

September 18, 2014

To Whom It May Concern:

Funai Electric Co., Ltd.
Representative Director
President and CEO: Yoshikazu Uemura
(Code No.: 6839 First Section of TSE)

Notice Concerning Details of Issuance of Stock Options (Stock Acquisition Rights)

Funai Electric Co., Ltd. (the "Company") hereby announces that, determination of subscription requirements for stock acquisition rights to be issued as stock options having been delegated to the Company's Board of Directors by resolution of the Company's 62nd Ordinary General Meeting of Shareholders, the Company determined specific details of issuance of said stock acquisition rights at a meeting of the Board of Directors held today as described below.

The Company plans to determine the amount to be paid upon exercise of stock acquisition rights and other undetermined matters on October 10, 2014, the date of allocation of said stock acquisition rights.

1. Reason for Issuing Stock Acquisition Rights as Stock Options

The Company plans to issue stock acquisition rights as stock options for the purpose of increasing incentive and motivation to improve the Company's consolidated business performance and of increasing corporate value by recruiting and retaining talented personnel.

2. Details of Stock Acquisition Rights

(1) Name of stock acquisition rights

First Series of Stock Acquisition Rights for Fiscal 2014

(2) Date of allocation of stock acquisition rights

October 10, 2014

(3) Total number of stock acquisition rights

1,200 rights

(4) Stock acquisition rights grantees, number of grantees, and number of stock acquisition rights

Directors and Officers of the Company	3 persons	160 rights
Officers of the Company	2 persons	140 rights
Officers of a subsidiary of the Company	2 persons	300 rights
Employee of a subsidiary of the Company	1 person	600 rights

(5) Class and number of shares to be issued or transferred upon exercise of stock acquisition rights

The class of shares to be issued or transferred upon exercise of stock acquisition rights shall be shares of common stock of the Company and the number of shares to be so issued or transferred for each stock acquisition right shall be 100 shares.

In addition, in the event that Company splits its shares (including allotment of shares without consideration; hereinafter the same shall apply) or consolidates its shares, the number of shares to be issued or transferred upon exercise of stock acquisition rights shall be adjusted according to the following formula: provided,

however, that such adjustment shall be made only for the number of shares for stock acquisition rights unexercised at the time of the stock split or stock consolidation, with any fraction of one share arising as a result of such adjustment discarded.

Number of shares after adjustment = Number of shares before adjustment x Ratio of split (or consolidation)
 In addition, if the Company engages in an absorption-type merger, incorporation-type merger, absorption-type demerger, incorporation-type demerger, share exchange, or share transfer or if any other unavoidable reason occurs, the number of shares to be issued upon exercise of stock acquisition rights shall be adjusted to a reasonable extent.

(6) Amount to be paid in exchange for stock acquisition rights

No payment of money in exchange for the stock acquisition rights shall be required.

(7) Value of assets to be contributed upon the exercise of stock acquisition rights and calculation method

The value of assets to be contributed at the time of exercise per stock acquisition right shall be the amount obtained by multiplying the amount to be paid per share issued or transferred upon exercise of stock acquisition rights (the "Exercise Price") by the number of shares for each stock acquisition right set forth in paragraph (5) above.

The Exercise Price shall be the higher of the amount obtained by multiplying the average of the daily closing prices of the Company's common stock in regular trading on the Tokyo Stock Exchange ("Closing Price") on each day of the month preceding the month in which the date of allotment of stock acquisition rights (the "Allotment Date") falls (excluding days on which no trading is concluded) multiplied by 1.05 (with any fraction of less than one yen rounded up to the nearest one yen) or the Closing Price on the Allotment Date (if there is no closing price on such date, the closing price on the immediately preceding trading day).

If the Company engages in a stock split or stock consolidation, the Exercise Price shall be adjusted according to the following formula, with any fraction of less than one yen arising from the adjustment rounded up to the nearest one yen.

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times \frac{1}{\text{Ratio of split (or consolidation)}}$$

If the Company issues common stock or disposes of treasury stock below the market price (excluding the issuance of new shares or transfer of treasury stock due to the exercise of stock acquisition rights), the Exercise Price shall be adjusted according to the following formula, with any fraction of less than one yen arising from the adjustment rounded up to the nearest one yen.

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times \frac{\text{Number of already issued shares} + \frac{\text{Number of newly issued shares} \times \text{Paid-in price per share}}{\text{Market price before the issuance of new shares}}}{\text{Number of already issued shares} + \text{Number of newly issued shares}}$$

In the above calculation formula, "Number of already issued shares" represents the number of shares obtained by deducting the number of shares of treasury stock of the Company in respect of the shares of common stock of the Company from the total number of shares of common stock of the Company issued and outstanding, and in the event that shares of treasury stock are disposed of in respect of shares of common stock of the Company, "Number of newly issued shares" shall be read "Number of shares of treasury stock disposed of" and "Paid-in price per share" shall be read "Disposal price per share."

Furthermore, if the Company engages in an absorption-type merger, incorporation-type merger, absorption-type demerger, incorporation-type demerger, share exchange, or share transfer or if any other unavoidable reason occurs, the Exercise Price shall be adjusted to a reasonable extent.

(8) Period during which Stock Acquisition Rights May Be Exercised

The period during which stock acquisition rights may be exercised shall be from September 1, 2016 to August 31, 2023: provided, however, that if the final day of such period is a Company holiday, the final day of the period shall be the immediately preceding business day.

