

(Translation)

Securities Code: 6839
June 10, 2016

NOTICE OF THE 64TH ORDINARY GENERAL MEETING
OF SHAREHOLDERS

Dear Shareholders:

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

You are hereby notified that the 64th Ordinary General Meeting of Shareholders of Funai Electric Co., Ltd. (the “Company”) will be held as described below, and you are cordially invited to attend the meeting.

Since voting rights can be exercised in writing, even if you are unable to attend the meeting, please review the attached Reference Document for the General Meeting of Shareholders set forth below and send to us by return mail the enclosed voting form indicating your approval or disapproval of the propositions no later than 5:00 p.m. on June 27 (Monday) in Japan time, 2016.

Yours very truly,

Tomonori Hayashi
Representative Director, President, and
Chief Executive Officer

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

Description

1. Date and hour:

June 28 (Tuesday), 2016, 10:00 a.m.

2. Place:

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

3. Matters forming the objects of the meeting:

Matters to be reported:

1. The business report, the consolidated financial statements and the audit reports on the consolidated financial statements by the independent auditors and the Audit and Supervisory Committee for the 64th fiscal year (from April 1, 2015 to March 31, 2016)
2. The nonconsolidated financial statements for the 64th fiscal year (from April 1, 2015 to March 31, 2016)

Matters to be resolved:

- Proposition No. 1: Election of five (5) Directors (excluding Directors who are Audit and Supervisory Committee Members)
- Proposition No. 2: Election of one (1) Substitute Director who is an Audit and Supervisory Committee Member
- Proposition No. 3: Granting retirement benefits to the retiring Director
- Proposition No. 4: Issuance of stock acquisition rights as stock options

- END -

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

(Attached documents)

BUSINESS REPORT

(April 1, 2015 to March 31, 2016)

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

(1) Development and results of business activities:

In the fiscal year under review, in spite of the stable business conditions in general, there were a few changes in the United States, which is the Group’s mainstay market, such as a slight slowdown in consumer spending and partial weakness in the overall increasing employment. While the European economy experienced an improvement in consumer spending, the slowdown of economic recovery in China has continued from the second half of this fiscal year.

The economic slowdown in emerging economies, especially in China, is affecting Japanese economy, particularly in exports, as indicated by weakness in machinery orders and a decline in the index of industrial production from the beginning of this fiscal year.

Under these circumstances, the Group reported net sales of ¥168,116 million, a 22.6% decrease from the previous fiscal year. Operating loss was ¥13,061 million (operating income for the previous fiscal year was ¥564 million), due to a decrease in orders for the year-end shopping season and sluggish sales to regional mass merchandisers in the North American market and increasing competition in the Mexican market especially in LCD-TVs and termination expenses for the audio accessories business. Ordinary loss was ¥16,146 million (ordinary income for the previous fiscal year was ¥1,924 million) mainly due to foreign exchange losses generated from the Mexican Peso-denominated accounts receivable due to the Mexican Peso being weak against Japanese yen, and the yen appreciating against the U.S. dollar.

The Company received an arbitral award from the International Court of Arbitration on April 26, 2016 with respect to the arbitration in the dispute between the Company and Koninklijke Philips N.V. As the Group recorded ¥18,502 million for this compensation for damage and other expenses decided by the arbitral award as extraordinary losses, net loss attributable to owners of the parent was ¥36,221 million (net income attributable to owners of the parent for the previous fiscal year was ¥1,354 million).

The Group applied the Accounting Standard for Business Combinations (Accounting Standards Board of Japan Statement No. 21, September 13, 2013) and some other new accounting standards from this fiscal year and changed “net income or net loss” to “net income attributable to owners of the parent or net loss attributable to owners of the parent.”

Net sales by product sector were as follows:

Audiovisual Equipment

Sales of DVD-related products increased because of strong sales of DVD/VCR Combo models. However the Group could not offset the sales decrease of LCD-TVs due to the

reduction of orders in the year-end shopping season in the North American market with the increase of sales throughout the fiscal year. In addition, sales to regional mass merchandisers were slow and the Mexican market became more competitive. As a result, net sales of this sector were ¥146,179 million, a decrease of 15.2% from the previous fiscal year.

Information Equipment

Sales of in-house developed ink-jet printers, which were launched during this fiscal year, could not offset a shortage due to the termination of OEM business. As a result, net sales of this sector were ¥5,000 million, a decrease of 60.4% from the previous fiscal year.

Other

Net sales of other were ¥16,936 million, a decrease of 47.2% from the previous fiscal year, due to a decrease in sales of electronic reception devices and audio accessories.

<Consolidated net sales by product group>

Group	Net sales (millions of yen)	Component rate (%)
Audiovisual equipment	146,179	86.9
Information equipment	5,000	3.0
Other	16,936	10.1
Total	168,116	100.0

(2) Investment in property, plant and equipment:

Investment in property, plant and equipment during the fiscal year under review totaled ¥2,462 million, which comprised of ¥1,961 million by its manufacturing companies and ¥500 million by its sales companies. Such investments were mainly for the improvement of the manufacturing facilities.

(3) Finance:

Nothing to be reported.

(4) Issues to be addressed:

In the consumer electronics industry, the demand for LCD-TVs expanded because of the demand shift to higher resolutions, such as 4K and larger screens. However, the consumer electronics industry continued to face a challenging environment because of an ongoing downturn in the market for DVD/BD-related products and signs of a slowdown in demand for products, regarded as growth drivers, such as smartphones and tablets.

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

(i) Increase of net sales and recovery of profitability

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

(Product strategy)

During the fiscal year under review, sales and profits decreased from the previous fiscal year due to the decrease of orders for the year-end shopping season, sluggish sales to regional mass merchandisers, delays in inventory clearance in the North American market, increasing competition in the Mexican market and the termination expenses for the audio accessories business.

To increase net sales, the Group aims to increase sales of LCD-TVs by offering 4K models and multiple models developed for individual customers and secure orders for the year-end shopping season mainly for the North American market. Regarding inkjet printers, the Group is now working towards development of sales and new customers by offering multiple model lineups.

(Market strategy)

As a short-term market strategy, the Group is offering high-value-added models such as 4K TVs to keep the competitive advantage of the products in the North American market. As a medium- to long-term strategy, the Group is actively engaging in sales channel expansion to eliminate, in stages, excessive concentration on the North American market, for instance, by sales development of the Information Equipment Business in the European market (e.g. U.K. and other areas) and of the Audiovisual Equipment Business in the Central and South American market (e.g. Mexico).

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

(ii) Reinforcement of the manufacturing and development systems

The Group considers excessive reliance on production in China to be a risk factor for the Group. To avoid this risk, the Group has been working to decentralize the Group's production sites, which resulted in a decrease of the product ratio in China. During the current fiscal year, a new factory of Funai Electric Philippines Inc., a production subsidiary established in the Philippines, went into operation. The Company is also continuing efforts to improve development efficiency across the entire Group, including operations in China and Asia.

