

June 12, 2020

NOTICE OF THE 68TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders

We would like to express our appreciation for your continued support.

You are hereby notified that the 68th Ordinary General Meeting of Shareholders of Funai Electric Co., Ltd. (the “Company”) will be held as described below.

Amid the COVID-19 pandemic outbreak, the risk of cluster infections at meetings is concerned. Given this situation, we carefully examined the holding of this ordinary general meeting of shareholders, and decided to take appropriate infection prevention measures and limit the number of shareholders visiting to the venue when possible.

We would like to ask you to exercise your voting rights by mail or online in advance in order to prevent the spread of the infection caused by the COVID-19. Furthermore, we would strongly urge you to refrain from visiting the venue for the meeting of the day regardless of your health condition.

Please review the attached Reference Document for the General Meeting of Shareholders set forth below and exercise your voting rights as stipulated.

[Exercising voting rights in writing:]

Send the enclosed voting form indicating your approval or disapproval of the proposition to us by return mail no later than 5:00 p.m. (JST) on June 29, 2020 (Monday).

[Exercising voting rights online, including Internet:]

Access the designated website for exercising voting rights (<https://evote.tr.mufg.jp/>), use the code for exercising voting rights and the one-time password shown in the enclosed voting form, and follow the instructions that appear on your screen. Submit your approval or disapproval of the proposition to us by no later than 5:00 p.m. (JST) on June 29, 2020 (Monday).

For online voting, refer to “Instructions on exercising your voting rights online, including via Internet” on page 5.

Yours very truly,

Hideaki Funakoshi

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 30 (Tuesday), 2020, 10:00 a.m.

2. Place:

Multipurpose Hall, 5th Floor, 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 accounting auditor and the Audit and Supervisory Committee for the 68th fiscal year (from April 1, 2019 to March 31, 2020)
- 2) The non-consolidated financial statements for the 68th fiscal year (from April 1, 2019 to March 31, 2020)

Matter to be resolved:

Proposition: Election of six (6) Directors (excluding Directors who are Audit and Supervisory Committee Members)

4. Decisions for Convening the General Meeting of Shareholders

- ☐ In cases where a shareholder exercises their voting rights both in writing and electronically, including via the Internet, the voting rights exercised electronically will be deemed as the valid vote.
- ☐ In cases where a shareholder exercises their voting rights electronically, including via the Internet, more than once, only the last vote will be deemed as valid.

- 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 non-consolidated financial statements,” which are posted on our website (<http://www2.funai.co.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 document to this notice of the Ordinary General Meeting of Shareholders is a part of the consolidated financial statements and non-consolidated financial statements that have been audited when the Audit and Supervisory Committee prepared audit reports and the accounting auditor prepared accounting audit reports.
- 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 non-consolidated financial statements, it will be posted on our website stated above.

[Requests and Information to Shareholders]

- Gifts are not handed out.
- Please bring a mask to wear it at the venue.
- Your temperature is taken around the entrance of the venue. If you are deemed to have a fever or be sick, you may be declined to participate in the meeting and urged to leave the venue.
- Hand sanitizers are prepared around the entrance of the venue.
- Please note that the staff for the meeting wear masks.
- There are fewer seats than usual in order to leave sufficient space between seats in the venue. Thus, only a limited number of shareholders may enter the venue.
- If the situation changes, the holding of the General Meeting of Shareholders may be affected. Any major changes will be informed on our website (<https://www2.funai.co.jp/jp/investors/>).

Reference Document**Proposition and Reference Information****Proposition: Election of six (6) Directors (excluding Directors serving as Audit and Supervisory Committee Members)**

The term of office of all six (6) 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 six (6) Directors, increasing two (2) outside Director, be elected.

The candidates for Directors are as follows:

Candidate No.	Name		Position in the Company	No. of Meetings Attended
1	Reelected	Hideaki Funakoshi	Representative Director President & CEO	8 out of 8 (100%)
2	Reelected	Takeshi Ito	Director Officer	8 out of 8 (100%)
3	Reelected	Motoyoshi Adachi	Director Officer	8 out of 8 (100%)
4	Reelected	Makoto Ueshima	Director Officer	8 out of 8 (100%)
5	Reelected	Mitsuo Yonemoto	Outside Director Independent Auditor	7 out of 8 (87.5%)
6	Reelected	Atsushi Shirakami	Outside Director Independent Auditor	7 out of 7 (100%)

Note The number of meetings attended by Mr. Atsushi Shirakami was counted after he assumed his position on June 26, 2019.

Candidate No.	Name (date of birth)	Brief Personal History, Position in the Company & Responsibility (Important Concurrent Position)		Number of Shares of the Company Held by Candidate
1 Reelected	Hideaki Funakoshi (September 30, 1965)	April 1984	Joined Mitsubishi Electric Engineering Company, Limited	800 shares
		January 1993	Joined the Company	
		April 2006	General Manager of DVD Project of the Company	
		February 2008	Executive General Manager of DVD Business Div. of the Company	
		June 2010	Officer and Director of the Company	
		July 2011	Deputy General Manager of AV Business Headquarters of the Company	
		May 2012	Deputy General Manager of AV System Business Headquarters and General Manager of Digital Media Business Div. of the Company	
		April 2013	General Manager of AV System Business Headquarters of the Company	
		June 2016 May 2017	Director of the Company Representative Director of the Company (to date) President & CEO of the Company (to date)	
2 Reelected	Takeshi Ito (September 10, 1960)	April 1982	Joined the Company	1,000 shares
		April 2003	General Manager of the Company President of Funai Corporation, Inc.	
		April 2005	Executive General Manager of the Company	
		August 2008	President of P&F USA, Inc.	
		October 2009	Officer of the Company (to date)	
		April 2012	President of Funai India Private Limited	
		October 2014	General Manager of Materials Headquarters of the Company	
		June 2016	Director of the Company (to date)	
		(Responsible)	General Manager of Sales Headquarters	

Candidate No.	Name (date of birth)	Brief Personal History, Position in the Company & Responsibility (Important Concurrent Position)		Number of Shares of the Company Held by Candidate
3 Reelected	Motoyoshi Adachi (January 26, 1955)	April 1977	Joined Victor Company of Japan, Limited (currently JVC Kenwood Corporation)	– share
		September 1998	General Manager of Marketing Promotion Dept., Overseas Sales Div. of Victor Company of Japan, Limited	
		February 2003	Executive Vice President of JVC Canada Inc.	
		June 2008	Director of Victor Company of Japan, Limited	
		September 2008	Director, Executive Officer of JVC Kenwood Holdings Inc. (currently, JVC Kenwood Corporation)	
		September 2009	Director, Managing Officer of JVC Kenwood Holdings Inc.	
		May 2013	Joined the Company as Associate Director in charge of sales management	
		April 2014	General Manager of HV Business Div., AV System Business Headquarters of the Company	
		October 2014	Officer of the Company (to date)	
		January 2015	General Manager of Display System Business Div. of the Company	
		April 2016	President of Funai Corporation, Inc. President of P&F USA, Inc.	
		April 2018	General Manager of Business Headquarters of the Company	
		June 2018	Director of the Company (to date)	
		(Responsible)	General Manager of AV Division	