(9) Conditions for Exercise of Stock Acquisition Rights

- 1) The number of stock acquisition rights exercisable by a grantee in any given year during the period for exercising stock acquisition rights (from September 1 to August 31 of the following year) shall be governed by criteria to be determined by the Board of Directors. In the event that a grantee does not exercise all or part of stock acquisition rights exercisable during the period for exercising stock acquisition rights in any given year, the rights remaining unexercised in such any given year may be carried over to any subsequent year until the period for exercising stock acquisition rights expires.
- 2) A grantee may not exercise stock acquisition rights in any given year during the period for exercising stock acquisition rights (from September 1 to August 31 of the following year) without the consent of the Company.
- 3) A grantee must be a director, corporate auditor, operating officer, or employee of the Company or an affiliate of the Company at the time of exercise of rights.
- 4) Stock acquisition rights may not be transferred, pledged or otherwise hypothecated, or inherited.

(10) Matters concerning Capital and Capital Reserve to Be Increased in the Event of Issuance of Shares due to the Exercise of Stock Acquisition Rights

- 1) In the event that the Company issues shares upon exercise of the stock acquisition rights, the amount of capital to be increased shall be a half of the maximum increase amount of capital calculated pursuant to Article 17, paragraph 1 of the Regulations on Corporate Accounts, with any fraction of one yen rounded upward to the nearest one yen.
- 2) In the event that the Company issues shares upon exercise of the stock acquisition rights, the amount of capital reserve to be increased shall be an amount obtained by deducting the amount of capital to be increased as set forth in item 1) above from the maximum increase amount of capital set forth in item 1) above.

(11) Restrictions on Acquisition of Stock Acquisition Rights by Transfer

Any acquisition of stock acquisition rights by transfer shall be subject to the approval of the Company's Board of Directors.

(12) Provisions concerning Acquisition of Stock Acquisition Rights

- 1) In the event that before a grantee exercises stock acquisition rights a proposal for approval of a merger agreement under which the Company becomes a dissolved company or proposal for approval of share exchange agreement or share transfer plan under which the Company becomes a wholly owned subsidiary is approved at a General Meeting of Shareholders (or, if a resolution of a General Meeting of Shareholders is not required, is approved by a resolution of the Company's Board of Directors), the Company may

acquire the stock acquisition rights without consideration on a date to be separately determined by the Board of Directors.

- 2) In the event that a grantee ceases to be entitled to exercise stock acquisition rights due to any of the terms and conditions set forth in paragraph (9) above, the Company may acquire the stock acquisition rights without consideration on a date to be separately determined by the Board of Directors.
- 3) In the event that a grantee waives all or any part of stock acquisition rights, the Company may acquire the stock acquisition rights without consideration on a date to be separately determined by the Board of Directors.

(13) Treatment of Stock Acquisition Rights upon Reorganization of the Company

In the event the Company engages in any merger (limited to cases where the company is dissolved in the merger), absorption-type demerger, incorporation-type demerger, share exchange, or share transfer (collectively "reorganization"), the Company shall grant to grantees holding stock acquisition rights outstanding on the effective date of the reorganization (the "Outstanding Rights") stock acquisition rights of relevant corporations listed in Article 236, Paragraph 1, Item 8(a) through 8(e) of the Companies Act ("reorganizing companies") in accordance with the following terms and conditions. In such case, the Outstanding Rights shall become null and void and the reorganizing companies shall issue new stock acquisition rights; provided, however, that this shall be on condition that the issuance of the stock acquisition rights by the reorganizing companies in accordance with the following terms and conditions is stipulated in the relevant merger agreement, demerger agreement or demerger plan, share exchange agreement, or share transfer plan.

1) Number of stock acquisition rights of reorganizing company to be delivered

The same number as that of the stock acquisition rights held by each grantee of the Outstanding Rights

2) Class of shares of the reorganizing company to be issued or transferred upon exercise of stock acquisition rights

3) Shares of common stock of the reorganizing company

Number of shares of reorganizing company to be issued or transferred upon exercise of stock acquisition rights

The number of shares shall be determined in accordance with paragraph (5) above, taking into account the terms and conditions of the reorganization.

4) Value of assets to be contributed upon exercise of a stock acquisition right

The value of assets to be contributed upon exercise of each stock acquisition right to be delivered shall be an amount obtained by multiplying by the number of shares of the reorganizing company to be issued or transferred upon exercise of each such stock acquisition right determined as set forth in item 3) above and the paid-in amount after the reorganization obtained by adjustment to the Exercise Price set forth in paragraph (7) above by taking into account the conditions of the reorganization.

5) Exercise period of stock acquisition rights

From the later of the first day of the exercise period of stock acquisition rights set forth in paragraph (8) above and the day on which the reorganization becomes effective to the last day of the exercise period of stock acquisition rights set forth in paragraph (8) above

6) Terms and conditions of the exercise of stock acquisition rights

To be determined in accordance with paragraph (9) above

7) Matters concerning capital and capital reserve to be increased in the event that shares are issued upon exercise of the stock acquisition rights

To be determined in accordance with paragraph (10) above

8) Restriction on acquisition of stock acquisition rights by transfer

Any acquisition of stock acquisition rights by transfer shall be subject to the approval of the reorganizing company.

9) Provisions concerning acquisition of stock acquisition rights

To be determined in accordance with paragraph (12) above

(14) Handling of Fractions of Shares Arising from the Exercise of Stock Acquisition Rights

Any fractions of shares to be delivered to grantees who have exercised stock acquisition rights shall be discarded.

[For Reference]:

Date of the resolution of the Board of Directors resolution to propose issuance of stock acquisition rights to the Ordinary General Meeting of Shareholders May 12, 2014

Date of resolution of the Ordinary General Meeting of Shareholders June 20, 2014

For further information, please contact

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