Annual Report 2012

FUNAI ELECTRIC CO., LTD.

Contents

Corporate Profile

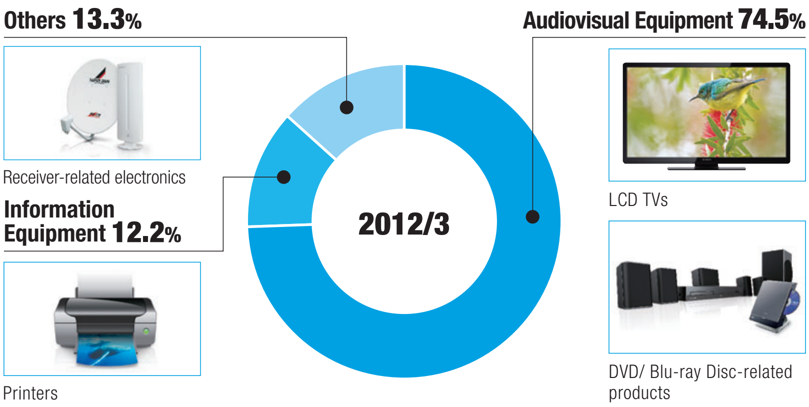
Business Areas

In addition to continually improving quality and cost efficiency since its founding, Funai's strength lies in its exceptional supply capabilities, which have earned the Company an enormous amount of trust throughout the digital consumer electronics industry.

Currently, we conduct business in three areas: Audiovisual Equipment, which handles LCD TVs and DVD and Blu-ray Disc-related products; Information Equipment, which handles printers; and Others, which handles receiver-related electronics and other items via subsidiary DX ANTENNA CO., LTD.

In our mainstay area, Audiovisual Equipment, we provide the market with five brands of compact to large LCD TVs sold in Japan and overseas. We are also enhancing our lineup of Blu-ray Disc-related products through such means as reinforcing our OEM* business. The high quality and reasonable price of these products have been well received both domestically and overseas and we proudly maintain a top share in the North American market for LCD TVs and in Japan for Blu-ray Disc recorders.

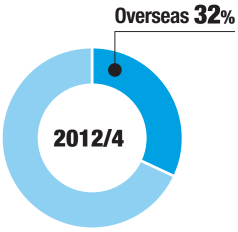
* The manufacture and supply of products under the customer's brand.



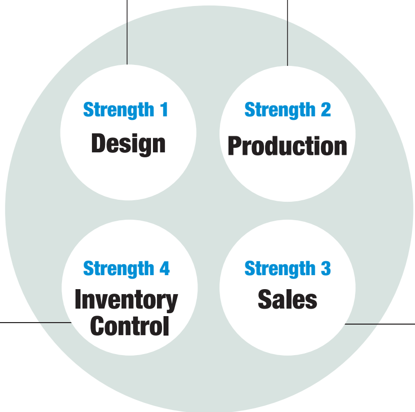
Funai's Strengths

Cutting Costs by Transferring Design Functions Overseas

We are working to improve productivity and cut costs by promoting in-house production of core items and reducing the number of parts at the design stage. We also keep development costs low by transferring partial control of our development and design to our facilities in Malaysia, China and Singapore.

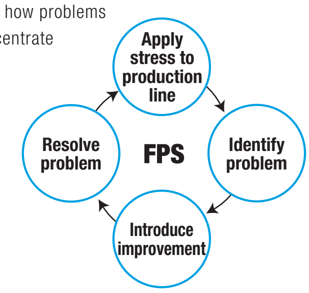


Overseas Employment Ratio for Design Staff



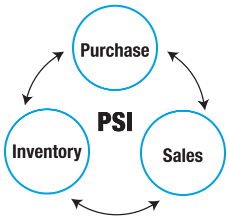
Constantly Improved Productivity and Optimized Local Production

The Funai Production System (FPS) continually improves productivity by applying stresses to production lines to discover where and how problems occur. We also concentrate our production functions in the most appropriate locations and enhance cost competitiveness by purchasing parts in bulk.



PSI Management for Product Supply that Matches Market Movements

To create a structure for adjusting production volumes and inventories, we will foster closer communication between the three departments responsible for "PSI" (Purchase, Sales and Inventory) functions and the Production Department. Our goal is to maximize profits through controls that will allow us to supply products promptly in sync with market movements.



Maintaining a Top Share in the North American Market

We sell products under a variety of brands in Japan, North America, Europe, and Asia. Funai Electric maintains a top share in the North American market, the largest in the world, by creating close relationships with major mass retailers. We are also strengthening our sales structures in emerging markets that show marked growth.

PHILIPS
MAGNAVOX
Emerson
FUNAI
DX BROADTEC

Disclaimer regarding Forward-looking Statements

This report contains forward-looking statements regarding business indices, strategies and performance representing the expectations and judgments of the management, based on information available to the Company and publishable at the time this report was prepared. When reading this report, please understand that forward-looking statements involve potential risks and uncertainties; actual future business performance and forecasts may therefore differ materially from those contained in these statements, given the possible emergence of new factors or changes in economic circumstances and/or the business environment.

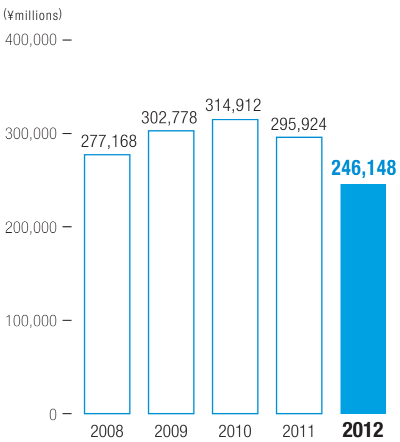
Financial Highlights

(Years ended March 31)

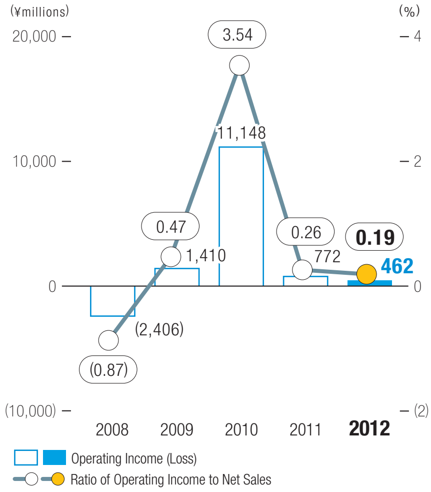
	2003	2004	2005	2006
	Millions of yen			
Net Sales	331,463	342,133	383,034	360,885
Operating Income (Loss)	35,121	36,534	33,348	23,305
Net Income (Loss)	19,296	26,280	25,723	21,596
Comprehensive Income (Loss)	–	–	–	–
Depreciation Expense	7,367	5,626	6,676	7,097
Capital Investment	6,375	7,577	15,227	3,758
Total Equity	128,648	149,748	174,044	197,871
Total Assets	196,866	223,191	255,326	288,524
Shareholders' Equity	128,648	149,748	174,044	197,871
Shareholders' Equity per Share (¥)	3,644.70	4,244.78	4,919.43	5,752.92
Net Income (Loss) per Share (¥)	540.59	744.13	719.61	620.02
Diluted Net Income per Share (¥)	538.65	741.52	716.95	619.08
Ratio of Operating Income to Net Sales	10.60%	10.68%	8.71%	6.46%
Shareholders' Equity Ratio	65.35%	67.09%	68.17%	68.58%
Return on Equity	15.25%	18.88%	15.89%	11.61%
Price Earnings Ratio (times)	23.97	20.29	18.37	18.77
Net Cash Provided by (Used in) Operating Activities	37,946	36,538	22,019	(14,195)
Net Cash Provided by (Used in) Investing Activities	(10,531)	(9,497)	(32,508)	(47,611)
Net Cash Provided by (Used in) Financing Activities	(14,234)	1,727	(420)	9,204
Cash and Cash Equivalents, End of Year	91,998	113,606	101,156	58,588
Number of Total Employees	3,572	3,899	3,882	4,025