(iii) Training and appointment of human resources

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

(5) Property and income/loss:

Item \ Fiscal year	61st (April 1, 2012 to March 31, 2013)	62nd (April 1, 2013 to March 31, 2014)	63rd (April 1, 2014 to March 31, 2015)	64th (April 1, 2015 to March 31, 2016)
Net sales (millions of yen)	192,008	234,042	217,088	168,116
Ordinary income (loss) (millions of yen)	(355)	(2,253)	1,924	(16,146)
Net income (loss) attributable to owners of the parent (millions of yen)	(8,542)	(6,745)	1,354	(36,221)
Net income (loss) per share (yen)	(250.38)	(197.70)	39.70	(1,061.62)
Total assets (millions of yen)	194,524	181,341	189,695	154,295
Equity (millions of yen)	121,398	117,684	127,881	86,569
Equity per share (yen)	3,520.11	3,414.77	3,712.81	2,504.70

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

(6) Major subsidiaries:

Trade name	Capital stock	Ratio of equity participation of the Company (%)	Main business
DX ANTENNA Co., Ltd.	¥363 million	91.80	Manufacture and sale of electronic reception devices
FUNAI CORPORATION, INC.	US\$68.5 million	100.00	Sale of the Company's products
Funai Electric (HK) Ltd.	HK\$115 million	100.00	Manufacture of the Company's products

(Note) Each ratio of equity participation of the Company is obtained by calculating down to the third decimal place and thereafter rounding upward or downward to the nearest second decimal place, as the case may be.

(7) Major businesses of the Group:

Division	Principal products
Audiovisual equipment	LCD-TVs, DVD players, DVD recorders, BD players and BD recorders
Information equipment	Printers and ink cartridges
Other	Audio accessories and electronic reception devices

(8) Major business sites of the Group:

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

(9) Employees of the Group:

Number of employees (persons)	Change from the end of the previous fiscal year (+ or -) (persons)
3,318	-286

(Notes) 1. The above number of employees represents those actively at work.

2. The number of employees decreased due principally to the curtailment of production of ink cartridges at FUNAI ELECTRIC CEBU, INC. a production subsidiary in the Philippines.

(10) Major lenders:

Nothing to be reported.

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

Nothing to be reported.

2. Matters concerning the shares of the Company

- (1) Total number of shares authorized: 80,000,000 shares
- (2) Total number of shares issued: 36,130,796 shares
(Including 2,011,687 shares of treasury stock)
- (3) Number of shareholders: 9,098 persons
- (4) Principal shareholders (top 10):

Name	Number of shares held (thousands of share)	Shareholding ratio (%)
Tetsuro Funai	12,559	36.81
Funai Information Science Promotion Foundation	1,540	4.51
State Street Bank and Trust Company 505223	1,332	3.91
Tetsuo Funai	1,079	3.16
State Street Bank and Trust Company	961	2.82
The Bank of New York 133522	896	2.63
Japan Trustee Services Bank, Ltd. (Trust account)	637	1.87
Japan Trustee Services Bank, Ltd. (Trust account 9)	628	1.84
State Street Client Omnibus Account OM 44	626	1.84
The Master Trust Bank of Japan, Ltd. (Trust account)	472	1.38

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

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

- (5) Other important matters concerning shares:

Nothing to be reported.

3. Matters concerning stock acquisition rights:

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

(i) Number of stock acquisition rights: 2,837 rights

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

(ii) Class and number of shares to be issued or transferred upon exercise of the stock acquisition rights: 283,700 shares of common stock (100 shares per stock acquisition right)

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

Issue	Category	Number of rights	Holder	Exercise price per share	Exercise period
The first stock acquisition rights for the year ended March 31, 2009	Director (other than Audit and Supervisory Committee Member) (other than Outside Director)	20	1	¥1,609	August 1, 2010 to July 31, 2017
The first stock acquisition rights for the year ended March 31, 2015	Director (other than Audit and Supervisory Committee Member) (other than Outside Director)	90	2	¥1,296	September 1, 2016 to August 31, 2023

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

Nothing to be reported.

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

Nothing to be reported.

4. Matters concerning Officers of the Company:

(1) Directors (as of March 31, 2016)

Title	Name	Business in charge and important concurrent office
Representative Director and Chairman	Tetsuro Funai	Chairman of Funai Information Science Promotion Foundation; and Chairman of Funai Scholarship Foundation
Representative Director, President and Chief Executive Officer (CEO)	Tomonori Hayashi	
Representative Director and Officer	Tetsuhiro Maeda	General Manager of Office Solution Business Div. and General Manager of New Business Div.
Director and Officer	Joji Okada	General Manager of Development & Technology Headquarters and General Manager of Intellectual Property Rights Headquarters
Outside Director	Mitsuo Yonemoto	Vice President and Director of T.P.S. Laboratory Co., Ltd. and Outside Audit & Supervisory Board Member of Oriental Chain Mfg. Co., Ltd.
Outside Director (Audit and Supervisory Committee Member)	Shinichi Komeda	
Outside Director (Audit and Supervisory Committee Member)	Masahide Morimoto	
Outside Director (Audit and Supervisory Committee Member)	Yoshiaki Bannai	President and Representative Director of Be.com corporation

- (Notes)
- As of June 25, 2015, the Company shifted to a company with an Audit and Supervisory Committee.
 - Director (Audit and Supervisory Committee Member) Hiroyuki Makiura resigned from office as of February 15, 2016 and accordingly, Substitute Director (Audit and Supervisory Committee Member) Yoshiaki Bannai assumed the office of (Outside) Director (Audit and Supervisory Committee Member) as of the same date.
 - The Company has instituted a Secretariat to the Audit and Supervisory Committee to support its duties and made the secretariat collect information by attending important meetings and conduct systematic audits through its internal control system. Thus, the Company has secured the effectiveness of its audits and therefore has not appointed any full-time Audit and Supervisory Committee Members.

4. The Company has designated Outside Director Mitsuo Yonemoto and Outside Director (Audit and Supervisory Committee Member) Shinichi Komeda as Independent Officers in accordance with the rules of Tokyo Stock Exchange, Inc. and registered them with the exchange.
5. The Company has established a Nomination Committee and a Compensation Committee (both of which are voluntary committees). The composition of each of the committees is as follows:
 - Nomination Committee: Joji Okada (Chairman), Tetsuro Funai, Tomonori Hayashi and Tetsuhiro Maeda
 - Compensation Committee: Tetsuhiro Maeda (Chairman), Tetsuro Funai, Tomonori Hayashi, Joji Okada and Mitsuo Yonemoto

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

Name	Retirement date	Reason	Title, business in charge and important concurrent office upon retirement
Hiroshi Ishizaki	June 25, 2015	Expiration of term of office	Full-time Audit & Supervisory Board Member
Shinichi Komeda	June 25, 2015	Expiration of term of office	Outside Audit & Supervisory Board Member
Masahide Morimoto	June 25, 2015	Expiration of term of office	Outside Audit & Supervisory Board Member
Hiroyuki Makiura	February 15, 2016	Resignation	Director as Audit and Supervisory Committee Member (outside)
Yoshiaki Bannai	February 15, 2016	Transfer	Director (other than Director being Audit and Supervisory Committee Member) (outside)

- (Note)
1. Hiroyuki Makiura resigned from the office of Director (Audit and Supervisory Committee Member) to assume the office of Senior Officer.
 2. Yoshiaki Bannai retired from the office of Director (other than Director being Audit and Supervisory Committee Member) upon assuming the office of Director as Audit and Supervisory Committee Member (outside).