Candidate No.	Name (date of birth)	Brief Personal History, Position in the Company & Responsibility (Important Concurrent Position)		Number of Shares of the Company Held by Candidate
4 Reelected	Makoto Ueshima (February 27, 1963)	April 1986	Joined Daiwa Bank, Limited (currently Resona Bank, Limited)	– share
		October 2003	General Manager of Senri Branch of Resona Bank	
		April 2006	Department Manager of the Seventh Osaka Sales Department, Osaka Sales Office, Resona Bank	
		June 2007	Department Manager of the Sixth Tokyo Sales Department, Tokyo Sales Office, Resona Bank	
		July 2009	Department Manager of the Second Sales Department, Toranomom Branch, Resona Bank	
		July 2010	General Manager of Amagasaki Kita Branch and Amagasaki Area Manager, Resona Bank	
		April 2014	General Manager of Osaka Nishi Branch, Resona Bank	
		August 2015	General Manager of Pension Sales Department, Resona Bank	
		April 2017	Loaned to the Company, Associate Director	
		July 2017	General Manager of Administration Headquarters of the Company (to date)	
		April 2018	Joined the Company	
		May 2018	Officer of the Company (to date)	
		June 2018 (Responsible)	Director of the Company (to date) General Manager of Administration Headquarters	
5 Reelected Outside Director	Mitsuo Yonemoto (March 18, 1939)	July 1995	Vice President and Director of T.P.S. Laboratory Co., Ltd. (to date)	100 shares
		September 1998	Outside Director of the Company (to date)	
		March 2009	Outside Director of The Sailor Pen Co., Ltd.	
		June 2012	Outside Audit & Supervisory Board Member of Oriental Chain Mfg. Co., Ltd. (to date)	
		June 2018	Outside Director of the Company (to date)	
		(Vice President and Director of T.P.S. Laboratory Co., Ltd.) (Outside Audit & Supervisory Board Member of Oriental Chain Mfg. Co., Ltd.)		

Candidate No.	Name (date of birth)	Brief Personal History, Position in the Company & Responsibility (Important Concurrent Position)	Number of Shares of the Company Held by Candidate
6 Reelected Outside Director	Atsushi Shirakami (December 19, 1960)	<p>April 1983 Joined The Dai-Ichi Kangyo Bank, Limited (currently Mizuho Bank, Ltd.)</p> <p>June 1998 Deputy Branch Manager, London Office, Dai-Ichi Kangyo Bank</p> <p>April 2002 Assistant Sales Manager, Japanese Corporate Sales, Europe Branch, Mizuho Corporate Bank, Ltd., (currently Mizuho Bank, Ltd.)</p> <p>June 2003 General Manager, Financial Product Development, Mizuho Securities Co., Ltd.</p> <p>March 2005 General Manager, Sales Department, Medical Division, Nikkiso Co., Ltd.</p> <p>August 2007 General Manager, Corporate Planning, Executive Officer, Katokichi Co., Ltd. (currently TableMark Co., Ltd.)</p> <p>January 2010 Vice President, MT Lab</p> <p>January 2011 Strategic Dominance Co., Ltd. President (to date)</p> <p>June 2019 Outside Director of the Company (to date)</p> <p>(President, Strategic Dominance Co., Ltd.) (Director, Nippon Jigyo Senryaku Sogo Kenkyujo (Japan Business Strategy Research Institute))</p>	– share

Note 1 None of the candidates for Directors have any special interests with the Company.

Note 2 Candidates for Directors, Mitsuo Yonemoto and Atsushi Shirakami, are candidates for outside Directors.

Note 3 Reasons for the selection of the candidates for Directors or outside Directors:

- The Management expects Mr. Hideaki Funakoshi to use the wide range of knowledge and capabilities accumulated from his broad expertise and experience as a manager of the AV business, one of the Company's core businesses, for the management of the Company.
- The Management expects Mr. Takeshi Ito to use the wide range of knowledge and capabilities accumulated from his diverse business experience within the Company and extensive overseas business experience, for the management of the Company.
- The Management expects Mr. Motoyoshi Adachi to make full use of the abilities and insight that he has developed from his abundant experience and achievements in the area of business management for many years in his previous career and at this Company, for the management of the Company.
- The Management expects Mr. Makoto Ueshima to make full use of his abilities and abundant insight in the area of banking and finance, for the management of the Company.
- The 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.
- The Management expects Mr. Atsushi Shirakami to provide beneficial advice based on his wide range of knowledge and capabilities accumulated as a management consultant and also use his diverse business experience and network, for the management of the Company.

Note 4 Years of service of outside Directors of the Company:

- Mr. Mitsuo Yonemoto will have served as an outside director for 21 years and nine months at the close of this Ordinary General Meeting of Shareholders.
- Mr. Atsushi Shirakami will have served as an outside director for one year at the close of this Ordinary General Meeting of Shareholders.

Note 5 Designation of independent officers:

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. Mr. Atsushi Shirakami has satisfied the requirements as an independent officer in accordance with the rules of Tokyo Stock Exchange, Inc. and the Company will register him with such exchange.

Note 6 Conclusion of limited liability agreement:

The Company has entered into an agreement with Non-executive Directors (outside Directors) Mitsuo Yonemoto and Mr. Atsushi Shirakami to limit their 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 they are reelected, such agreement will be renewed.

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

(1) Development and Results of Business Activities

In the United States, the Group's main market, the economy as a whole was growing slowly from the first quarter to the third quarter because household spending was robust thanks to sound labor markets, rising wages, and stable consumer demand, although capital expenditures and exports were weak. Since the fourth quarter, however, the coronavirus outbreak has begun in the country, forcing states to impose a lockdown to prevent further spread and practically bringing economic activities to a stop. Under these circumstances, the economic growth rate has significantly dropped year-on-year, increasing unemployment figures. Give this, the Federal Reserve held an emergency meeting in March 2020 and decided to cut interest rates to nearly zero, and the U.S. Government signed an unprecedented \$2 trillion relief bill to blunt the economic damage from the coronavirus pandemic. The real GDP rate for the January to March quarter of 2020 was down by 4.8%, the second largest drop since the October to December quarter of 2008 when the rate decreased by 8.4%.

In China, the economy continued to be strong through 2019 with the support of government policies. In the beginning of 2020, however, the coronavirus rapidly spread across the country, and therefore the Chinese government locked down cities, including Wuhan, ground zero of the pandemic, around late January in 2020. This action suspended economic activities in cities under lockdown, pushing down the real GDP rate for March in 2020 by 6% year-on-year.

In Japan, the consumption tax hike in October in 2019 and typhoons discouraged personal consumption and production outputs, exacerbating an economic slowdown. After February in 2020, the coronavirus pandemic affected the country, forcing various activities, including outings and schooling, to be restricted to prevent further spread. This move is seriously affecting economic activities. The government stated in its monthly economic report for April 2020 that “the economy is rapidly deteriorating for the first time in 11 years since May 2009 when the global economy suffered from a recession after the collapse of Lehman Brothers and the country is facing an extremely difficult situation.”

In this business environment, large amounts of LCD TVs made in China were exported and oversupplied to the U.S. market, which pushed down retail prices between the first quarter and the second quarter. This move came before the Trump administration's fourth round of tariffs on imports from China. This led the Group to sales of 42.109 billion yen (down by 9.9% year-on-year) and an operating loss of 1.905 billion yen (compared to an operating loss of 1.645 billion yen from the same period last year).

For the third quarter, after the aforementioned tariff measure became effective on September 15, 2019, exports of China-made LCD TVs to North America declined significantly, which improved the demand-and-supply balance of these products. In addition, retail prices of LCD TVs at large mass merchandisers were not lowered than estimated while the Group was making cost reduction efforts. As a result, the Group was able to make an operating profit.

For the fourth quarter, despite the coronavirus outbreak and delays in the delivery of parts from Chinese suppliers, Funai (Thailand) Co., Ltd. (Thailand plant) and Funai Manufacturing, S.A.DE C.V. (Mexico plant), which are the production sites of LCD TVs, produced products almost according to the initial plans and could maintain exports to North America. The further decrease in exports of LCD TVs from China to North America due to the coronavirus pandemic turned in favor of the Group. On the other hand, Funai Electric Philippines Inc. (Lima plant in the Philippines), which is the production site of BD recorders, printers, etc., suffered major setbacks, including the eruption of Taal Volcano in January 2020, delays in the delivery of parts from Chinese suppliers due to the coronavirus pandemic in February, and the suspension of the plant in mid-March due to a lockdown to prevent further spread of the virus in the country. These moves disrupted its production plan, however, these negative impacts were offset by the overall sales of LCD TVs and other products. As a result, the Group recorded operating income of about 100 million yen, achieving an operating surplus for two quarters in a row.