Note 1: The exchange rate of ¥82.00=U.S.$1.00 (as of March 31, 2012 in the Tokyo foreign exchange market) is used for the above calculations.
Note 2: The figure for number of total employees does not include those employees of consignment production plant located in China.

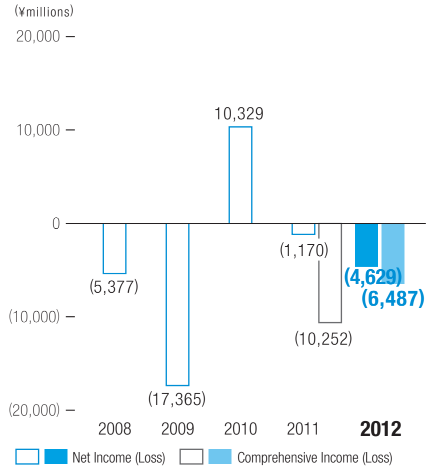
Net Sales



Operating Income (Loss)
Ratio of Operating Income to Net Sales



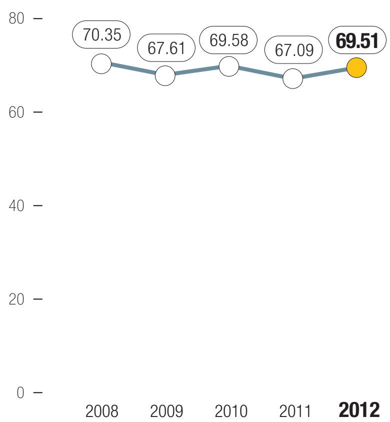
Net Income (Loss)
Comprehensive Income (Loss)



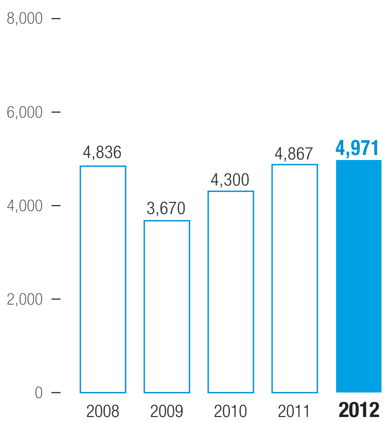
(Years ended March 31)

Millions of yen						Thousands of U.S. dollars
2007	2008	2009	2010	2011	2012	*2012*
396,712	277,168	302,778	314,912	295,924	**246,148**	***3,001,805***
20,766	(2,406)	1,410	11,148	772	**462**	***5,634***
(3,666)	(5,377)	(17,365)	10,329	(1,170)	**(4,629)**	***(56,451)***
–	–	–	–	(10,252)	**(6,487)**	***(79,110)***
7,178	4,836	3,670	4,300	4,867	**4,971**	***60,622***
5,485	4,980	5,013	4,310	6,062	**3,932**	***47,951***
187,362	158,356	135,596	142,780	131,229	**123,844**	***1,510,293***
272,811	224,415	199,883	204,058	193,910	**176,607**	***2,153,744***
186,981	157,871	135,135	141,992	130,088	**122,762**	***1,497,098***
5,484.38	4,630.58	3,963.72	4,164.86	3,813.57	**3,598.03**	***43.88***
(107.01)	(157.71)	(509.33)	302.97	(34.31)	**(135.69)**	***(1.65)***
–	–	–	300.77	–	**–**	–
5.23%	(0.87%)	0.47%	3.54%	0.26%	**0.19%**	–
68.54%	70.35%	67.61%	69.58%	67.09%	**69.51%**	–
(1.90%)	(3.11%)	(11.85%)	7.45%	(0.86%)	**(3.66%)**	–
–	–	–	13.00	–	**–**	–
46,508	(13,714)	(729)	3,640	(5,166)	**16,416**	***200,195***
3,039	(9,476)	(10,795)	(2,714)	4,071	**(6,435)**	***(78,475)***
(26,564)	(8,142)	(2,563)	(7,871)	2,466	**(6,717)**	***(81,915)***
83,321	57,100	40,180	34,063	33,745	**36,567**	***445,939***
3,319	2,628	2,590	2,553	2,861	**3,990**	–

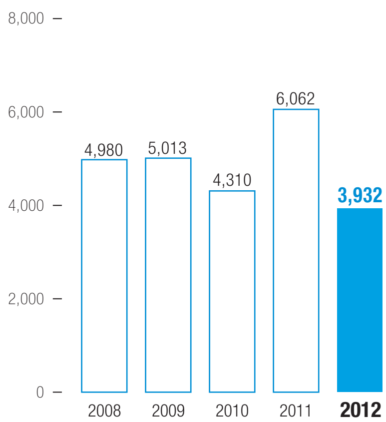
Shareholders' Equity Ratio



Depreciation Expense



Capital Investment



(Years ended March 31)

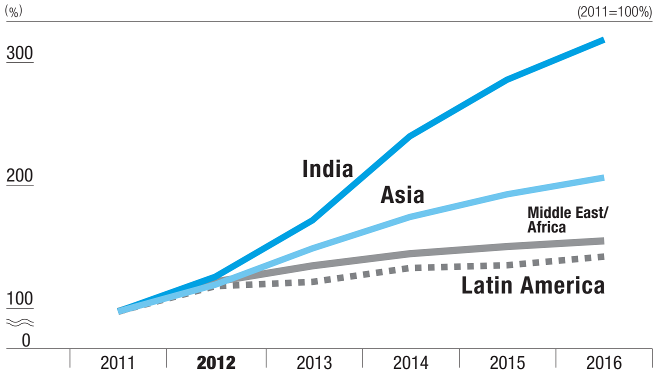
Realizing Funai's True Potential in the Growing Television Market

We Will Grow Sales by Being More Cost-Competitive

While the sales of LCD TVs in Japan in 2012 are expected to continue to be negatively impacted by the completion of the transition to digital terrestrial broadcasting, we are expecting a double-digit increase in global deliveries when including emerging markets. A particularly strong driving force in the emerging Asian and Latin American markets is the strong demand created by the replacement of CRT TVs with LCDs.