(For reference)

The Company has adopted a “System of Officers” and the Officers as of March 31, 2016 who did not concurrently hold the offices of Directors were as follows:

Senior Officer	Hiroyuki Makiura
Officer	Hideaki Funakoshi
Officer	Kazuo Uga
Officer	Takeshi Ito
Officer	Kazuhiko Yamamoto
Officer	Motomi Adachi
Officer	Tsuneki Yoshida

(3) Outline of liability limitation agreements:

In accordance with Article 427, paragraph 1 of the Companies Act of Japan, the Company has entered into an agreement with Outside Directors Mitsuo Yonemoto, Shinichi Komeda, Masahide Morimoto and Yoshiaki Bannai to limit the liability for any damage as provided for in Article 423, paragraph 1 of said act within the aggregate of the amounts listed in the items of Article 425, paragraph 1 of said act.

(4) Total amount of remuneration, etc. for Directors and Audit & Supervisory Board Members

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

Category	Number of recipients	Amount of payments
Director (other than Director being Audit and Supervisory Committee Member)	6	¥75,251 thousand
(Outside Director)	(2)	(¥10,291 thousand)
Director (Audit and Supervisory Committee Member)	4	¥11,896 thousand
(Outside Director)	(4)	(¥11,896 thousand)
Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	3	¥4,875 thousand
	(2)	(¥2,600 thousand)
Total (Outside Director/Audit & Supervisory Board Member)	10	¥92,023 thousand
	(5)	(¥24,788 thousand)

- (Notes)
1. The above-listed amount of payments includes payments to the Directors and Audit & Supervisory Board Members who retired during the fiscal year under review. The Company made a shift from a company with Corporate Auditors to a company with Audit and Supervisory Committee as of June 25, 2015.
 2. The above-listed amount of payments includes the following amount of allowance for Officers' retirement benefits recorded as expenses for the fiscal year under review:
 - ¥6,911 thousand for six Directors (other than Directors being Audit and Supervisory Committee Members) (including ¥791 thousand for two outside Directors)
 - ¥931 thousand for four Directors (Audit and Supervisory Committee Members) (including ¥931 thousand for four outside Directors)
 - ¥375 thousand for three Audit & Supervisory Board Members (including ¥200 thousand for two outside Audit & Supervisory Board Members)
 3. The above-listed amount of payments includes the following amount of remuneration in stock options recorded as expenses for the fiscal year under review:
 - ¥699 thousand for two Directors

(5) Other important matters concerning Officers:

Nothing to be reported.

(6) Matters concerning Outside Officers:

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

- Director Mitsuo Yonemoto is Vice President and Director of T.P.S. Laboratory Co., Ltd. The Company has no special relationship with T.P.S. Laboratory Co., Ltd.
- Director Yoshiaki Bannai is President and Representative Director of Be.com corporation. The Company has no special relationship with Be.com corporation.

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

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

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

Nothing to be reported.

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

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

Name	Attendance and Speeches
Director Mitsuo Yonemoto	He attended 14 of the 15 meetings of the Board of Directors held during the fiscal year under review and expressed opinions principally from the standpoint of a management consultant, as well as an objective standpoint as an Independent Officer.
Director (Audit and Supervisory Committee Member) Yoshiaki Bannai	He attended 15 of the 15 meetings of the Board of Directors held during the fiscal year under review. He assumed the office of Audit and Supervisory Committee Member as a substitute for Mr. Hiroyuki Makiura upon his resignation as of February 15, 2016 but did not attend any meeting of the Audit and Supervisory Committee during the fiscal year under review. At the meetings of the Board of Directors, he expressed opinions principally from the standpoint of a veteran top executive.
Director (Audit and Supervisory Committee Member) Shinichi Komeda	He attended 15 of the 15 meetings of the Board of Directors, four of the four meetings of the Audit & Supervisor Board and nine of the nine meetings of the Audit and Supervisory Committee held during the fiscal year under review, 2015 and expressed opinions principally from the standpoint of a veteran top executive, as well as an objective standpoint as an Independent Officer.
Director (Audit and Supervisory Committee Member) Masahide Morimoto	He attended 15 of the 15 meetings of the Board of Directors, four of the four meetings of the Audit & Supervisory Board and nine of the nine meetings of the Audit and Supervisory Committee held during the fiscal year under review and expressed opinions thereat principally from the standpoint of a veteran top executive, as well as a technical standpoint of finance and securities.
Director (Audit and Supervisory Committee Member) Hiroyuki Makiura	He attended eight of the eight meetings of the Board of Directors and nine of the nine meetings of the Audit and Supervisory Committee held during the period after his assumption of office on June 25, 2015 to his retirement as of February 15, 2016, and expressed opinions principally from the standpoint of a veteran top executive.

- (Notes)
1. The above list covers the attendance of Audit & Supervisory Board Members before the Company made a shift to a company with an Audit and Supervisory Committee.
 2. In addition to the number of meetings of the Board of Directors above, written resolutions, which shall be deemed to have been adopted pursuant to the provisions of Article 370 of the Companies Act and

Article 23 of the Articles of Incorporation of the Company, were adopted on three occasions.

5. Matters concerning independent auditors:

(1) Names of the independent auditors:

Deloitte Touche Tohmatsu LLC

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

(i) Remuneration, etc., of the independent auditors for the fiscal year under review: ¥46 million

(ii) Total amount of cash and other proprietary benefits payable to the independent auditors by the Company and its subsidiaries: ¥61 million

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

2. Among the major subsidiaries of the Company, FUNAI CORPORATION, INC. and one other company are subject to audits by audit firms (including persons having qualifications in foreign countries equivalent to those of the independent auditors of the Company) other than the independent auditors of the Company.

(3) Content of non-auditing services:

Nothing to be reported.

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

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

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

In the event that the independent auditors are found to fall under any event of dismissal under the items of Article 340, paragraph 1 of the Companies Act and are

considered appropriate to be dismissed, the Audit and Supervisory Committee shall, upon unanimous consent of the Audit and Supervisory Committee Members, dismiss the independent auditors. In addition, in the event that any problem is found to arise with the performance by the independent auditors of their proper audits, the Audit and Supervisory Committee shall determine the content of a proposition for the dismissal or non-reappointment of the independent auditors to be submitted to a General Meeting of Shareholders.

- (6) Outline of liability limitation agreements:

Nothing to be reported.

6. Systems and policies of the Company

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

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

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

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

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

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

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

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

To ensure that the management performs decision-making swiftly and effectively, the Company has introduced a “System of Officers”, and place

Officers under the control of the Executive Directors to ensure that the operations determined by the Executive Directors are performed swiftly. In addition, to enhance the transparency of the Board of Directors and strengthen its supervisory functions, the Company has appointed outside Directors and instituted an Audit and Supervisory Committee.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (ix) Matters concerning reports to the Audit and Supervisory Committee

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

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

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

In the event that the Directors, Officers and employees of the subsidiaries are requested to give reports on business by the Director being Audit and Supervisory Committee Member appointed by the Audit and Supervisory Committee of the Company, they shall immediately do so unless there is any justifiable reason to the contrary. If the Directors, Audit & Supervisory

Board Members, Officers and employees of the subsidiaries find any violation of law or any fact that has inflicted or may inflict material damage on the Company, they shall report the fact to the Audit and Supervisory Committee of the Company.