Consequently, the Group booked sales of 88.425 billion yen for the consolidated fiscal year under review (down by 16.2% year-on-year) and an operating loss of 1.732 billion yen (versus operating income of 682 million yen year-on-year). Ordinary loss totaled 1.594 billion yen (in contrast with ordinary income of 1.392 billion yen year-on-year). Meanwhile, after booking an impairment loss of fixed assets and reviewing deferred tax assets in response to the contraction of demand in the North American market, net income attributable to owners of the parent stood at 2.392 billion yen (in comparison with a 2.613 billion yen net income attributable to owners of the parent year-on-year).

Net sales by equipment segment were as follows:

<Audiovisual Equipment>

In the audiovisual equipment segment, LCD TVs in large quantities were exported from China to the North American market between the first quarter and the second quarter, which pushed down retail prices and sales. The impact was not offset through the full year, and therefore the profit decreased. In addition, sales of DVD- and BD-related products declined at large mass merchandisers because the market further shrank due to the spread of online video streaming services, and thus the profit fell. As a result, net sales amounted to 80.027 billion yen, down 17.5% year-on-year.

<Information Equipment>

In the information equipment segment, sales and profits of new nail art printers and large-capacity inkjet printers increased, which was able to offset a decline in sales and profits of inkjet printer cartridges and label printers. Consequently, net sales amounted to 3.868 billion yen, up 17.0% year-on-year.

<Other>

In other segment, sales of automotive backlights and medical and healthcare products, including dental CT scanners and nursing bed modules, increased. However, sales of components dropped. Therefore, net sales amounted to 4.53 billion yen, down 12.6% year-on-year.

(Consolidated Net Sales by Equipment Segment)

Segment	Net Sales (millions of yen)	Sales Composition (%)
Audiovisual Equipment	80,027	90.5
Information Equipment	3,868	
Other	4,530	
Total	88,425	

(2) Investment in Property, Plant and Equipment

Investment in property, plant and equipment during the fiscal year under review totaled 1.447 billion yen in the Group, which were comprised of 989 million yen by its manufacturing companies and 458 million yen by its sales companies. Such investments were mainly for the improvement of manufacturing facilities.

(3) Financing

Nothing to be reported.

(4) Major Organizational Restructuring, etc.

Nothing to be reported.

(5) Issues to be Addressed:

(i) Issues related to the management environment

In North America, the Group's main market, competition from China-made LCD TVs is intensifying, which may affect retail prices and profits. In addition to this downside risk, the spread of online video streaming services is increasing the risk of shrinking the market for DVD- and BD-related products. Amid this business environment, the Group aims to tackle the following issues:

(A) Sales expansion and recovery of earnings strength

Sales expansion and the recovery of earnings strength are positioned as two key priorities for the Group. For audiovisual equipment, the Group aims to expand sales to customers at large mass merchandisers in the North American market as mentioned later. In the Japanese market, the Group aims to achieve further brand penetration by launching a new line-up of TVs with highly added value under the concept of "Record, Watch and Expand" in June.

Regarding information equipment, the Group is planning to grow sales and profits by expanding sales of OEM and in-house brand large-capacity inkjet printers, label printers, and nail art printers in the Chinese market. The Group also promotes sales of jointly-developed derivative products, which utilize microfluidics (micro fluid control technology), and existing developed items, to the world's largest general consumer products manufacturer.

In new businesses, the Group applies technologies that have been fostered over many years to actively introduce new products, including direct automotive backlights, commercial signage products, and medical and healthcare products.

In the operating income front, the most important challenge is strategically procuring liquid crystal panels and other main components and materials. The Group procures liquid crystal panels with different sizes in anticipation of future demand and supply trends, thereby aiming to increase profit margins. The Group deploys a purchasing strategy that corresponds to actual sales at retailers through thorough production and inventory management, thereby aiming to curb valuation losses on product, component and raw material inventories. Furthermore, the Group focuses on reducing the product return rate and minimizing losses in tandem with the disposal of returned products, thereby aiming to become a company that creates products that are chosen by people around the world. Through these measures, the Group builds a system that can consistently secure profits.

(B) Training and appointment of human resources

The Group recognizes that it is important to bolster its capabilities by improving employee's capabilities in order to win out against the global competition in the new era and implement 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 enhancing and expanding internal and external training programs, such as language training.

(ii) Issues related to the coronavirus outbreak

The coronavirus pandemic has affected the Group's production sites, business operations and sales branches, the U.S. market or the Group's main market, and the Japanese market, which is posing a range of issues. Under these circumstances, the Group aims to tackle the following issues:

(A) Impact on production sites

The spread of the coronavirus is affecting the Group's production sites, but the main plant for LCD TVs in Thailand hasn't suspended its operation to date. The plant has been forced to reduce some production volume due to delays in procuring parts from Chinese parts makers. The coronavirus is now under control in Thailand. Parts procurement is on a recovery track as the operating rate of Chinese parts makers has returned to about 80%. The Group aims to regain lost ground to increase production.

The plant in Mexico, where 65-inch or larger LCD TVs are manufactured for the U.S. market, has reduced its operating rate because the coronavirus is spreading. Thus, some of this production is carried out by the Thailand plant from June this year. The Mexico plant is located in Tijuana, Baja California, where a state of emergency was declared to prevent the spread of the coronavirus. This forced the Mexico plant to suspend its operation from April 13 to 27. The plant began preparation to resume production in late April and returned some production to normal operation in early May. It started preparation for further production increase in the middle of May. From now on, the Group aims to increase production in the Mexico plant while paying close attention to the virus situation in Mexico, and continues to use the Thailand plant to recover the decreased production as a way of dispersing risk.

The Lima plant in the Philippines, which manufactures BD recorders and printers, was shut down from March 17 to April 12 after a state of emergency was declared in Luzon, where the plant is located, on March 16. Some production resumed on April 15, and the operation rate has returned to 20 to 30%. Local suppliers in the Philippines haven't resumed their operations as of the middle of May, and overseas air and sea shipping services have been reduced, which is causing logistics problems. The Lima plant is steadily preparing to return to normal operation while paying close attention to the virus situation.

(B) Impact on business operations and sales branches

In response to the government's state of emergency and request to refrain from non-essential outings, the business operations and sales branches located in Japan encouraged as many employees in the Group as possible to work from home, stagger office hours, or use commute options other than public transportation. Funai Corporation, Inc., a sales company in the U.S., ordered employees to work from home due to a national state of emergency.

(C) Impact on markets

In the U.S., the Group's main market, a national state of emergency was declared on March 13. Against this backdrop, Walmart, which is one of the Group's main retailers and sells medical supplies and groceries, remained open with almost no closures while cutting operating hours. On the other hand, many of household electrical appliance retailers, including Best Buy, had to close their stores. As a result, sales of TVs at Walmart has increased and remains strong since the fourth quarter. Sales of LCD TVs is expected to maintain momentum until the first half of 2020. However, there are many factors to watch and address: When the coronavirus is contained, when economic activities are resumed, a second wave of the coronavirus spread, unemployment rates, share price trends, the development of the U.S.

presidential election, and the recurrence of U.S.-China trade frictions.

As for the Japanese market, the launch of new TV models was postponed from April to June after the Tokyo Olympics and Paralympics were rescheduled to 2021. Originally the Group planned the launch in April to respond to special demand created by the Games. Yamada Denki, one of the Group's main retailers, was keeping most of its stores open while cutting operating hours even under the state of emergency. Therefore, Yamada Denki achieved better TV sales than its competitors, and thus Funai's TV sales was relatively strong. From now on, the Group needs to take appropriate action while paying close attention to the impact of suspended economic activities due to the state of emergency, unemployment rates, bonus payment trends, personal consumption trends, and a second wave of the coronavirus spread.