In an ever-growing global TV market, Funai will continue to improve upon the strengths we have cultivated to expand our LCD TV sales.

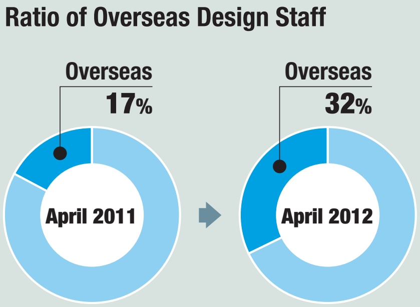
Projected LCD TV demand by region (growth rate)

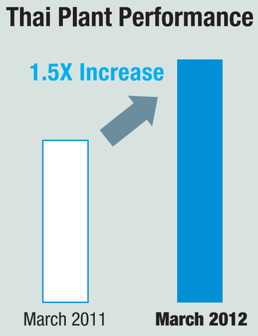


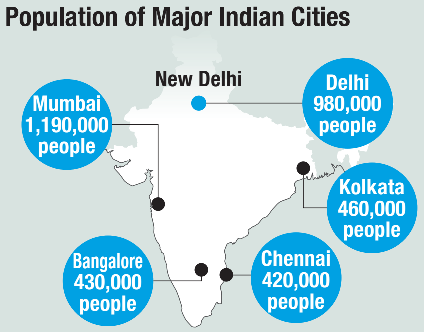
(Based on a survey by DisplaySearch)

Development and Design Base in Malaysia

Thai Plant Improves Capacity







Development and Design — Actively Moving Development and Design Work to Overseas Facilities

Funai is cutting the costs of design and development and increasing our cost competitiveness by shifting work previously conducted in Japan to overseas facilities. During the term under review, we established an audiovisual development design facility in Shenzhen, China, the second after our facility in Malaysia. Development of industrial TVs is already underway in Singapore.

We will continue to accelerate the shift of this work to overseas locations.

Production — Expanding Capacity at our Thai Plant to Meet Expanding Emerging Market Demand

Currently, 88% of the Funai Group's production is focused in China (including contracting), and among other reasons our enhancement of capacity at our Thai plant is intended to remedy this situation. We will construct a new building adjacent to our new plant in 2013 with the goal of doubling capacity.

Going forward, with this increased capacity we plan to take advantage of free trade agreements* and export products from Thailand to ASEAN countries and India.

* FTA: A free trade agreement is a treaty under which designated countries or regions seek to stimulate economic activity through such measures as eliminating customs duties and relaxing other regulations.

Sales — More Presence in Emerging Markets

We established a local subsidiary in Mumbai, India, in February 2012, expanding our sales presence in that emerging market. Sales will commence next term.

While sales in the OEM sector will begin in the next fiscal year, we also have relationships with several leading mass retailers in North America, and we will use that sales route to improve sales of Funai-brand products.

Improving Earnings by Strengthening and Expanding Existing Businesses while Developing New Fields and Markets

Tomonori Hayashi
President and CEO

Results for the Year Ended March 31, 2012

Sales and Profits were Hit Not Only by a Major Falloff in Information Equipment Sales and the Slump in Japan, but also by the Thailand Floods

Conditions were problematic in the consumer electronics market. Unexpectedly high yen appreciation and supply chain disruptions stemming from the Great East Japan Earthquake and flooding in Thailand depressed corporate results. Performance in Japan fell off in the wake of the home electronics eco-point system, and in Europe and the United States demand decreased for LCD TVs (one of Funai Electric's main production lines). Also, in emerging markets, a driver of growth, the rate of expansion leveled off.

As a result of the above factors, the Group posted net sales of ¥246.1 billion, a 16.8% decrease compared with the same period last year. On the profit front, operating income was ¥0.4 billion, down 40.2% year on year; ordinary income was ¥0.1 billion, down 86.5% year on year; and the net loss was ¥4.6 billion (the net loss for the same period last year was ¥1.1 billion).

Results during the term were deeply impacted by the loss of the special stimulus afforded by the transition to digital terrestrial broadcasting described above. Also, although our plants suffered no direct damage in the Thailand floods, I believe the impact of the shortages of some parts caused us to miss a great opportunity to produce and sell DVD-related equipment. A drop in orders for inkjet printers from OEM customers also had an impact on our information equipment sector.

We deeply regret the posting of losses for the second year in a row due to the aforementioned matters, as well as worsening extraordinary losses and costs resulting from corrective action taken under the Anti-Tax Haven Law. We deeply apologize to our stakeholders for having failed to meet their expectations.

Still, we are beginning to see steady results from the initiatives we have been executing since last year. By strengthening PSI* Management in the audiovisual equipment sector, we have been able to make broad year-on-year improvements in inventory levels for LCD TVs and the LCD panels that are their primary component. This will contribute to future profitability.

* PSI stands for "Purchase, Sales and Inventory"

Strategy

The Funai Group's strategy for growth rests on three pillars: focus on speed; superior quality and price competitiveness; improved sales and a return to profitability by making products that sell.

Expanding and Strengthening Existing Businesses by Increasing Capacity at our Thai Plant and Building Stronger Relationships with OEM Customers

The first step in our growth strategy is expanding and strengthening existing businesses.

TOPICS

Commencing New Business in the Environmental Energy Sector

Manufacture and Sale of LED Lighting in China

Funai has decided to enter the LED lightning market, which is slated for future expansion due to its products' long life and power efficiency. This type of lighting is also expected to contribute to the preservation of the environment.

To jump start its participation in this business, Funai established joint venture companies with CMET to manufacture and sell LED lighting. In doing so, Funai is establishing networks to manufacture and sell industrial LED lighting in China.

LED MR16 Spotlight

LED Tunnel Light

We are improving LCD TV profit margins through inventory optimization and expanding sales by increasing SKUs* in North America.

We have also extended our brand licensing agreement with Philips through December 2015, and will continue bolstering sales of PHILIPS-brand products. We will seek to relieve our production dependence on China and support our entry into the Indian market by improving capacity at our Thailand plant. We are continuing to look at other possible locations for production facilities.

In the DVD-related equipment sector, we are strengthening relationships with Blu-ray Disc recorder OEM clients, as well as gaining profits from the remaining VHS-capable equipment.

Our information equipment sector activities include OEM production of commercial laser printers.

*SKU: Abbreviation for stock-keeping unit, which indicates a classic, standard unit.

Establishing a Sales Subsidiary in India Active Participation in Emerging Markets

Next, we are making forays into new markets. Expanding sales in this way helps avoid the current risk of leaning too heavily on the U.S. market, while also leveling production and sales so as to reduce seasonal impact. We established a local subsidiary in Mumbai, India, in February 2012, and sales will commence next term.