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

By instituting the “Regulations of Compliance” and the “Whistleblower Protection Regulations”, the Company prohibits unfavorable treatment of whistleblowers. The Company shall also ensure that any party who has given a report to the Audit and Supervisory Committee will not suffer unfavorable treatment because of giving such report.

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

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

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

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

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

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

- (xiv) System for the exclusion of antisocial forces

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

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

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

In the event that any unjust claim is requested by an antisocial force, the Company shall work closely with external specialized agencies, including the police and its legal counsel, and establish a cooperative system for emergency situations.

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

(i) Compliance

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

(ii) Risk management

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

(iii) Directors’ performance of duties

The Board of Directors, which consists of eight Directors (three of whom are Directors being Audit and Supervisory Committee Members), including four outside Directors, makes decisions on the matters required by laws or ordinances and important matters concerning management, and supervises the execution of business. During the fiscal year under review, the Board of Directors held 15 meetings. In addition, the Investment and Loan Committee held three sessions, the Nomination Committee held two sessions and the Compensation Committee held four sessions.

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

The Audit and Supervisory Committee Members attend meetings of the Board of Directors, as well as monthly financial reporting meetings. During the fiscal year under review, on or after June 25, 2015, nine meetings of the Audit and Supervisory Committee were held.

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

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

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

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

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

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

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

In specific indexes, the Company plans to pay a dividend with a dividend on equity ratio of 1.0% on a consolidated basis, considering business conditions and other factors.

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(Note) In this business report, all figures and the number of shares are shown by discarding any fractions of the indicated units, and rates are shown by rounding fractions of a half or more of the indicated unit upward and the rest downward unless otherwise indicated. Net income per share, net loss per share and equity per share are shown by rounding off to two decimal places.

CONSOLIDATED BALANCE SHEET

(As of March 31, 2016)

(millions of yen)

ASSETS:

Current assets:	123,214
Cash and deposits	57,609
Notes and accounts receivable-trade	24,092
Merchandise and finished goods	22,768
Work in process	1,196
Raw materials and supplies	13,212
Deferred tax assets	664
Other	4,071
Allowance for doubtful accounts	(400)
Fixed assets:	31,080
Property, plant and equipment:	18,203
Buildings and structures	8,343
Machinery, equipment, and motor vehicles	1,781
Tools, furniture, and fixtures	1,166
Land	6,331
Lease assets	493
Other	87
Intangible assets:	4,964
Patents	3,297
Other	1,666
Investments and other assets:	7,912
Investment securities	2,418
Deferred tax assets	206
Assets for retirement benefits	1,555
Other	4,003
Allowance for doubtful accounts	(271)
TOTAL ASSETS	154,295

(millions of yen)

LIABILITIES:

Current liabilities:	57,798
Notes and accounts payable-trade	15,604
Short-term bank loans.....	5,118
Accounts payable-other	33,359
Current portion of long-term lease obligations.....	251
Income taxes payable.....	783
Accrued bonuses.....	236
Reserve for product warranty	689
Forward exchange contracts	18
Other	1,735
Long-term liabilities:	9,927
Long-term bank loans.....	6,009
Long-term lease obligations	737
Deferred tax liabilities	811
Deferred tax liabilities on revaluation of land.....	205
Liabilities for Directors' and Audit & Supervisory Board Members' retirement benefits	1,106
Liabilities for retirement benefits	395
Other	662
TOTAL LIABILITIES	67,725

EQUITY:

Shareholders' equity:	96,613
Common stock	31,307
Capital surplus	33,301
Retained earnings.....	56,345
Treasury stock.....	(24,341)
Accumulated other comprehensive income (loss):	(11,155)
Unrealized gain on available-for-sale securities	160
Foreign currency translation adjustments	(11,630)
Defined retirement benefit plans.....	314
Stock acquisition rights:	145
Non-controlling interests:	965
TOTAL EQUITY	86,569
TOTAL LIABILITIES AND EQUITY	154,295

CONSOLIDATED STATEMENT OF OPERATIONS

(from April 1, 2015 to March 31, 2016)

(millions of yen)

Net sales		168,116
Cost of sales		145,210
Gross profit		22,906
Selling, general, and administrative expenses		35,968
Operating loss		13,061
Non-operating income:		
Interest and dividend income	287	
Rental income on fixed assets	208	
Gain on investments in partnership	218	
Other	79	793
Non-operating expenses:		
Interest expense	296	
Foreign exchange losses	3,277	
Other	303	3,878
Ordinary loss		16,146
Extraordinary income:		
Gain on sales of fixed assets	18	
Settlement received	902	
Refund of customs duty	485	
Other	155	1,562
Extraordinary loss:		
Loss on disposal of fixed assets	475	
Impairment loss on fixed assets	557	
Compensation for damage	18,502	
Other	303	19,838
Loss before income taxes		34,422
Income taxes – current	514	
Income taxes – deferred	1,322	1,836
Net loss		36,258
Net loss attributable to non-controlling interests		37
Net loss attributable to owners of the parent		36,221

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(from April 1, 2015 to March 31, 2016)

(millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2015	31,307	33,272	93,840	(24,341)	134,079
Changes of items during the period					
Dividends from surplus			(1,194)		(1,194)
Loss attributable to owners of the parent			(36,221)		(36,221)
Purchase of treasury stock				(0)	(0)
Change of scope of consolidation			(79)		(79)
Change in treasury shares of parent arising from transactions with non-controlling interests		29			29
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	-	29	(37,495)	(0)	(37,465)
Balance as of March 31, 2016	31,307	33,301	56,345	(24,341)	96,613

	Accumulated other comprehensive income (loss)				Stock acquisition rights	Non-controlling interests	Total equity
	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Defined retirement benefit plans	Total accumulated other comprehensive income (loss)			
Balance as of April 1, 2015	421	(8,188)	365	(7,401)	142	1,061	127,881
Changes of items during the period							
Dividends from surplus							(1,194)
Loss attributable to owners of the parent							(36,221)
Purchase of treasury stock							(0)
Change of scope of consolidation							(79)
Change in treasury shares of parent arising from transactions with non-controlling interests							29
Net changes of items other than shareholders' equity	(260)	(3,442)	(51)	(3,753)	2	(95)	(3,846)
Total changes of items during the fiscal year	(260)	(3,442)	(51)	(3,753)	2	(95)	(41,312)
Balance as of March 31, 2016	160	(11,630)	314	(11,155)	145	965	86,569

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

NONCONSOLIDATED BALANCE SHEET

(As of March 31, 2016)

(millions of yen)

ASSETS:

Current assets:	70,657
Cash and deposits	26,142
Notes receivable-trade	20
Accounts receivable-trade	25,510
Merchandise and finished goods	63
Raw materials and supplies	1,470
Prepaid expenses	1,002
Short-term loans receivable.....	19,155
Other.....	583
Allowance for doubtful accounts	(3,292)
Fixed assets:	50,693
Property, plant and equipment:	7,272
Buildings	2,639
Structures.....	37
Machinery and equipment.....	4
Motor vehicles.....	0
Tools, furniture, and fixtures.....	81
Land.....	4,034
Lease assets	473
Other.....	2
Intangible assets:	3,697
Patents	3,297
Software	117
Other.....	282
Investments and other assets:	39,722
Investment securities	233
Investment in subsidiaries and associated companies.....	33,718
Long-term loans receivable.....	13,632
Long-term prepaid expenses	2,124
Prepaid pension cost.....	1,722
Other.....	196
Allowance for doubtful accounts	(11,904)
TOTAL ASSETS	121,350

(millions of yen)

LIABILITIES:

Current liabilities:	37,692
Accounts payable-trade	8,291
Current portion of long-term lease obligations.....	134
Accounts payable-other	22,715
Accrued expenses	5,987
Income taxes payable.....	74
Deposits received.....	218
Reserve for product warranty	208
Forward exchange contracts	18
Other	43
Long-term liabilities:	8,328
Long-term bank loans	5,634
Long-term lease obligations	375
Deferred tax liabilities	786
Liabilities for Directors' retirement benefits	1,079
Other	451
TOTAL LIABILITIES	46,020

EQUITY

Shareholders' equity	75,124
Common stock	31,307
Capital surplus:	33,272
Capital reserve	32,833
Other capital surplus	438
Retained earnings:	34,886
Legal reserve.....	209
Other retained earnings.....	34,676
Reserve for advanced depreciation of fixed assets.....	518
General reserve.....	23,400
Retained earnings brought forward	10,758
Treasury stock	(24,341)
Valuation and translation adjustments:	59
Unrealized gain on available-for-sale securities	59
Stock acquisition rights	145
TOTAL EQUITY	75,329
TOTAL LIABILITIES AND EQUITY	121,350

NONCONSOLIDATED STATEMENT OF OPERATIONS

(from April 1, 2015 to March 31, 2016)

(millions of yen)

Net sales		133,632
Cost of sales		122,295
Gross profit		11,337
Selling, general, and administrative expenses		20,470
Operating loss		9,132
Non-operating income:		
Interest and dividend income	26,169	
Other	400	26,569
Non-operating expenses:		
Interest expense	70	
Foreign exchange loss	3,131	
Other	530	3,732
Ordinary income		13,704
Extraordinary income:		
Gain on sales of fixed assets	5	
Settlement received	902	
Other	52	959
Extraordinary loss:		
Loss on disposal of fixed assets	134	
Impairment loss on fixed assets	87	
Compensation for damage	18,502	
Other	468	19,192
Loss before income taxes		4,528
Income taxes – current	18	
Income taxes – deferred	1,339	1,357
Net loss		5,886

NONCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(from April 1, 2015 to March 31, 2016)

(millions of yen)

	Shareholders' equity										
	Common stock	Capital surplus			Legal reserve	Retained earnings				Treasury stock	Total shareholders' equity
		Capital reserve	Other capital surplus	Total capital surplus		Other retained earnings			Total retained earnings		
						Reserve for advanced depreciation of fixed assets	General reserve	Retained earnings brought forward			
Balance as of April 1, 2015	31,307	32,833	438	33,272	209	513	23,400	17,843	41,966	(24,341)	82,204
Changes of items during the fiscal year											
Reserve for advanced depreciation of fixed assets						9		(9)	-		-
Reversal of reserve for advanced depreciation of fixed assets						(4)		4	-		-
Cash dividends								(1,194)	(1,194)		(1,194)
Net loss								(5,886)	(5,886)		(5,886)
Acquisition of treasury stock										(0)	(0)
Net changes of items other than shareholders' equity											
Total changes of items during the fiscal year	-	-	-	-	-	5	-	(7,085)	(7,080)	(0)	(7,080)
Balance as of March 31, 2016	31,307	32,833	438	33,272	209	518	23,400	10,758	34,886	(24,341)	75,124

(millions of yen)

	Valuation and translation adjustments		Stock acquisition rights	Total equity
	Unrealized gain on available-for-sale securities	Total valuation and translation adjustments		
Balance as of April 1, 2015	282	282	142	82,629
Changes of items during the fiscal year				
Reserve for advanced depreciation of fixed assets				-
Reversal of reserve for advanced depreciation of fixed assets				-
Cash dividends				(1,194)
Net loss				(5,886)
Acquisition of treasury stock				(0)
Net changes of items other than shareholders' equity	(222)	(222)	2	(219)
Total changes of items during the fiscal year	(222)	(222)	2	(7,300)
Balance as of March 31, 2016	59	59	145	75,329

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

Copy of Independent Auditor's Report on Consolidated Financial Statements

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

May 18, 2016

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

Deloitte Touche Tohmatsu LLC

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

Motoo Nakamura

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

Akira Nakata

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

Akihiro Okada

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated balance sheet as of March 31, 2016 of Funai Electric Co., Ltd. (the "Company") and its consolidated subsidiaries, and the related consolidated statements of operations and changes in equity for the fiscal year from April 1, 2015 to March 31, 2016, and the related notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally

accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Funai Electric Co., Ltd. and its consolidated subsidiaries as of March 31, 2016, and the results of their operations for the year then ended in accordance with accounting principles generally accepted in Japan.

Interest

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

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

-END-

Copy of Independent Auditor's Report on Nonconsolidated Financial Statements

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

May 18, 2016

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

Deloitte Touche Tohmatsu LLC

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

Motoo Nakamura

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

Akira Nakata

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

Akihiro Okada

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the financial statements, namely, the balance sheet as of March 31, 2016 of Funai Electric Co., Ltd. (the "Company"), and the related statements of operations and changes in equity for the 64th fiscal year from April 1, 2015 to March 31, 2016, and the related notes and the accompanying supplemental schedules.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Audit Opinion

In our opinion, the financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of Funai Electric Co., Ltd. as of March 31, 2016, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in Japan.

Interest

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

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

-END-

Copy of Audit Report of the Audit and Supervisory Committee

AUDIT REPORT

We, the Audit and Supervisory Committee of Funai Electric Co., Ltd. (the “Company”), have performed our audits on the execution by Directors of their duties during the 64th fiscal year from April 1, 2015, through March 31, 2016. We hereby report the audit method and results as follows.

1. Methods of audits and the particulars thereof:

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

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

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

2. Results of audit:

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

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

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

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

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

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

May 19, 2016

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

Shinichi Komeda (seal)
Outside Audit and Supervisory Committee Member

Masahide Morimoto (seal)
Outside Audit and Supervisory Committee Member

Yoshiaki Bannai (seal)
Outside Audit and Supervisory Committee Member

- END -

Reference Document for the General Meeting of Shareholders

Propositions and reference information

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

The term of office of all five (5) Directors (excluding Directors who are Audit and Supervisory Committee Members; the same applies hereinafter in this proposition) currently in office will expire at the close of this Ordinary General Meeting of Shareholders. Hence, it is hereby proposed that five (5) Directors, including one (1) outside Director, be elected.