(D) Strategies after the coronavirus outbreak is contained

In this situation, the Group aims to take the following strategies after the coronavirus outbreak is contained:

The first strategy is about procurement. The delivery of parts was delayed owing to the Group's heavy dependence on Chinese makers. The Group examines how to diversify countries of origin, thereby building an optimal supply chain.

The second strategy is about production. The coronavirus spread forced the Lima plant in the Philippines and the Mexico plant to suspend their operations. Given this, the Group studies a backup plan to utilize its global production sites.

(iii) Significant events concerning the assumptions of the going concern

Given the Group posted an operating income, ordinary income, income attributable to owners of the parent, and positive operating cash flow in the previous consolidated fiscal year. However, the Group recorded an operating loss, ordinary loss and loss attributable to owners of the parent despite a positive operating cash flow in the consolidated fiscal year under review. Therefore, there are events and circumstances that cast significant doubt on the Company's ability to continue as a going concern at this stage.

There are no significant concerns about financing because the current balance of cash and deposits can sufficiently satisfy working capital needs for the time being.

Furthermore, the Group is implementing step-by-step measures in line with the following policies for each business segment based on the medium-term management policy formulated in the previous consolidated fiscal year. In light of this, the Group believes that resolution of any identified going concern issues can be achieved.

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

- Further increasing market share at new mass retailers in North America with the support of the largest-ever economic stimulus package
- Further reducing costs and enhancing competitiveness by launching the next-generation Android TVs and other products
- Consistently securing profits by selling highly added-value flat-panel TVs in the Japanese market
- Making a full-scale entry into the Mexican market by restructuring business models

(B) Digital media business (DVD- and BD-related products)

- Regaining market share of BD players and the like from which other companies have withdrawn in North America
- Expanding a line-up of FUNAI brand products and strengthening cooperation with OEMs in the Japanese Market

(C) Office solution business (printers and related products)

- Expanding sales of own-brand nail art printers and improving profitability through OEM supply
- Expanding sales of special-purpose printers, including high-capacity inkjet printers and label printers
- Marketing derivative products using microfluidics (microflow control technology) to expand sales

(D) New businesses

- Expanding sales of automotive backlights and other products and forging ahead with alliance strategies for automotive business
- Expanding sales of medical and healthcare module products, including dental CT scanners, and securing the revenue base
- Launching mass production and sales of new products, including new commercial displays

As a result of the foregoing, it has been determined that significant uncertainty concerning the assumptions of the going concern is not deemed to exist as of the end of the fiscal year under review.

(6) Property and Income/Loss

Fiscal Term Item	65th (April 1, 2016 to March 31, 2017)	66th (April 1, 2017 to March 31, 2018)	67th (April 1, 2018 to March 31, 2019)	68th (April 1, 2019 to March 31, 2020)
Net sales (millions of yen)	133,83			
Ordinary income (loss) (millions of yen)	(7,726)			
Net income (loss) attributable to owners of the parent (millions of yen)				
Net income (loss) per share (yen)	(197.70)	(724.21)	76.59	(70.13)
Total assets (millions of yen)				
Equity (millions of yen)				
Equity per share (yen)	2,242.38	1,485.96	1,583.46	1,498.99

Note 1 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. These numbers do not include the shares of treasury stock.

Note 2 The Company began implementing the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ No. 28, February 16, 2018) at the beginning of the 67th fiscal term. The above revised standards have been retroactively applied to main financial indicators and other data for the 65th and 66th fiscal terms.

(7) Major Subsidiaries

Trade Name	Capital Stock	Percentage of Equity Participation by the Company	Main Business
FUNAI CORPORATION, INC.	US\$123.5 million	100.00%	Sale of the Company's products
FUNAI (THAILAND) CO., LTD.	THB 1,568 million	100.00%	Sale of the Company's products
Funai Electric Philippines Inc.	PHP 1,176 million	100.00%	Sale of the Company's products

(8) Major Businesses of the Group

Segment	Principal Products
Audiovisual equipment	LCD TVs, organic EL TVs, DVD players, DVD recorders, BD players, and BD recorders
Information equipment	Large capacity ink jet printers, label printers, nail art printers, and ink cartridges
Other	Automotive backlight units, dental CT scanners, bed modules for nursing care, and other equipment

(9) Major Business Sites of the Group

Category	Name	Location
Funai Electric Co., Ltd.	Head Office	Daito City, Osaka
	Tokyo Branch	Chiyoda-ku, Tokyo
Sales subsidiaries	FUNAI CORPORATION, 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
	Funai Electric Cebu, Inc.	Philippines
	Funai Electric Philippines Inc.	Philippines
	Funai Manufacturing, S.A. DE C.V.	Mexico
	Chugoku Funai Electric Co., Ltd.	Fukuyama City, Hiroshima

(10) Employees of the Group

No. of Employees (persons)	Change from the End of the Previous Fiscal Year (+/-) (persons)
2,166	-217

Note 1 The above number of employees represents those actively at work.

Note 2 The number of employees decreased from the previous fiscal year mainly due to personnel reduction at Funai Manufacturing, S.A.DE C.V. and other manufacturing subsidiaries.

(11) Major Lenders

Nothing to be reported.

(12) 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 2,011,830 shares of treasury stock)

(3) Number of shareholders : 7,653 persons

(4) Principal Shareholders (top 11)

Name	Number of Shares Held (thousands of share)	Shareholding Ratio (%)
Tetsuo Funai	11,738	34.41%
Funai Information Science Promotion Foundation	1,740	5.10
Roki Group Co., Ltd.	1,700	4.98
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	1,299	3.81
NORTHERN TRUST CO. (AVFC) SUB A/C USL NON-TREATY	1,101	3.23
SSBTC CLIENT OMNIBUS ACCOUNT	1,028	3.02
The Master Trust Bank of Japan, Ltd. (trust account)	929	2.72
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS SEC LENDING	710	2.08
EFUTSU Co., Ltd.	470	1.38
T&N Co., Ltd.	470	1.38
Funai Kosan Co., Ltd.	470	1.38

Note 1 The Company, which holds 2,011,000 shares of treasury stock, is not included in the above-listed principal shareholders.

Note 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 at the End of the Fiscal Year under Review:

(i) Number of stock acquisition rights: 4,273 rights

Note The number of stock acquisition rights is determined by deducting the number of stock acquisition rights exercised and the number of stock acquisition rights that the persons entitled thereto have lost based on retirement or other conditions for exercising the rights, from the number of stock acquisition rights granted.

(ii) Class and number of shares underlying stock acquisition rights: 427,300 shares of common stock
(100 shares per stock acquisition right)

(iii) Stock acquisition rights held by Directors of the Company

Issue	Category	No. of Rights	No. of Holders (persons)	Exercise Price Per Share	Exercise Period
1st stock acquisition for the year ended March 31, 2015	Director (other than Audit and Supervisory Committee Member) (other than outside Director)	40	1	¥1,296	Sep. 1, 2016 to Aug. 31, 2023
1st stock acquisition for the year ended March 31, 2017	Director (other than Audit and Supervisory Committee Member) (other than outside Director)	144	3	¥1,019	Sep. 1, 2018 to Aug. 31, 2023
1st stock acquisition for the year ended March 31, 2018	Director (other than Audit and Supervisory Committee Member) (other than outside Director)	180	3	¥947	Sep. 1, 2019 to Aug. 31, 2024
Stock acquisition for the year ended March 31, 2020	Director (other than Audit and Supervisory Committee Member) (other than outside Director)	250	3	¥841	Sep. 1, 2021 to Aug. 31, 2026

(2) Stock Acquisition Rights Allotted during the Fiscal Year under Review:

Stock acquisition rights issued on August 26, 2019

(i) Number of stock acquisition rights: 1,765 rights

(ii) Class and number of shares underlying stock acquisition rights: 176,500 shares of common stock
(100 shares per stock acquisition right)

(iii) Value of the property to be contributed
when such stock acquisition rights are exercised: ¥84,100 per stock acquisition right (¥841 per share)