Going forward, we expect to increase sales in Latin America, including Mexico. We also plan to enter emerging markets which are rapidly growing, such as the ASEAN countries and the Near and Middle East regions. Conversely, we have made the comprehensive decision to revise our position that prioritized cultivation of the Brazilian market.

We will forego this development for the time being.

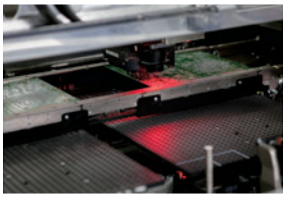
Focusing on Environmental Energy, Networks, and Device Modules over the Medium to Long-Term

Our third step is to develop new businesses. We consider environmental energy, networks, and device modules to be three areas that can support future growth.

In the environmental energy sector, we have entered the LED lighting market in China. We expect to commence full-fledged production and sales activities in the upcoming fiscal year, and will work to develop cost-competitive products.

In the network sector, we are developing tablet manufacturing as an OEM business, and in the field of device modules we are developing products that apply MEMS* technology.

*MEMS: Micro-Electro-Mechanical Systems



TOPICS

Strengthening Our Patent Portfolio in the Audiovisual Equipment Sector

Funai Acquires Portfolio of 360 Patents from IPG

To strengthen our patent portfolio and enable us to respond to competitors' patent claims, we acquired a portfolio of patents related to TVs, decoders and display devices from IPG Electronics 503 Ltd.

The 360 patents purchased include 180 U.S. patents and 180 from other countries. These patents can be used for products such as TVs, set-top boxes and DVRs*.The patents will provide additional IP support for Funai's television and related businesses.

*Digital video recorder (DVR): A generic term for such products as hard disk recorders

Outlook for the Year Ending March 31, 2013

Laying the Groundwork for Rapid Future Growth
Aiming for Profits in the Television Business

For the fiscal year ending March 31, 2013, the Funai Group expects circumstances to remain difficult with many uncertain factors in our operating environment. Nonetheless, we will make a concerted effort to improve profits based on the growth strategy described above.

Through the steady implementation of the above-mentioned strategies, we plan to minimize the time lags between product planning, development, material procurement, production and sales, enabling us to provide products in a timely manner that meet market needs precisely. We are enhancing our PSI management, and will continue to make our product pricing more competitive through redesigns and by restructuring our component sourcing system with a view on recovering profitability in the television business.

In light of the above initiatives, for the next fiscal year we forecast consolidated net sales of ¥229 billion (down 7% from the previous year) and operating income of ¥4 billion (up 766.7% from the previous year). This forecast assumes an exchange rate of US$1= ¥80.

About Dividends

Annual Dividend of ¥50 to Recognize Funai's 50th Anniversary

The Funai Electric Group is aware that providing returns to shareholders is one of the most important issues that management faces. With this in mind, the Group's basic policy on profit distribution is to maintain a stable dividend level while ensuring the operating base of the Group is continually strengthened. The basic measurement used to track the policy is the dividend-to-consolidated net assets ratio, with the current target figure being set at 1.0%. Based on this target, the Group plans to implement a stable dividend policy while taking into consideration the operating environment facing the business.

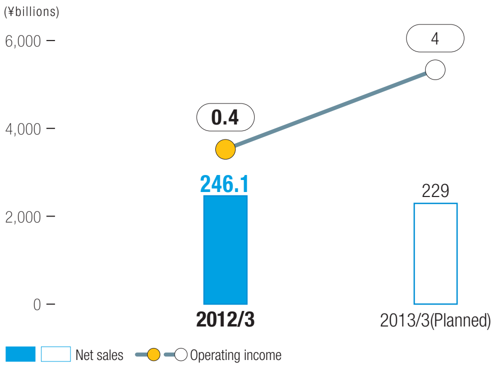
Based upon the aforementioned policy, we are adding ¥10 to last year's year-end dividend of ¥40 in recognition of the 50th anniversary since the founding of Funai, bringing the total dividend for the fiscal year ended March 2012 to ¥50 per share. While no change to our dividend policy is planned for the next fiscal year, the recent fluctuations in the foreign exchange markets are having a large impact on consolidated net assets, so the forthcoming dividend will be announced when possible.

We look forward to receiving your continued understanding and support as we implement our strategies in the future.