The candidates for Director are as follows:

Candi- date No.	Name (Date of birth)	Brief history, post in the Company and business in charge (and important concurrent office)	Number of shares of the Company held by Candidate
1	Tetsuro Funai (January 24, 1927)	<p>April 1951 Established Funai Sewing Machine Company</p> <p>Dec. 1952 Representative Director of Funai Sewing Machine Co., Ltd.</p> <p>August 1961 Founding President and Representative Director of Funai Electric Co., Ltd. (the "Company")</p> <p>June 2005 Director of the Company; President and CEO of the Company</p> <p>June 2008 Director of the Company; Chairman and Officer of the Company</p> <p>June 2010 Chairman and Officer of the Company</p> <p>June 2012 Chairman of the Company</p> <p>October 2014 Chairman and Representative Director of the Company (To date) (Chairman of Funai Information Science Promotion Foundation) (Chairman of Funai Scholarship Foundation)</p>	12,559,288 shares

Candi- date No.	Name (Date of birth)	Brief history, post in the Company and business in charge (and important concurrent office)	Number of shares of the Company held by Candidate
2	Tetsuhiro Maeda (July 4, 1954)	<p>April 1980 Joined Sanyo Electric Co., Ltd.</p> <p>October 1998 General Manager of Technical Engineering Dept., Personnel Communication Business Div. of Sanyo Electric Co., Ltd.</p> <p>April 2002 Managing Director of Sanyo Telecommunications Co., Ltd.</p> <p>April 2005 Vice President, Telecom Company of Sanyo Electric Co., Ltd.</p> <p>April 2006 Executive Officer of Sanyo Electric Co., Ltd.</p> <p>April 2008 Executive Officer and General Manager of Solar Business Div. of Sanyo Electric Co., Ltd.</p> <p>April 2011 Managing Executive Officer of Sanyo Electric Co., Ltd.</p> <p>August 2012 Joined the Company</p> <p>January 2013 Executive Manager of Strategic Technology Department, Development Technology Headquarters of the Company</p> <p>April 2013 Officer and General Manager of Business Department, New Business Div. of the Company</p> <p>April 2014 Officer and General Manager of Corporate Planning Headquarters. and General Manager of Business Department, New Business Div. of the Company</p> <p>June 2014 Director of the Company</p> <p>October 2014 Representative Director of the Company (To date)</p> <p>October 2015 Officer, General Manager of Office Solution Business Div. and General Manager of Business Department, New Business Div. of the Company (To date)</p>	- share

Candi- date No.	Name (Date of birth)	Brief history, post in the Company and business in charge (and important concurrent office)	Number of shares of the Company held by Candidate
3	Joji Okada (August 27, 1954)	<p>April 1977 Joined Hitachi, Ltd.</p> <p>April 1990 Chief Engineer, Hitachi, Ltd.</p> <p>April 1999 General Manager of Development Office, System LSI Business Dept. and Semiconductor Group of Hitachi, Ltd.</p> <p>April 2003 General Manager of Global Marketing Dept. of Renesas Technology Corp.</p> <p>February 2004 Representative Director of Applause Technologies Co., Ltd.</p> <p>December 2005 Joined the Company</p> <p>April 2007 Executive Manager of Development & Technology Headquarters of the Company</p> <p>October 2009 Officer and Deputy General Manager of Development & Technology Headquarters of the Company</p> <p>June 2010 Director of the Company (To date)</p> <p>June 2011 Officer and General Manager of Development & Technology Headquarters of the Company</p> <p>July 2014 Officer, General Manager of Development & Technology Headquarters and General Manager of Intellectual Property Rights Headquarters of the Company (To date)</p>	500 shares

Candi- date No.	Name (Date of birth)	Brief history, post in the Company and business in charge (and important concurrent office)	Number of shares of the Company held by Candidate
4	[New] Hiroyuki Makiura (June 1, 1947)	<p>April 1970 Joined Nichimen Co., Ltd. (now Sojitz Corporation)</p> <p>July 1981 General Manager of Machine Dept., Los Angeles Branch of Nichimen U.S.A.</p> <p>August 1988 General Manager of Car Electronics Dept., Chicago Branch of Nichimen U.S.A.</p> <p>April 1990 General Manager of Detroit Branch of Nichimen U.S.A.</p> <p>November 1994 General Manager of Dept. II of Electronic Information Division, Nichimen Corporation (now Sojitz Corporation)</p> <p>July 1999 Senior Trade Advisor (JETRO) to the State of Ohio, U.S.A.</p> <p>June 2004 Director of Foster Electric Company, Limited</p> <p>April 2008 Officer of Foster Electric Company, Limited and President of Fostex Company</p> <p>April 2010 Vice President of Foster Electric (Europe) GmbH</p> <p>June 2015 Director (Audit and Supervisory Committee Member) of the Company</p> <p>February 2016 Senior Officer of the Company (To date)</p>	- share

Candidate No.	Name (Date of birth)	Brief history, post in the Company and business in charge (and important concurrent office)	Number of shares of the Company held by Candidate
5	Candidate for Outside Director Mitsuo Yonemoto (March 18, 1939)	<p>July 1995 Vice President and Director of T.P.S. Laboratory Co., Ltd. (To date)</p> <p>September 1998 Outside Director of the Company (To date)</p> <p>March 2009 Outside Director of THE SAILOR PEN CO., LTD.</p> <p>June 2012 Outside Audit & Supervisory Board Member of Oriental Chain Mfg. Co., Ltd. (To date)</p> <p>(Vice President and Director of T.P.S. Laboratory Co., Ltd.)</p> <p>(Outside Audit & Supervisory Board Member of Oriental Chain Mfg. Co., Ltd.)</p>	100 shares

(Notes) 1. None of the candidates for Director have any special interests with the Company.

2. Reasons for the selection of the candidates for Director:

- Management expects Mr. Tetsuro Funai, who has long engaged in management of the Company since its founding, to use a wide range of knowledge and capabilities accumulated from his broad experiences for management of the Company.
- Management expects Mr. Tetsuhiro Maeda to use a wide range of knowledge and capabilities accumulated from his career and many years of experience in the business of the Company for management of the Company.
- Management expects Mr. Joji Okada to use a wide range of knowledge and capabilities accumulated from his career and many years of experience in the business of the Company for management of the Company.
- Management expects Mr. Hiroyuki Makiura, who has broad experiences in corporate management for many years and has shown good results, to use his capabilities and knowledge for management of the Company.
- Management expects Mr. Mitsuo Yonemoto to offer advice based on his broad experience as a management consultant and also enhance the transparency of management by participating in the Board of Directors as an independent officer.

3. Candidate for Director, Mr. Mitsuo Yonemoto, is a candidate for Outside Director.

4. Years of service of Outside Director of the Company:

Mr. Mitsuo Yonemoto will have served as Outside Director for 17 years and nine months at the close of this Ordinary General Meeting of Shareholders.

