure that the operations determined by the Executive Director are performed swiftly. In addition, the Company appoints Outside Directors and has corporate auditors to enhance the transparency of the Board of Directors and strengthen its supervisory functions.

- (v) Systems to secure the propriety of business activities of the Group composed of the Company, its parent company, and its subsidiaries

- (A) System of reporting to the Company the matters concerning duties performed by Directors, etc., of its subsidiaries

The Company sets materiality standards and reporting items for the subsidiaries under the “Affiliated Companies Management Regulations” to grasp the management status of the subsidiaries appropriately. It requires the subsidiaries to submit operating results and financial reports monthly based on it.

- (B) Regulations and other system for managing the risk of loss for the subsidiaries

To manage the operation and administration of the subsidiaries, the Company shall set agenda and discuss with them the matters that may affect their financial condition and administration in terms of financing, technology, personnel, transactions, etc., under the “Affiliated Companies Management Regulations.”

- (C) System to ensure that Directors, etc. of the subsidiaries perform their duties effectively

To ensure that the subsidiaries manage the business effectively, the Company shall allow them to manage businesses that respect their managerial autonomy and independence under corporate regulations based on the “Affiliated Companies Management Regulations.”

- (D) System to ensure that Directors, etc., and employees of the subsidiaries perform their duties in compliance with laws or ordinances and the Articles of Incorporation

Under the “Funai Group Charter of Conduct” as a code of conduct for all Officers and employees of the Funai Group, and the “Funai Group Procurement Policies” and “Regulations of Compliance” based on the Charter of Conduct, the Company shall clarify acts to be taken by Directors, etc., and employees of the subsidiaries to ensure their performance of duties in compliance with laws or ordinances and the Articles of Incorporation.

(vi) System concerning reporting to the corporate auditors

(A) System of reporting by Directors, Executive Officers, and employees of the Company to report to the corporate auditors

If Directors, Executive Officers, and employees of the Company find any fact that has caused or may cause significant damage to the Company, they shall immediately report the fact to the corporate auditors.

(B) System for Directors, corporate auditors, Executive Officers, and employees of the subsidiaries to report to corporate auditors

If Directors, Executive Officers, and employees of the subsidiaries are required to report the fact by the corporate auditors of the Company, they shall immediately do so unless there is any justifiable reason to the contrary. If Directors, corporate auditors, Executive Officers, and employees of the subsidiaries find any fact that has caused or may cause significant damage to the Company, they shall immediately report it to the corporate auditors.

(vii) System to ensure that any person who has reported to the corporate auditors does not suffer unfavorable treatment because of giving such a report

The Company prohibits unfavorable treatment of whistleblowers under the “Regulations of Compliance” and the “Whistleblower Protection Regulations.” The Company also ensures that any person who reports to the corporate auditors does not suffer unfavorable treatment because of giving such a report.

(viii) Matters concerning policies on the treatment of expenses to be incurred in duties performed by corporate auditors

When a corporate auditor requests payment of expenses for the performance of their duties, the Company shall make such payments unless such expenses are not necessary for their performance of duties.

(ix) Other systems to ensure that the corporate auditors conduct audits effectively

To ensure that the corporate auditors conduct audits effectively, the corporate auditors shall closely cooperate with the accounting auditors, hold regular meetings with the Representative Directors and Directors, etc., of the subsidiaries to confirm the management policies and exchange opinions on risks and issues surrounding the Company.

(x) System to ensure the reliability of financial reporting

The Company shall establish a “Basic Policy for Internal Control over Financial Reporting” to ensure the reliability of financial reporting and the effective and appropriate disclosure of “Internal Control Reports.” Under the Basic Policy, the Company shall establish an “Internal Control Committee,” chaired by the President and CEO, continuously develop, operate, and evaluate internal control over financial reporting and promptly correct any defect in case it is found.

(xi) System for the exclusion of antisocial forces

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

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

The Company designates the Personnel and General Affairs Department as a principal division in charge of dealing with antisocial forces and controlling the information centrally. To ensure compliance by Officers and employees, the Company also defines this basic policy clearly in the related regulations and establishes an education system. Furthermore, the Company develops countermeasures as necessary to prevent damage by antisocial forces.

In the event that any unjust claim is made by an antisocial force, the Company will work closely with external specialized agencies, including the police and legal counsels, and build a cooperative system for emergencies.

## (2) Summary of Operation Status of Systems to Secure Propriety of Business Activities

### (i) Compliance

In addition to establishing the “Funai Group Charter of Conduct” as a code of conduct, the Company has established the “Regulations of Officers’ Compliance” and the “Regulations of Compliance” and clarified the basic policy on compliance to all Officers and employees, thereby ensured that they perform their duties in compliance with laws or ordinances and the Articles of Incorporation. The Company also has a whistleblower system to prevent violations of law and detect problems swiftly.

The Company provided Directors, corporate auditors, Executive Officers, and employees with e-learning sessions twice in the current fiscal year as educational activities to raise their awareness of compliance.

### (ii) Risk management

The Company shall perform continuous risk management to minimize losses and disadvantages in business activities through regular monitoring by a risk management division under the “Risk Management Regulations.”

### (iii) Directors’ performance of duties

The Board of Directors, which consists of nine Directors including one Outside Director, made decisions on the matters required by laws or ordinances and important matters concerning the management and supervised the execution of business. During the current fiscal year, the Board of Directors held 20 meetings. In addition, the Investment and Loan Committee held ten sessions, the Nomination Committee held one session, and the Compensation Committee held two sessions.

### (iv) Corporate auditors’ performance of duties

The corporate auditors attend meetings of the Board of Directors and the Investment and Loan Committee, as well as monthly reporting meetings. During the current fiscal year, the Company conducted a written audit for Directors regarding the execution of their duties.