(iv) Period during which when such stock acquisition rights
can be exercised: From September 1, 2021 to August 31, 2026

(v) Stock acquisition rights allotted

Category	No. of Rights	No. of Shares	No. of Holders (persons)
Directors of the Company	250	25,000	3
Employees of the Company			

(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, 2020)

Position in the Company	Name	Responsibility and Important Concurrent Position
Representative Director, President and CEO	Hideaki Funakoshi	
Director and Officer	Takeshi Ito	General Manager of Sales Headquarters
Director and Officer	Motoyoshi Adachi	General Manager of AV Division
Director and Officer	Makoto Ueshima	General Manager of Administration Headquarters
Outside Director	Mitsuo Yonemoto	Executive Vice President and Director, TPS Co., Ltd. Outside Corporate Auditor, Oriental Chain Mfg. Co., Ltd.
Outside Director	Atsushi Shirakami	President, Strategic Dominance Co., Ltd. Director, Nippon Jigyo Senryaku Sogo Kenkyujo (Japan Business Strategy Research Institute)
Director (full-time member of Audit and Supervisory Committee)	Fumiaki Kidera	Chairman of the Audit and Supervisory Committee
Outside Director (member of Audit and Supervisory Committee Member)	Hiroyuki Yamada	Representative, Yamada & Partners Accounting Co., Ltd. Representative, Yamada & Partners Tax Accounting Co., Ltd. Outside Director, Takasho Co., Ltd. Outside Auditor, Imura Envelope Corporation
Outside Director (member of Audit and Supervisory Committee Member)	Takahiro Tanaka	Partner, Nakanoshima Chuo Law Office Outside Director, Shinko Wire Company, Ltd. Visiting Professor, Graduate School of Intellectual Property, Osaka Institute of Technology

Note 1 The Company has appointed Fumiaki Kidera as a full-time member of the Audit and Supervisory Committee with the aim of enhancing the effectiveness of audits by reinforcing the Committee's information gathering capability and collaborating with internal audit units, etc., and further strengthening its audit and supervisory functions.

Note 2 Outside Director (Audit and Supervisory Committee Member) Hiroyuki Yamada is qualified CPA and tax accountant and has considerable knowledge related to finance and accounting.

Note 3 The Company has designated outside Directors Mitsuo Yonemoto, Hiroyuki Yamada, and Takahiro Tanaka as Independent Officers in accordance with the rules of the Tokyo Stock Exchange, Inc. and registered them with the exchange.

Note 4 The Company has established a Nomination Committee and a Compensation Committee (both of which are voluntary committees). The members of each of the committees are as follows:

- Nomination Committee: Hideaki Funakoshi (Chairman), Takeshi Ito, Motoyoshi Adachi, Makoto Ueshima, and Mitsuo Yonemoto
- Compensation Committee: Hideaki Funakoshi (Chairman), Takeshi Ito, Makoto Ueshima, Mitsuo Yonemoto, Hiroyuki Yamada, and Takahiro Tanaka
- The members of the Nomination Committee were changed, effective April 21, 2020 as follows:
- Nomination Committee: Hideaki Funakoshi (Chairman), Motoyoshi Adachi, Makoto Ueshima, Mitsuo Yonemoto, Hiroyuki Yamada, and Takahiro Tanaka

(2) Directors who Retired during the Fiscal Year under Review

Name	Retirement Date	Reason	Position, Responsibility and Important Concurrent Position upon Retirement
Masahide Morimoto	June 26, 2019	Expiration of term of office	Outside Director (Audit and Supervisory Committee Member)
Masakazu Funaishi	June 26, 2019	Expiration of term of office	Outside Director (Audit and Supervisory Committee Member)

(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 Non-executive Directors Mitsuo Yonemoto, Atsushi Shirakami, Fumiaki Kidera, Hiroyuki Yamada, and Takahiro Tanaka to limit their 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 Amounts of Remuneration, etc. for Directors

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

Category	No. of Recipients (persons)	Amount of Payment (millions of yen)
Director (other than Director serving as Audit and Supervisory Committee Member) (outside Director)	6 (2)	91 (7)
Director (Audit and Supervisory Committee Member) (outside Director)	5 (4)	18 (9)
Total (outside Director)	11 (6)	109 (17)

Note 1 The above list includes two outside Directors (Audit and Supervisory Committee Members) who retired during the fiscal year under review.

Note 2 The above-listed amounts of payments include the following amounts of allowance for Officers' retirement benefits recorded as expenses for the fiscal year under review:

- ¥6,837,000 for six Directors (other than Directors serving as Audit and Supervisory Committee Members) (including ¥612,000 for two outside Directors)
- ¥1,400,000 for five Directors (Audit and Supervisory Committee Members) (including ¥700,000 for four outside Directors)

Note 3 The above-listed amounts of payments include the following amount of remuneration in stock options recorded as expenses for the fiscal year under review:

- ¥2,318,000 for four Directors (other than Audit and Supervisory Committee Members)

(5) Other Important Matters Concerning Officers

Nothing to be reported.

(6) Matters Concerning Outside Officers:

(i) Important concurrent positions as executive officers at other companies, and the relationships that the Company has with those companies:

- Director Mitsuo Yonemoto is the 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 Atsushi Shirakami is the President of Strategic Dominance Co., Ltd. and Director of Nippon Jigyo Senryaku Sogo Kenkyujo (Japan Business Strategy Research Institute). The Company has no special relationship with Strategic Dominance Co., Ltd. or Nippon Jigyo Senryaku Sogo Kenkyujo (Japan Business Strategy Research Institute).
- Director (Audit and Supervisory Committee Member) Hiroyuki Yamada is the Representative of Yamada & Partners Accounting Co., Ltd. and the Representative of Yamada & Partners Tax Accounting Co., Ltd. The Company has no special relationship with Yamada & Partners Accounting Co., Ltd. or Yamada & Partners Tax Accounting Co., Ltd.
- Director (Audit and Supervisory Committee Member) Takahiro Tanaka is a partner at Nakanoshima Chuo Law Office. The Company has a consulting contract with this law firm.

(ii) Important concurrent positions as outside officers at other companies, and the relationships that the Company has with those companies:

- Director Mitsuo Yonemoto is an outside director of Oriental Chain Mfg. Co., Ltd. The Company has no special relationship with Oriental Chain Mfg. Co., Ltd.
- Director (Audit and Supervisory Committee Member) Hiroyuki Yamada is an outside director of Takasho Co., Ltd. and an outside auditor of Imura Envelope Corporation. The Company has no special relationship with Takasho Co., Ltd. or Oriental Chain Mfg. Co., Ltd.
- Director (Audit and Supervisory Committee Member) Takahiro Tanaka is an outside director of Shinko Wire Company, Ltd. and a visiting professor of Graduate School of Intellectual Property, Osaka Institute of Technology. The Company has no special relationship with Shinko Wire Company, Ltd. or the Graduate School of Intellectual Property, Osaka Institute of Technology.

(iii) Family relationship with an executive or officer of the company or a specified associated company of the company

Nothing to be reported.

(iv) Major activities during the fiscal year under review

Attendance and comments at the meetings of the Board of Directors and the Audit and Supervisory Committee

	Attendance and Speeches
Director Mitsuo Yonemoto	He attended 7 of the 8 meetings (attendance rate: 87.5%) of the Board of Directors held during the fiscal year under review, and expressed opinions principally from the standpoint of a management consultant, and from an objective standpoint as an Independent Officer.
Director Atsushi Shirakami	After he assumed the position on June 26, 2019, he attended 7 of the 7 meetings (attendance rate: 100%) of the Board of Directors held during the fiscal year under review, and expressed opinions principally from the standpoint of a management consultant.
Director (Audit and Supervisory Committee Member) Hiroyuki Yamada	After he assumed the position on June 26, 2019, he attended 7 of the 7 meetings (attendance rate: 100%) of the Board of Directors and 13 of 13 meetings (attendance rate: 100%) of the Audit and Supervisory Committee held during the fiscal year under review. He expressed opinions at the meetings of the Board of Directors and the Audit and Supervisory Committee principally from the standpoint of a CPA and tax accountant, and from an objective standpoint as an Independent Officer.
Director (Audit and Supervisory Committee Member) Takahiro Tanaka	After he assumed the position on June 26, 2019, he attended 7 of the 7 meetings (attendance rate: 100%) of the Board of Directors and 12 of 13 meetings (attendance rate: 92.3%) of the Audit and Supervisory Committee held during the fiscal year under review. He expressed opinions at the meetings of the Board of Directors and the Audit and Supervisory Committee principally from the standpoint of a lawyer, and from an objective standpoint as an Independent Officer.