5. Designation of independent officer:

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

6. Conclusion of limited liability agreement:

The Company has entered into an agreement with outside Director Mr. Mitsuo Yonemoto to limit his liability for any damage as provided for in Article 423, paragraph 1 of the Companies Act of Japan within the aggregate amount as provided for in the items of Article 425, paragraph 1 of the said Act, pursuant to Article 427, paragraph 1 of the said Act. If he is reelected, such agreement will be renewed.

Proposition No. 2: Election of one (1) Substitute Director who is an Audit and Supervisory Committee Member

To prepare in advance for a vacancy in the statutory number of Directors who are Audit and Supervisory Committee Members, it is hereby proposed that one (1) substitute Director who is an Audit and Supervisory Committee Member be elected in advance in accordance with the provision of Article 329, paragraph 3 of the Companies Act of Japan.

With regard to the effectiveness of the election, it may be repealed by resolution of the Board of Directors upon consent thereto by the Audit and Supervisory Committee only before he assumes office.

The Audit and Supervisory Committee has consented to this proposition.

The candidate for substitute Director who is an Audit and Supervisory Committee Member is as follows:

Name (Date of birth)	Brief history, post in the Company and business in charge (and important concurrent office)	Number of shares of the Company held by Candidate
Hiromu Ishizaki (March 23, 1946)	September 1968	Joined the Company
	June 1993	General Manager, Business Administration Division, Accounting Department of the Company
	October 2000	General Manager, Administration Division, Administration Department of the Company
	October 2005	General Manager, Corporate Planning Office of the Company
	June 2007	Director, New Dat Japan Inc.
	October 2007	General Manager, Strategy Planning Office of the Company
	February 2011	Outside Audit & Supervisory Board Member, DX ANTENNA Co., Ltd.
	May 2012	Advisor of the Company
June 2012	Full-time Audit & Supervisory Board Member of the Company	100 shares
June 2015	Special Advisor, Secretariat to the Audit and Supervisory Committee of the Company (To date)	

- (Notes)
1. The candidate has no special interests with the Company.
 2. Reason for the selection of candidate for substitute Director who is an Audit and Supervisory Committee Member:
Management expects Mr. Hiromu Ishizaki, who has expertise in corporate accounting and taxation, to use his capabilities for the audit systems of the Company.
 3. Conclusion of limited liability agreement:
When Mr. Hiromu Ishizaki assumes the office of Director who is an Audit and Supervisory Committee Member, the Company will enter into an agreement with him to limit his liability for any damage as provided for in Article 423, paragraph 1 of the Companies Act of Japan within the aggregate amount as provided for in the items of Article 425, paragraph 1 of the said Act, pursuant to Article 427, paragraph 1 of the said Act.

Proposition No. 3: Granting retirement benefits to the retiring Director

It is hereby proposed that retirement benefits be granted to Mr. Tomonori Hayashi, who will retire as Director upon the expiration of term of office at the close of this Ordinary General Meeting of Shareholders, in appreciation of services rendered by him while in office, within the extent of a reasonable amount in accordance with the established standards of the Company and that determination of the actual amount, the time and method of presentation, etc. be left to the Compensation Committee upon authorization by the Board of Directors.

The brief history of the retiring Director is as follows:

Name	Brief history
Tomonori Hayashi	June 2008 Director, President and Chief Executive Officer of the Company
	June 2010 Representative Director, President and Chief Executive Officer of the Company
	January 2014 Director and Vice Chairman of the Company
	October 2014 Representative Director, President and Chief Executive Officer of the Company (To date)

Proposition No. 4: Issuance of stock acquisition rights as stock options

It is hereby proposed to the shareholders to approve that pursuant to the provisions of Article 236, Article 238 and Article 239 of the Companies Act of Japan, the determination of the terms and conditions of the offering for subscription for stock acquisition rights to be issued as stock options to the Directors (excluding Directors who are Audit and Supervisory Committee Members and outside Directors; the same applies hereinafter in this proposition), Officers and employees of the Company and its subsidiaries be left to the Board of Directors of the Company.

The issuance of stock acquisition rights to the Directors of the Company falls under non-pecuniary remuneration, etc. Hence, pursuant to Article 361 of the Companies Act of Japan, it is also proposed to the shareholders to approve the method of calculating the stock

acquisition rights to be allotted to the Directors.

In the event that Proposition No. 1 (Election of five (5) Directors (excluding Directors who are Audit and Supervisory Committee Members)) is approved, the number of Directors to be allotted stock acquisition rights will be four (4) (excluding outside Director) and when the stock acquisition rights are issued to the Directors of the Company, in consideration of the purpose of the stock options, the level of remuneration for the Directors and other factors, the maximum number of stock acquisition rights to be allotted to them shall be 500 (the maximum number of stock acquisition rights to be allotted to the persons other than the Directors shall be the residual number after allotting the number of stock acquisition rights from the number listed in section 2. (2) below). The amount of remuneration, etc. for the Directors of the Company in connection with the stock acquisition rights will be obtained by multiplying the fair value of each stock acquisition right calculated by using the Black-Scholes model based on the various conditions on the Allotment Date, by the total number of stock acquisition rights to be allotted to the Directors of the Company (the amount shall be other categories from the maximum amount of Directors' remuneration "¥550 million per year" approved at the 63rd Ordinary General Meeting of Shareholders of the Company held on June 25, 2015). It is also proposed that the issuance timing and the allotting methods of the stock acquisition rights to each Director of the Company, etc. be left to the Board of Directors.

1. Reason for the necessity to make an offering for subscription for stock acquisition rights to subscribers on specifically favorable conditions:

To afford incentives and raise the morale to achieving much improved results of the Company on a consolidated basis, secure good human resources and enhance its corporate value, management intends to issue stock acquisition rights as stock options.

2. Content and the maximum number of the stock acquisition rights which terms and conditions can be determined upon authorization by resolution of this Ordinary General Meeting of Shareholders:

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

Not exceeding 180,000 shares of common stock of the Company.

In the event that the Company makes a stock split (which shall include scrip issues; the same applies hereinafter) or stock consolidation which shall become effective after the close of this Ordinary General Meeting of Shareholders, the said number of shares to be issued or transferred upon exercise of the stock acquisition rights shall be adjusted in accordance with the following formula. Such adjustment shall be made only to the number of shares which the said stock acquisition rights have not been exercised then, with any fraction of one share occurring upon such adjustment discarded.

$$\text{Number of shares as adjusted} = \text{Number of shares before adjustment} \times \text{Split (or consolidation) ratio}$$

In addition, in the event that the Company makes an absorption-type merger, a

consolidation-type merger, an absorption-type company a split, incorporate-type company split, a share exchange or a share transfer which shall become effective after the close of this Ordinary General Meeting of Shareholders or otherwise for any inevitable reason, the said number of shares to be issued or transferred upon exercise of the stock acquisition rights shall be adjusted to a reasonable extent.

(2) Number of stock acquisition rights:

Not exceeding 1,800 rights.

The number of shares to be issued or transferred upon exercise of each stock acquisition right shall be 100 shares; provided, however, that in the event of an adjustment to the number of shares as set forth in paragraph (1) above, the total number of shares to be issued or transferred upon exercise of stock acquisition rights shall also be adjusted similarly.