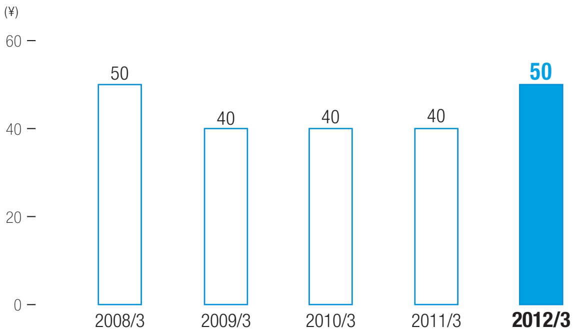
Tomonori Hayashi
President and CEO




Next year's plan

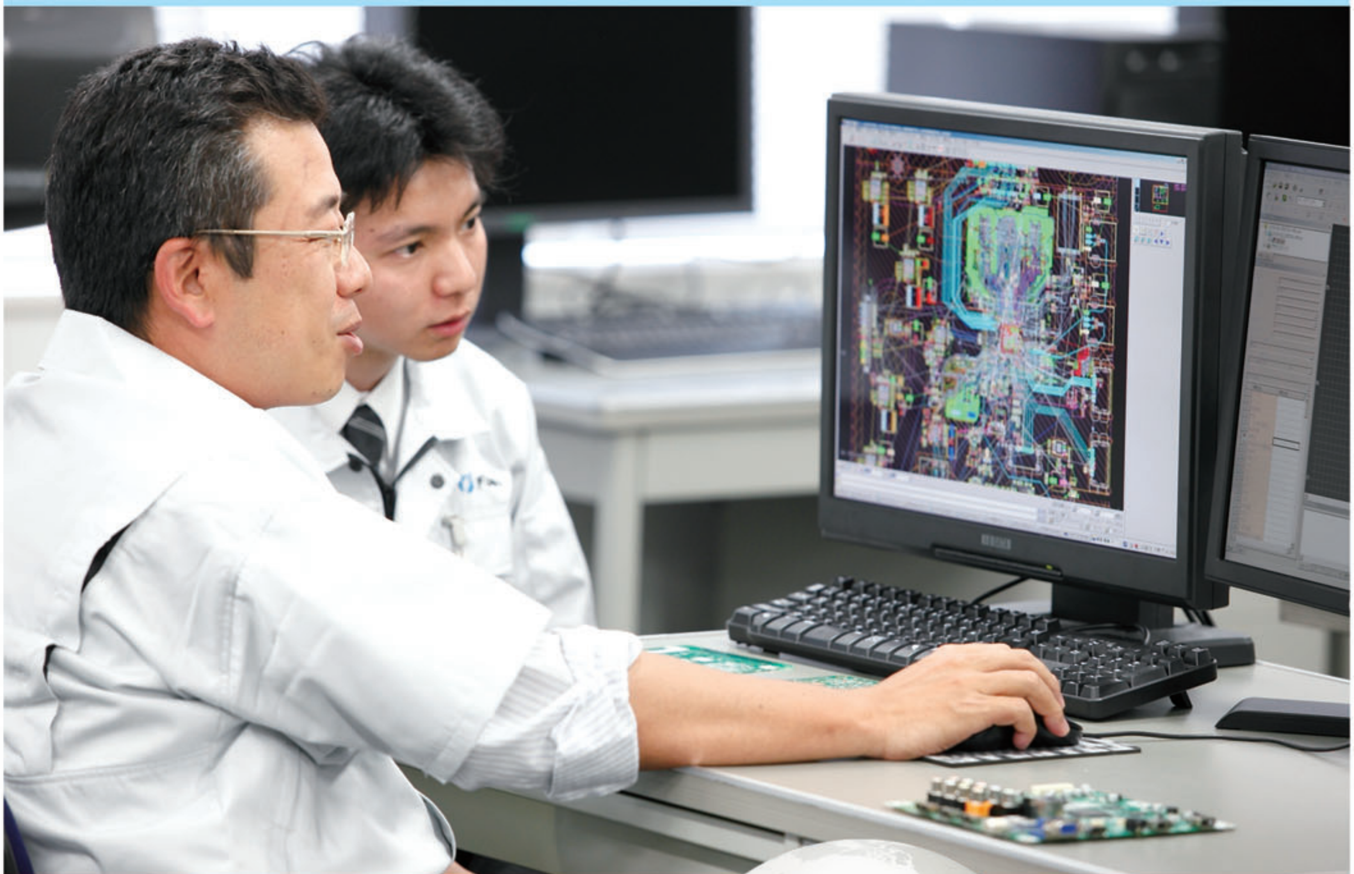


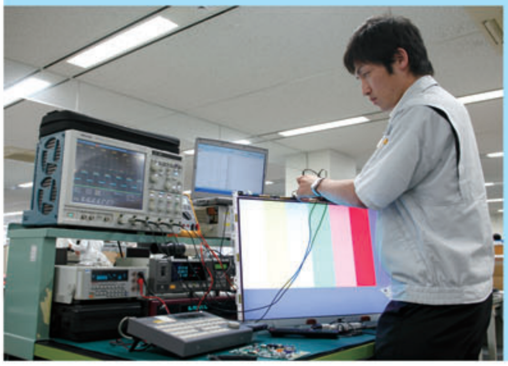
Per-share dividend



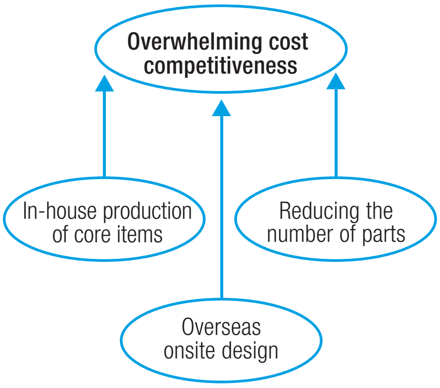
Research & Development

We aim for continuous review and improved production of our main product designs. We also attempt to create profits from intellectual properties by promoting technological development as the source of new growth potential.





Striving to Achieve Overwhelming Cost Competitiveness



Leveraging Three Design Strengths

We are working to improve productivity and cut costs by promoting in-house production of core items and reducing the number of parts at the design stage. As a result of these efforts, in 2011 we succeeded in reducing the number of parts in 32-inch LCD TVs by 40%* compared to previous models. We are also achieving cost reductions as a result of shifting design responsibilities from Japan to our R&D facilities in such locations as Malaysia, China (Shenzhen) and Singapore.

* Based on a comparison of 2010 CCFL and 2011 LED models

Major Improvements to Productivity Result from Review of LCD TV Design

Traditionally, labor costs had been cheap in China, and even if there were many processes involved in manufacturing there, parts were cheap. This was the thinking when it came to LCD TV design, but each year, labor costs in China continue to rise, and our thinking has changed. Our strategy has shifted to one focused on automation rather than human hands, to raising productivity and lowering costs.

Intellectual Property Strategy

Protect Proprietary Technology and Products, Generate Profit from Intellectual Properties

As the amount of digital technology used in consumer electronics increases, protecting our proprietary technology and creating new technology with appeal to other companies has become significantly more important. As a result, we are conducting strategic patent filings based on a policy of protecting Funai products with our own patents, which results in more effective and efficient patent creation and acquisition.

Formulating Optimal Strategies for Traditional Main Products and New Areas

The competition for our main LCD TVs and DVD and Blu-ray Disc-related products, major global electronics manufacturers, have an advantage regarding the development of core technologies. Because of this, Funai Electric is engaged in building a portfolio focused on related technologies to enhance the value of existing products.

At the same time, we are also standing at the same starting line as the major manufacturers when it comes to the cultivation of new areas. We promote the aggressive development of core technologies in new areas in pursuit of a robust portfolio that meets or exceeds that of other companies.

Looking ahead, we will focus on generating profits by providing our patented content to other companies and promoting a sound intellectual property strategy.

Sowing Seeds for Future Growth

FUNAI ELECTRIC ADVANCED APPLIED TECHNOLOGY RESEARCH INSTITUTE INC.

The R&D Division promotes technical development involving the services and software that will be required during the era of cloud services and full-fledged broadband environments. We are also working on “ultra AV home electronics,” which feature superior human interfaces.

Human Interface

We believe that more complex functionality and improvements in devices, software and cloud systems will lead to simpler operability. Accordingly, we are concentrating on the development of human interfaces that people will find more enjoyable and intuitive.

Eco-Energy

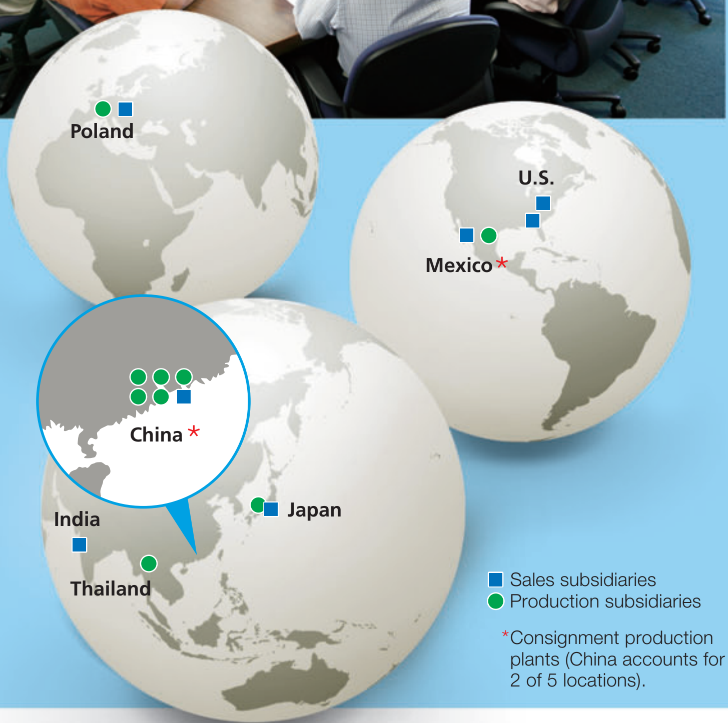
For many years, Funai has pursued the development of power-saving, environmentally conscious products. LED lighting equipment marks our first step into the eco/energy field, an area in which we are continuing to conduct basic technological research and striving to make contributions to the future.