Note 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 (including two occasions after June 26, 2019).

5. Matters Concerning Accounting Auditor

(1) Name of Accounting Auditor

Deloitte Touche Tohmatsu LLC

(2) Amount of Remuneration, etc., of Accounting Auditor for the Fiscal Year under Review:

- | | |
|---|-------------|
| (i) Remuneration, etc., of the accounting auditor for the fiscal year under review: | ¥76 million |
| (ii) Total amount of cash and other proprietary benefits payable to the accounting auditor: | ¥76 million |

Note 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 accounting auditor and cannot actually be separated. Hence, the amount in item (i) above includes both amounts.

(3) Content of Non-auditing Services

Nothing to be reported.

(4) Reasons for Audit and Supervisory Committee to Consent to Remuneration, etc., of Accounting Auditor

The Audit and Supervisory Committee, based on the “Practical Guidance on Cooperation with Accounting Auditor” issued by the Japan Audit & Supervisory Board Members Association, verified the changes in audit hours and audit remuneration by audit item as well as the status of audit plans and 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 accounting auditor pursuant to Article 399, paragraph 1 of the Companies Act.

(5) Policy on Determination of Dismissal or Non-reappointment of Accounting Auditor

In the event that the accounting auditor is found to fall under any event of dismissal under the items of Article 340, paragraph 1 of the Companies Act and is considered appropriate to be dismissed, the Audit and Supervisory Committee shall, upon unanimous consent of the Audit and Supervisory Committee Members, dismiss the accounting auditor. In addition, in the event that the accounting auditor is found to interfere with proper audits, the Audit and Supervisory Committee shall determine the content of a proposition for the dismissal or non-reappointment of the accounting auditor 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 Propriety of Business Activities:

- (i) System to ensure that the Directors and employees perform their duties in compliance with laws, ordinances and the Articles of Incorporation
Under the “Funai Group Charter of Conduct,” the “Regulations of Officers’ Compliance,” and the “Regulations of Compliance,” the Company shall clarify acts to be taken by Directors, Officers and employees to ensure their performance of duties in compliance with laws, ordinances and the Articles of Incorporation. The Company also prohibits unfavorable treatment of whistleblowers under the “Whistleblower Protection Regulations.”
- (ii) System for the storage and management of information concerning Directors’ performance of duties
With regard to the storage and management of information concerning the Directors’ performance of duties, the minutes of meetings of the Board of Directors and other important meetings that Directors attend, circular decision documents, and other documents and information necessary for Directors to perform their duties appropriately shall be stored and managed in compliance with laws, ordinances and the “Document Management Regulations.”
- (iii) Regulations and other system for managing the risk of loss
The Company shall appoint Officers responsible for risk management, and they shall properly grasp and evaluate risks to the Company and manage risks related to their respective operations in charge under the “Risk Management Regulations” specified for managing the risk of loss.
- (iv) System to ensure that Directors perform their duties effectively
Under the “Officer System” introduced to ensure quick and effective decision-making by the management, the Company shall assign Officers under the control of the Executive Director to ensure that the operations determined by the Executive Director are performed swiftly. In addition, to enhance the transparency of the Board of Directors and strengthen its supervisory functions, the Company shall appoint outside Directors and institute 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) System of reporting to the Company the matters concerning duties performed by Directors, etc. of its subsidiaries
To grasp the managing status of the subsidiaries appropriately, the Company shall set materiality standards and reporting items for the subsidiaries under the “Affiliated Companies Management Regulations.” Accordingly, the Company shall require the subsidiaries to submit operating results and financial reports on a monthly basis.
 - (b) Regulations and other system for managing the risk of loss for the subsidiaries
To manage the operation and administration of the subsidiaries, the Company shall set agenda and discuss with them the matters that may affect their financial condition and administration in terms of financing, technology, personnel, transactions, etc. under the “Affiliated Companies Management Regulations.”
 - (c) System to ensure that Directors, etc. of the subsidiaries perform their duties effectively
To ensure that the subsidiaries manage business effectively, the Company shall allow them to manage business in respect of their managerial autonomy and independence under corporate regulations based on the “Affiliated Companies Management Regulations.”
 - (d) System to ensure that Directors, employees, etc. perform their duties in compliance with laws, ordinances and the Articles of Incorporation
Under the “Funai Group Charter of Conduct” as a code of conduct for all Officers and employees of the Funai Group, and the “Funai Group Procurement Policies” and “Regulations of Compliance” based on the Charter of Conduct, the Company shall clarify acts to be taken by Directors, employees, etc. of the subsidiaries to ensure their performance of duties in compliance with laws, ordinances and the Articles of Incorporation.
- (vi) Matters concerning employees who assist 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 employees, who assist at the duties of the Audit and Supervisory Committee, from Directors (other than Directors serving as Audit and Supervisory Committee Members)
For employees who are transferred to the Secretariat to the Audit and Supervisory Committee in order to assist at the duties of the Audit and Supervisory Committee, the Company shall assign employees who are not subjected to direct instructions and orders from Directors (other than Directors serving as Audit and

Supervisory Committee Members) in order to secure their independence. The Company shall respect opinions of the Audit and Supervisory Committee with regard to transfer and assessment of these employees.

- (viii) Matters concerning ensuring the effectiveness of instructions and orders given by the Audit and Supervisory Committee to employees who assist at the duties of the Audit and Supervisory Committee

To ensure the effectiveness of instructions and orders, the Audit and Supervisory Committee shall directly give instructions and orders to and receive reports from employees who assist the Audit and Supervisory Committee.

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

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

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

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

In the event that Directors, Officers and employees of the subsidiaries are requested to give reports on business by Directors serving as Audit and Supervisory Committee Members 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 Directors, auditors, Officers and employees of the subsidiaries find any violation of law or any fact that has inflicted or may inflict significant damage on the Company or its subsidiaries, they shall report the fact to the Audit and Supervisory Committee of the Company.

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

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

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

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 their performance of duties.

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

To ensure that the Audit and Supervisory Committee performs audits effectively, the Audit and Supervisory Committee shall closely cooperate with the accounting auditor, and regularly meet the Representative Director, Directors of the subsidiaries, etc. to confirm management policies and exchange opinions on 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 is chaired by the Representative Director, President and CEO, continuously maintain, manage and evaluate internal control over financial reporting, and promptly correct any defect if it 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 ensure compliance by Officers and employees, the Company shall also define this fundamental policy clearly in 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 legal counsels, to develop cooperation for emergency situations.

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

(i) Compliance

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

The Company provided Officers and employees with an e-learning session each for the first and second half of the fiscal year under review as part of educational activities to raise the awareness of compliance.

(ii) Risk management

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

(iii) Directors’ performance of duties

The Board of Directors, which consists of nine Directors (three of whom are serving as 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 eight meetings. In addition, the Investment and Loan Committee held two sessions, the Nomination Committee held one session, and the Compensation Committee held two sessions.

(iv) 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, 16 meetings of the Audit and Supervisory Committee were held.

(3) Policies for Determination of Directors’ Remuneration, etc.