(3) Cash to be paid in for stock acquisition rights:

No cash shall be required to be paid in for stock acquisition rights.

(4) Amount of property to be contributed upon exercise of a stock acquisition right or the method of determination thereof:

The amount of property to be contributed upon exercise of a stock acquisition right shall be an amount obtained by multiplying the paid-in amount per share to be determined below (the "Exercise Price"), by the number of shares to be issued or transferred for each stock acquisition right as set forth in paragraph (2) above.

The Exercise Price shall be the higher of (i) an amount obtained by multiplying by 1.05 the average of the daily closing prices (the "Closing Price") (regular way) of the shares of common stock of the Company on the Tokyo Stock Exchange for the days (exclusive of any day on which transactions are not validly made) of the month immediately preceding the month under which the date on which the stock acquisition rights shall be allotted (the "Allotment Date") falls (with any fraction of one yen rounded upward to the nearest one yen) and (ii) the Closing Price on the Allotment Date (if the Closing Price is not available on that day, the Closing Price on any trading day immediately preceding that day).

In the event that after the Allotment Date for the stock acquisition rights, the Company makes a stock split or stock consolidation, the said Exercise Price shall be adjusted in accordance with the following formula, with any fraction of one yen occurring upon such adjustment rounded upward to the nearest one yen:

$$\text{Exercise Price as adjusted} = \frac{\text{Exercise Price before adjustment}}{\text{Split (or consolidation) ratio}} \times \frac{1}{\text{Split (or consolidation) ratio}}$$

In the event that after the Allotment Date for the stock acquisition rights, the Company issues new shares or disposes of its treasury shares at a price lower than the current market price (excluding where the Company issues new shares or transfers its

treasury shares upon exercise of stock acquisition rights), the said Exercise Price shall be adjusted in accordance with the following formula, with any fraction of one yen occurring upon such adjustment rounded upward to the nearest one yen:

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

In the above calculation formula, "Number of already issued shares" is derived by deducting the number of shares of treasury 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 the shares of treasury stock of common stock of the Company are disposed, "Number of newly issued shares" shall be replaced by "Number of treasury shares disposed" and "Paid-in price per share" shall be replaced by "Disposal price per share".

In addition, in the event that the Company makes an absorption-type merger, a consolidation-type merger, an absorption-type company split, incorporate-type company split, a share exchange or share transfer or otherwise for any reason, the said Exercise Price shall be adjusted to a reasonable extent.

(5) Exercise period of the stock acquisition rights:

From September 1, 2018 to August 31, 2023. However, if the final day of such period falls on a holiday of the Company, the immediately preceding business day shall be the final day.

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

(i) The number of stock acquisition rights exercisable by any person entitled to exercise stock acquisition rights in any given year (from September 1 through August 31 of the following year) during the period for exercising stock acquisition rights shall be governed by the rule to be established by the Board of Directors.

If any person entitled to exercise his/her stock acquisition rights does not exercise all or any part of his/her rights exercisable in any given year during the period for exercising stock acquisition rights, 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.

(ii) Any person entitled to exercise stock acquisition rights cannot exercise his/her rights in any given year (from September 1 through August 31 of the following year) during the period for exercising stock acquisition rights unless he/she obtains approval of the Company therefor in such any given year.

- (iii) Any person entitled to exercise stock acquisition rights shall be a Director, Audit & Supervisory Board Member, Officer or employee of the Company or its related companies when he/she exercise his/her stock acquisition rights.
 - (iv) No stock acquisition rights shall be transferred, offered as a pledge or any other collateral or inherited.
- (7) Matters concerning capital and capital reserve to be increased in the event that the Company issues shares upon exercise of the stock acquisition rights:
- (i) 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.
 - (ii) 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 (i) above from the maximum increase amount of capital set forth in item (i) above.
- (8) Restriction on acquisition of the stock acquisition rights by transfer:
- Any acquisition of the stock acquisition rights by transfer shall be subject to the approval of the Board of Directors of the Company.
- (9) Events of acquisition of stock acquisition rights:
- (i) In the event that before any person entitled to exercise stock acquisition rights exercises his/her rights, a proposition for the approval of a merger agreement under which the Company shall be merged, a share exchange agreement or a share transfer plan under which the Company shall become a wholly-owned subsidiary is approved at a General Meeting of Shareholders (or a resolution therefor is adopted by the Board of Directors of the Company when such resolution of the General Meeting of Shareholders is not required), the Company may acquire the stock acquisition rights without compensation on a day separately specified by its Board of Directors.
 - (ii) In the event that before any person entitled to exercise stock acquisition rights exercises his/her rights, he/she ceases to be entitled to do so due to any of the terms and conditions set forth in paragraph (6) above, the Company may acquire the stock acquisition rights without compensation on a day separately specified by its Board of Directors.
 - (iii) In the event that any person entitled to exercise stock acquisition rights waives all or any part of his/her rights, the Company may acquire the stock acquisition rights without compensation on a day separately specified by its Board of Directors.

(10) Treatment of stock acquisition rights upon reorganization by the Company:

In the event that the Company conducts a merger (limited to cases where the Company shall be extinguished as a result of the merger), an absorption-type company split, an incorporation-type company split, a share exchange or a share transfer (collectively, "reorganization"), the Company shall deliver to any person entitled to exercise the stock acquisition rights outstanding (the "Outstanding Rights") on the day on which the reorganization becomes effective, stock acquisition rights of relevant corporations ("reorganizing companies") listed in Article 236, paragraph 1, item 8 (a) through (e) of the Companies Act, 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, only if and when the delivery of stock acquisition rights of the reorganizing companies in accordance with the following terms and conditions is stipulated in the relevant merger agreement, an absorption-type company split agreement, a incorporate-type company split plan, share exchange agreement or share transfer plan:

(i) Number of stock acquisition rights of reorganizing company to be delivered:

The same number as that of the stock acquisition rights held by each person entitled to exercise the Outstanding Rights.

(ii) Class of shares of reorganizing company to be issued or transferred upon exercise of stock acquisition rights:

Shares of common stock of the reorganizing company.

(iii) 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 (1) above, taking into account the terms and conditions of the reorganization.

(iv) Amount of property to be contributed upon exercise of a stock acquisition right:

The amount of property 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 (iii) above, the paid-in amount after the reorganization obtained by adjustment to the Exercise Price set forth in paragraph (4) above by taking into account the terms and conditions of the reorganization.

(v) Exercise period of stock acquisition rights:

From the latter of the first day of the exercise period of stock acquisition rights set forth in paragraph (5) 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 (5) above.

- (vi) Terms and conditions of the exercise of stock acquisition rights:

To be determined in accordance with paragraph (6) above.

- (vii) 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 (7) above.

- (viii) 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.

- (ix) Events of acquisition of stock acquisition rights:

To be determined in accordance with paragraph (9) above.

- (11) Treatment of fractions of a share upon exercise of the stock acquisition rights:

In the case the number of shares to be delivered to any stock acquisition right holder who exercises his/her rights includes any fraction of one share, such fraction shall be discarded.

- (12) Other matters:

Other matters concerning the stock acquisition rights shall be determined by resolution of the Board of Directors.

- END -