Advanced Technology Development

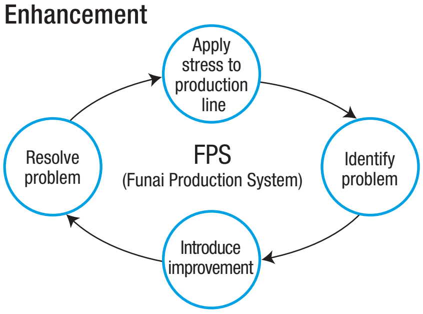
The Funai Electric Advanced Applied Technology Research Institute, which focuses on nanotechnology applications, is actively developing basic devices for new growth markets such as the eco/energy field, in addition to strengthening our mainstay AV equipment-related business and pursuing developments to enhance our intellectual property.

Production & Sales

The Funai Production System (FPS) proprietary manufacturing system creates the world's most price-competitive products, which are provided through a diverse array of global brands.



The FPS: Continuous Productivity Enhancement




Thai plant

Top 5 Companies by share of shipments in North America (Based on a 2011 survey by DisplaySearch)

Ranking	Company	Share (%)
1	A	19.6
2	B	13.8
3	**FUNAI**	**12.7**
4	C	10.3
5	D	7.5

Production

The Funai Production System (FPS) is the Realization of Global Top Class Price-Competitiveness

We make continual efforts to improve productivity to provide high-quality, user-friendly products at a reasonable price. The focal point of these efforts is the Funai Production System (FPS) proprietary manufacturing system.

This system creates stresses on the production line, such as by reducing the number of operators or increasing the speed of the conveyor belt, until conditions are created resulting in the stoppage of the production line. The FPS creates these conditions in order to analyze what causes the line to stop, then improves on those conditions that caused the failure.

Optimizing Production Facility Locations to Further Improve Cost Competitiveness

Along with FPS, the source of Funai Electric's cost competitiveness is optimized production facility locations.

Funai Electric concentrates its production facilities in the most appropriate locations and enhances cost competitiveness by purchasing parts in bulk. In particular, our production facilities are concentrated in the Asian region, where we have the ability to competitively procure raw materials and parts as well as secure a low-cost, high-quality labor force. Due to the recent labor shortages and wage increases in China, we have augmented our Thai plant and are considering establishing new plants in other locations.

Sales

Developing a Variety of Brands with High Recognition in North America

In North America, the world's largest market and Funai's area of primary focus, our audiovisual brands PHILIPS, MAGNAVOX and Emerson enjoy high name recognition. And, we maintain a top-class share in this market through the creation of close relationships with leading mass retailers such as Walmart.

In the giant European market, comparable to North America, we have facilities in Hamburg, Paris and Warsaw, where we develop FUNAI brand LCD TVs and DVD and Blu-ray Disc-related products. We also make an effort to build strong relationships with leading mass retailers in each country.

In Japan, the DX BROADTEC brand sells LCD TVs and DVD and Blu-ray Disc-related products.

Cultivating Emerging Markets

Economic and population growth in BRICs and other emerging markets is increasing at a rapid pace, fueling expectations over increased audiovisual demand in these promising markets.

Recognizing the importance of these markets, in 2012 Funai established a local subsidiary in Mumbai, India, which is commencing sales.

Going forward, we expect to increase sales in Latin America, including Mexico. We also plan to enter emerging markets that are rapidly growing, such as the ASEAN countries and the Near and Middle East regions.

North America

We develop LCD TVs and DVD and Blu-ray Disc-related products for the PHILIPS, MAGNAVOX and Emerson brands, which are sold at Walmart, Target, Kmart, Sears and other leading mass retailers.

PHILIPS MAGNAVOX Emerson

Europe

The FUNAI brand sells LCD TVs and DVD and Blu-ray Disc-related products.

FUNAI

Japan

The DX BROADTEC brand sells LCD TVs and DVD and Blu-ray Disc-related products.

The DX ANTENNA brand sells receiver-related electronics.

DX BROADTEC DX ANTENNA

India

Selling Funai brand LCD TVs

FUNAI

Latin America

Selling PHILIPS brand LCD TVs and DVD and Blu-ray Disc-related products.

PHILIPS

Corporate Governance

Corporate Governance Policies and Organization

The Funai Electric Group's basic philosophy on corporate governance is to continuously increase the value of the corporation by being transparent to all stakeholders, both internal and external, ranging from shareholders and consumers, vendors, local communities and employees; ensuring the soundness and efficiency of management and responding to changing operating environments through quick decision-making capabilities.

Based on this philosophy, the Group adopted an executive officer system in 2002, and subsequently transitioned into a "Company with Committees" system in June 2005, with both moves aimed at separating the management and execution functions of its operations. However, with the aim of nurturing internal management for the future of the Company and to strengthen the management structure, a resolution to change the organizational structure of the Group to a "Company with a Board of Corporate Auditors" was passed at the Annual General Shareholders' Meeting on June 22, 2010.

We formulated the Funai Group Code of Conduct, which regulates the conduct of all members of the Funai Group. In March 2012, we established the Funai Group Procurement Policy, which is based upon the Code of Conduct, so as to strengthen our corporate social responsibility (CSR) structure. We have also formulated compliance rules as part of an active campaign for more thorough compliance.