Remuneration for Directors (other than Directors serving as Audit and Supervisory Committee Members) shall be determined based on working conditions (full time or part time), supervisory functions in duties, performance of duties, the business environment surrounding the Company, business performance, and industry standards, etc.

Remuneration for Directors serving as Audit and Supervisory Committee Members shall be determined based on working conditions (full time or part time), the business environment surrounding the Company, business performance, and industry standards, etc.

The determination method is as follows:

Remuneration for Directors shall be determined within the range of the total amount of remuneration for Directors (other than Directors serving as Audit and Supervisory Committee Members) and the total amount of remuneration for Directors serving as Audit and Supervisory Committee Members, which are approved at a shareholders’ meeting.

The amount of remuneration for Directors (other than Directors serving as Audit and Supervisory Committee Members) shall be determined separately for inside Directors and outside Directors. The amounts of remuneration shall be determined by the Board of Directors or the Compensation Committee upon authorization by the Board of Directors.

The amount of remuneration for Directors serving as Audit and Supervisory Committee Members shall be determined upon consultation among Directors serving as Audit and Supervisory Committee Members.

The resolution on remuneration for Officers of the Company was made on June 25, 2015. It stipulates that the annual amount of remuneration for Directors (other than Directors serving as Audit and Supervisory Committee Members) be within 550 million yen (within 30 million yen for outside Directors) and the annual amount of remuneration for Directors serving as Audit and Supervisory Committee Members be within 40 million yen.

The Compensation Committee shall have the right to determine a policy for the amount of remuneration for Officers of the Company and the determination method.

The Compensation Committee shall determine the following items upon authorization by the Board of Directors:

- Monthly amount of remuneration
- Bonus
- Retirement benefit
- Condolence money

- Other matters concerning remuneration for Directors

The Compensation Committee shall be comprised of three or more inside Directors and outside Directors (including outside Directors serving as Audit and Supervisory Committee Members) by a resolution of the Board of Directors. The chairperson selected by the Compensation Committee shall convene one or more regular meetings every year. A majority of members of the Compensation Committee shall attend a meeting to vote the resolution.

Remuneration for Directors of the Company shall be comprised of the fixed remuneration (the amount obtained by adding or subtracting based on the business environment surrounding the Company, business performance, and industry standards) and the performance-based bonus (bonus). The fixed remuneration and the performance-based bonus shall account for about 80% and 20%, respectively.

For the performance-based bonus, the consolidated operating income margin shall be used as a performance indicator. The consolidated operating income margin is chosen because it is a leading performance indicator to represent a profit made by activities of the main business and is found most reasonable indicator to measure results from the execution of operation.

The amount of performance-based bonus shall be determined through discussion at the Compensation Committee in consideration of the consolidated operating income margin as the major performance indicator and by comprehensively assessing changes in business performance by sector from the previous period, individual contributions, etc.

(4) Policy for Distribution of Retained Earnings, etc., Determined 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 stable dividend policy while reinforcing the management base.

Specifically, the Company implements an active dividend policy with a 1.0% DOE (dividend on equity) in consideration of the business environment and other factors.

For the fiscal year under review, we regret to announce that the Company decided not to pay year-end dividends. The Company strives to improve its business performance and financial position, aiming to resume dividend payments at an early point.

Note: In this business report, all figures and the numbers of shares are shown by rounding down fractions less than the indicated units, and ratios are shown by rounding upward or downward to the nearest first decimal place unless otherwise indicated. Net income per share, net loss per share and equity per share are shown by rounding off to the nearest integer.

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

(As of March 31, 2020)

Assets

(millions of yen)

Current assets	57,985
Cash and deposits	35,787
Notes and accounts receivable-trade.....	6,472
Merchandise and finished goods	4,693
Work in process	445
Raw materials and supplies	9,293
Other	1,854
Allowance for doubtful accounts.....	(560)
Fixed assets	12,698
Property, plant and equipment	8,210
Buildings and structures.....	4,157
Machinery, equipment, and motor vehicles.....	433
Tools, furniture, and fixtures	396
Land.....	2,932
Lease assets	222
Other	68
Intangible assets	470
Other	470
Investments and other assets	4,017
Investment securities	1,067
Deferred tax assets.....	848
Assets for retirement benefits.....	1,820
Other	347
Allowance for doubtful accounts.....	(66)
TOTAL ASSETS	70,683

Liabilities

(millions of yen)

Current liabilities	18,589
Notes and accounts payable-trade	8,763
Accounts payable-other	5,472
Lease liabilities.....	131
Income taxes payable.....	364
Reserve for product warranty	1,742
Other	2,113
Fixed liabilities	905
Lease liabilities.....	142
Deferred tax liabilities	599
Liabilities for Directors' and Audit & Supervisory Board Members' retirement benefits	32
Liabilities for retirement benefits	18
Other	111
TOTAL LIABILITIES	19,494
<u>Equity</u>	
Shareholders' equity	62,759
Common stock	31,307
Capital surplus.....	33,603
Retained earnings	22,190
Treasury stock	(24,341)
Accumulated other comprehensive income (loss)	(11,615)
Unrealized gain (loss) on available-for-sale securities.....	(16)
Foreign currency translation adjustments	(11,974)
Defined retirement benefit plans	375
Stock acquisition rights	44
TOTAL EQUITY	51,189
TOTAL LIABILITIES AND EQUITY	70,683

CONSOLIDATED STATEMENT OF INCOME

(April 1, 2019 - March 31, 2020)

(millions of yen)

Description	Amount	
Net sales		88,425
Cost of sales		78,207
Gross profit		10,217
Selling, general, and administrative expenses		11,950
Operating loss		1,732
Non-operating income		
Interest and dividend income	243	
Dividends income	187	
Reversal of compensation expenses	110	
Other	105	646
Non-operating expenses		
Interest expense	11	
Foreign exchange income	236	
Compensation expenses	234	
Other	26	508
Ordinary loss		1,594
Extraordinary income		
Gain on sales of noncurrent assets	107	
Other	3	110
Extraordinary loss		
Loss on disposal of fixed assets	64	
Loss on valuation of investment securities	157	
Impairment loss	132	354
Loss before income taxes		1,837
Income taxes – current	(85)	
Income taxes for prior periods	285	
Income taxes – deferred	354	554
Net loss		2,392
Net loss attributable to owners of the parent		2,392

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(April 1, 2019 - March 31, 2020)

(millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2019	31,307	33,603	24,583	(24,341)	65,153
Cumulative effects of changes in accounting policies			(0)		(0)
Restated balance	31,307	33,603	24,582	(24,341)	65,152
Changes of items during the period					
Net loss attributable to owners of the parent			(2,392)		(2,392)
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	–	–	(2,392)	–	(2,392)
Balance as of March 31, 2020	31,307	33,603	22,190	(24,341)	62,759

	Accumulated other comprehensive income (loss)				Stock acquisition rights	Total equity
	Unrealized gain (loss) on available-for-sale securities	Foreign currency translation adjustments	Defined retirement benefit plans	Total accumulated other comprehensive income (loss)		
Balance as of April 1, 2019	1	(11,609)	480	(11,127)	31	54,057
Cumulative effects of changes in accounting policies						(0)
Restated balance	1	(11,609)	480	(11,127)	31	54,056
Changes of items during the period						
Net loss attributable to owners of the parent						(2,392)
Net changes of items other than shareholders' equity	(17)	(364)	(105)	(487)	13	(474)
Total changes of items during the fiscal year	(17)	(364)	(105)	(487)	13	(2,867)
Balance as of March 31, 2020	(16)	(11,974)	11,974	(11,615)	44	51,189

Note: In the consolidated balance sheet, the consolidated statement of income, and the consolidated statement of changes in equity, all figures are shown by rounding down fractions less than the indicated units.