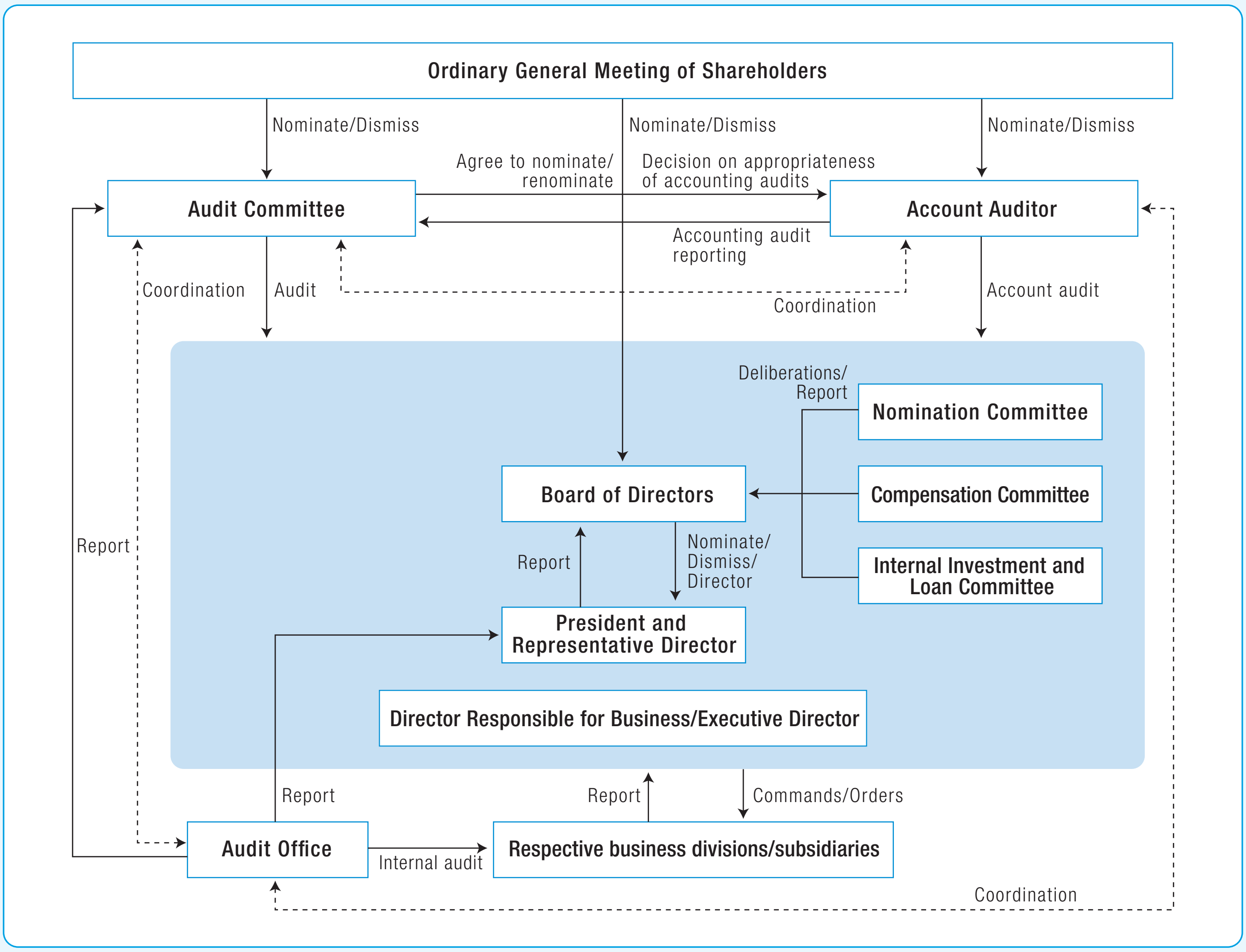
Board of Directors

The Funai Electric Group Board of Directors consists of nine directors, of whom two are highly independent outside directors. Internal directors are well-versed in Group business matters, enabling rapid decision-making. At the same time, soundness and transparency of operations is ensured through the independence of the outside directors.

As a general rule, scheduled Board of Directors meetings are held once every three months. When necessary, nonscheduled meetings are also held. Additionally, to ensure that this system remains flexible and clarifies the responsibilities of the Board of Directors, the director's term of office is one year.

Board of Corporate Auditors

The Board of Corporate Auditors consists of three corporate auditors, of whom two are highly independent outside auditors. No special financial relationship exists between these outside auditors and the Funai



Electric Group. Full-time Corporate Auditor Hiromu Ishizaki has sufficient knowledge of finance and accounting. As a rule, the Board of Corporate Auditors meets once each month.

Nomination Committee

An advisory body whose members are appointed by the Board of Directors to recommend candidates for the Board of Directors and other bodies, and ensure that the director nomination and other selection processes are transparent and objective.

Compensation Committee

Appointed and authorized by the Board of Directors to determine compensation for directors and executive officers and ensure that the compensation selection process is transparent and objective. Remuneration, etc. of corporate auditors is determined through consultation with the corporate auditors.

Internal Investment and Loan Committee

Appointed by the president to ensure transparency and objectivity with respect to the decision-making process regarding major investment and loan projects through council providing an individualized, companywide perspective.

Outside Director (Auditor) Support System

The administration department sends out reference materials to outside directors and corporate auditors ahead of scheduled Board of Directors and Board of Corporate Auditors meetings. In addition, meeting minutes and other necessary information are provided to outside directors and corporate auditors unable to attend meetings. Further, outside directors and corporate auditors are given the opportunity to meet regularly with the heads of various sections and view internal documents that contain important decision-making matters. In this manner, the system allows outside directors and corporate auditors to sufficiently exhibit their respective supervisory and audit functions. In addition, one employee has been assigned to assist the corporate auditors.

Internal Control System Enhancements

In accordance with resolutions passed by the Board of Directors, our internal control system will be enhanced to ensure appropriate business activities as follows.

Systems for Ensuring Director Execution of Business Duties is Compliant with the Law and Articles of Incorporation

The Funai Group Code of Conduct and Executive Compliance Regulations clarify proper conduct for directors and ensure their business duty execution is compliant with the law and articles of incorporation.

Systems for Managing and Storing Information Relating to Director Execution of Business of Duties

In accordance with the law and document management regulations, we conduct the appropriate management and storage of Board of Director's other important meeting minutes, key documents and other information necessary to ensure the appropriate execution of business duties.

Regulations Concerning Management of Exposure to the Risk of Loss and other Systems

We institute risk management regulations with regard to the management of exposure to the risk from loss. Each division and department shall manage risks to its operations and also take measures to manage those risks systematically.

Systems to Ensure that Directors Execute Business Duties Efficiently

We have implemented an executive officer system to promote quick and efficient decision-making in management, placing executive officers under the supervision of managing directors to ensure quick execution of business duties as determined by the managing director. To heighten transparency and strengthen the supervisory function, we also introduced outside directors.

Systems for Ensuring Employee Execution of Business Duties Complies with the Law and Articles of Incorporation

The Funai Group Code of Conduct and Executive Compliance Regulations clarify proper conduct for employees and ensure their business duty execution is compliant with the law and articles of incorporation. We also strive to strengthen our compliance structure with the establishment of an internal reporting system independent from normal lines of communication.

Systems to Ensure Appropriate Business Practices Across Entire Corporate Group

The Funai Group Code of Conduct establishes standards of conduct for all Group executives and employees. The Affiliate Management Regulations are intended to address important issues facing Group companies, while respecting the independence and clarifying the rights and responsibilities of those companies, to ensure appropriate business practices across the entire Group.