Non-consolidated Financial Statements

NON-CONSOLIDATED BALANCE SHEET

(As of March 31, 2020)

<u>Assets</u>	(millions of yen)
Current assets	33,010
Cash and deposits	22,529
Accounts receivable-trade	6,641
Merchandise and finished goods	254
Raw materials and supplies	2,677
Prepaid expenses	204
Other	706
Allowance for doubtful accounts.....	(3)
Fixed assets	31,658
Property, plant and equipment	4,519
Buildings	1,783
Structures	20
Machinery and equipment.....	232
Tools, furniture, and fixtures	26
Land.....	2,292
Lease assets	163
Intangible assets	42
Software	22
Lease assets	7
Other	12
Investments and other assets	27,096
Investment securities	72
Investment in subsidiaries and associated companies.....	22,374
Long-term loans receivable.....	15,138
Long-term prepaid expenses	26
Prepaid pension cost	1,328
Other	158
Allowance for doubtful accounts.....	(12,003)
TOTAL ASSETS	64,669

Liabilities

(millions of yen)

Current liabilities	14,400
Accounts payable-trade.....	4,861
Lease liabilities.....	87
Accounts payable-other	4,230
Accrued expenses	3,121
Income taxes payable.....	62
Deposits received	191
Reserve for product warranty	1,633
Other	213
Fixed liabilities	1,475
Long-term loans payable.....	870
Lease liabilities.....	109
Deferred tax liabilities	453
Liabilities for Directors' retirement benefits	32
Other	8
TOTAL LIABILITIES	15,875

Equity

Shareholders' equity	48,765
Common stock	31,307
Capital surplus	33,272
Capital reserve.....	17,023
Other capital surplus	16,248
Retained earnings	8,527
Other retained earnings	8,527
Reserve for advanced depreciation of fixed assets	106
General reserve.....	10,971
Retained earnings brought forward	(2,550)
Treasury stock	(24,341)
Valuation and translation adjustments	(16)
Unrealized gain (loss) on available-for-sale securities	(16)
Stock acquisition rights	44
TOTAL EQUITY	48,794
TOTAL LIABILITIES AND EQUITY	64,669

NON-CONSOLIDATED STATEMENT OF INCOME

(April 1, 2019 - March 31, 2020)

(millions of yen)

Description	Amount	
Net sales		73,087
Cost of sales		67,523
Gross profit		5,563
Selling, general, and administrative expenses		8,827
Operating loss		3,264
Non-operating income		
Interest and dividend income	366	
Dividends income	187	
Reversal of compensation expenses	110	
Commission fee	129	
Other	129	923
Non-operating expenses		
Interest expense	26	
Foreign exchange income	217	
Provision to the allowance for doubtful accounts for affiliates	555	
Other	17	817
Ordinary loss		3,158
Extraordinary income		
Gain on sales of noncurrent assets	9	
Gain on reversal of subscription rights to shares	2	
Other	1	13
Extraordinary loss		
Loss on disposal of fixed assets	5	
Loss on valuation of investment securities	157	
Loss on valuation of shares of subsidiaries and associates	94	
Impairment loss	99	357
Loss before income taxes		3,502
Income taxes – current	12	
Income taxes – deferred	21	33
Net loss		3,536

NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(April 1, 2019 - March 31, 2020)

(millions of yen)

	Shareholders' equity									
	Common stock	Capital surplus			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, 2019	31,307	20,023	13,248	33,272	113	10,971	978	12,063	(24,341)	52,301
Changes of items during the fiscal year										
Transfer to other capital surplus from legal capital surplus		(3,000)	3,000	—						—
Reversal of reserve for advanced depreciation of fixed assets					(7)		7	—		—
Net loss							(3,536)	(3,536)		(3,536)
Net changes of items other than shareholders' equity										
Total changes of items during the fiscal year	—	(3,000)	3,000	—	(7)	—	(3,528)	(3,536)	—	(3,536)
Balance as of March 31, 2020	31,307	17,023	16,248	33,272	106	10,971	(2,550)	8,527	(24,341)	48,765

	Valuation and translation adjustments		Stock acquisition rights	Total equity
	Unrealized gain (loss) on available-for-sale securities	Total valuation and translation adjustments		
Balance as of April 1, 2019	1	1	31	52,334
Changes of items during the fiscal year				
Transfer to other capital surplus from legal capital surplus				—
Reversal of reserve for advanced depreciation of fixed assets				—
Net loss				(3,536)
Net changes of items other than shareholders' equity	(17)	(17)	13	(4)
Total changes of items during the fiscal year	(17)	(17)	13	(3,540)
Balance as of March 31, 2020	(16)	(16)	44	48,794

Note: In the non-consolidated balance sheet, the non-consolidated statement of income, and the non-consolidated statement of changes in equity, all figures are shown by rounding down fractions less than the indicated units.

Audit Report

Accounting Auditor's Report on Consolidated Financial Statements

INDEPENDENT AUDITOR'S REPORT (Translation)

May 28, 2020

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

Osaka Office, Deloitte Touche Tohmatsu LLC

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

Akihiro Okada

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

Yuichiro Katsura

Opinion

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements of Funai Electric Co., Ltd. (the "Company"), which comprise the consolidated balance sheet for the fiscal year from April 1, 2019 to March 31, 2020, and the consolidated statement of income, the consolidated statement of changes in equity, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the properties and profit and loss of the corporate group composed of the Company and its subsidiaries (the "Group") as at March 31, 2020 in accordance with business accounting standards generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the code of ethics in Japan, and we have fulfilled our other ethical responsibilities in accordance with the code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with business accounting standards 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, including whether the use of the disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit and Supervisory Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit

conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest

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

-END-

Accounting Auditor's Report on Non-consolidated Financial Statements

INDEPENDENT AUDITOR'S REPORT (Translation)

May 28, 2020

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

Osaka Office, Deloitte Touche Tohmatsu LLC

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

Akihiro Okada

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

Yuichiro Katsura

Opinion

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the financial statements of Funai Electric Co., Ltd. (the "Company"), which comprise the balance sheet for the 68th fiscal year from April 1, 2019 to March 31, 2020, and the statement of income, the statement of changes in equity, notes to the financial statements, and the accompanying supplemental schedules (the "Financial Statements, etc.>").

In our opinion, the accompanying Financial Statements, etc. present fairly, in all material respects, the properties and profit and loss of the Company as at March 31, 2020 in accordance with business accounting standards generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements, etc. section of our report. We are independent of the Company in accordance with the code of ethics in Japan, and we have fulfilled our other ethical responsibilities in accordance with the code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Audit and Supervisory Committee for the Financial Statements, etc.

Management is responsible for the preparation and fair presentation of the Financial Statements, etc. in accordance with business accounting standards generally accepted in Japan and for such internal control as management determines is necessary to enable the preparation of the Financial Statements, etc. that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, etc., management is responsible for assessing the Company's ability to continue as a going concern, including whether the use of the disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Audit and Supervisory Committee is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements, etc.

Our objectives are to obtain reasonable assurance about whether the Financial Statements, etc. as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements, etc.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, etc., whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements, etc. or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, etc., including the disclosures, and whether the Financial Statements, etc. represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of each component included in the Financial Statements, etc. to express an opinion on the Financial Statements, etc. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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.

-END-

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 68th fiscal year from April 1, 2019, through March 31, 2020. 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 accounting auditor had maintained an independent position and conducted adequate audits, we received reports on the state of execution of duties from the accounting auditor and demanded their explanations, as necessary. Moreover, we received from the accounting auditor 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 non-consolidated financial statements (the non-consolidated balance sheet, the non-consolidated 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 non-consolidated financial statements and their accompanying supplemental schedules

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

May 29, 2020

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

Fumiaki Kidera
Full-time Audit and Supervisory Committee
Member

Hiroyuki Yamada
Audit and Supervisory Committee Member

Takahiro Tanaka
Audit and Supervisory Committee Member

Note Audit and Supervisory Committee Members Hiroyuki Yamada and Takahiro Tanaka are outside Directors as prescribed in Article 2, item (xv) and Article 331, paragraph 6 of the Companies Act of Japan.

- END -