Matters Relating to Auditor Request for Employee Assistance with Execution of Business Duties

In the event auditors request employee assistance with execution of auditor business duties, upon deliberation of the Board of Corporate Auditors, the Office of Corporate Auditors shall assign an employee to assist the Board of Corporate Auditors.

Matters Relating to Independence from Director's Previous Employ

In the event the employee assigned to the Board of Corporate Auditors by the Office of Corporate Auditors in the previous matter is recalled, to ensure independence from the director, the Board of Corporate Auditors will respect the change of employees and/or change in personnel evaluations.

Systems for Directors and Employees to Report to Corporate Auditors

Corporate auditors attend Board of Directors and other important meetings, hear about the execution of executives' business duties from directors and view related documents.

Also, in accordance with the Regulations for Reporting to the Board of Corporate Auditors, directors, executive officers and employees report important matters that they determine have the potential to impact the ability to perform job duties to corporate auditors.

Other Systems to Ensure Corporate Auditors Conduct their Duties Effectively

To ensure corporate auditors conduct their duties effectively, corporate auditors maintain a close relationship with accounting auditors and regularly meet with the president to exchange opinions regarding risk and management policies.

System for Ensuring the Reliability of Financial Reports

The Funai Group has established the Basic Policy on Internal Controls on Financial Reporting so as to ensure the reliability of financial reports and for effective and appropriate disclosure of Internal Control Reports. The Internal Control Committee, which is chaired by the President and Chief Executive Officer, is established under this policy, to conduct continuous improvement, application and evaluation of the internal controls on financial reporting, and to implement corrective measures when necessary.

Corporate Social Responsibility (CSR)

We formulated the Funai Group Code of Conduct and the Environmental, Occupational Health and Safety Charter to contribute to the development of a sustainable society and comply with laws and regulations. The CSR structure was partially amended in March 2012 through the establishment of the Funai Group Procurement Guidelines.

In terms of environmental activities, we are making an effort to receive ISO 14001 certification at all our facilities outside Japan. We also aim to contribute to environmental protection activities through strict compliance Furthermore, in accordance with the Home Appliance Recycling Law, we have increased the ratio of recyclable materials in our products.

We engage in Green Procurement, which uses fewer materials and lessens the impact on the environment, and strive to reduce the amount of toxic substances in our products. In addition, we are moving forward with activities aimed at reducing the amount of waste generated from production, as well as the amount of energy consumed during production, in order to reduce our environmental impact.

We formulated compliance rules in an attempt to improve compliance awareness among all group employees. Funai Electric is aggressively engaged in initiatives to ensure improved product quality as well as higher health and safety standard for our employees. We promote obtaining certification of an international management system at all our facilities as well as those of our vendors around the world.

Given that the need for a system protecting transaction, trade, customer and stock information is increasingly critical, we also maintain an information security system.

In an effort to disclose what we determine to be material information to facilitate understanding of the Company in a fair and timely manner, we have a disclosure policy to provide shareholders and investors with standardized information in accordance with the Financial Instruments and Exchange Act and securities exchanges.

Funai Group Code of Conduct

All members of the Funai Group (hereinafter "We") pledge to make a sincere effort to observe the following code of conduct.

Senior management recognizes that it is their role to embody this code of conduct, and that they must take the initiative and set an example for others in the company to follow. In the event their conduct is in opposition to this code, it will be their responsibility to correct themselves publicly and ensure such conduct is never repeated.

1 We shall develop and provide products and services useful to society with sufficient consideration for the safety and privacy of personal and customer information, and strive to earn the trust and satisfy the needs of consumers and customers while ensuring the healthy development of society.

2 We shall engage in fair, transparent and free competition and transactions while maintaining a healthy and proper and relationship with politicians and political administrations.

3 We shall ensure management transparency and health through the timely, proactive and fair disclosure of Company information aimed at widening the communication channel with shareholders and greater society.

4 We shall maintain a safe and comfortable work environment where employee diversity, character and individuality are respected.

5 We shall respect fundamental human rights and do not engage in discriminatory actions or human rights violations. We do not sanction child labor or forced labor.

6 We shall voluntarily engage in initiatives aimed at mitigating environmental problems, which we see as common challenge facing all humanity, and recognize as a necessary activity of all corporations.

7 We shall aggressively promote social contribution activities as a good corporate citizen.

8 We shall firmly oppose anti-social forces or groups, block all ties with them and reject their undue claims.

9 We shall observe international law and local ordinances in terms of our international business activities, always respecting local cultures and customs to develop business efficiently.

June 22, 2012

Tomonori Hayashi President and CEO

Environmental and Occupational Health and Safety Charter

Basic Ideas

In keeping with our corporate commitment "to adopt continual product improvements, to continually promote ever deeper trust, and to seek further harmony and mutual prosperity," all employees of Funai pledge to remain aware of the need to protect the environment and to operate our business in an environment-friendly manner.

We shall provide our customers with simple, high-quality products and shall make an effort to use resources effectively, minimize waste, and reduce our environmental impacts. In short, we remain committed to contributing to a society that remains in harmony with nature.

We shall respect employee diversity, personality and individuality, and provide an environment that is safe and conducive to work.

Environmental Policies

1 We shall practice ethical management and comply with all laws and regulations.
2 We shall take the initiative in voluntarily eliminating the use of hazardous substances and shall offer environment-friendly products.
3 We shall establish goals for environmentally conscious design and shall offer environment-friendly products.
4 We shall implement initiatives to attain zero emissions.
5 We shall establish environmental goals, conduct periodic reviews, and implement continual improvements.
6 We shall provide all employees with environmental education and shall strive to adopt environmental improvements.

Occupational Health and Safety Policies

1 We shall practice ethical management and comply with all laws and regulations with respect to occupational health and safety.
2 We shall look into occupational health and safety risks in the workplace to prevent injury and illness to employees and visitors.
3 We shall make ongoing improvements to occupational health and safety management, while making an effort to improve occupational health and safety performance.

June 22, 2010
Tomonori Hayashi President and CEO

Funai Group Procurement Policy

Basic Policy

The Funai Group is responding to heightened societal demand for corporate social responsibility (CSR) by performing its daily business activities on the basis of the Funai Group Code of Conduct. We have established the basic policies described below with regard to our parts and materials procurement activities.

- Conform with laws, regulations and social norms, and pay attention to environmental preservation.
- Conduct fair and equitable transactions.
- Strive for mutual cooperation with business partners and build trust-based relationships.

Procurement Partner Selection Standards

In accordance with the above-mentioned basic policy, when selecting companies as procurement partners the Funai Group gives priority to those that satisfy the following conditions when commencing transactions.

1 Conformance with laws, regulations and social norms
2 Respect for human rights, occupational health and safety
3 Environmental consideration
4 Construction of systems to ensure excellent product quality
5 Provision of parts, materials and services that are priced appropriately and competitively
6 Construction of systems to ensure certain delivery dates and stable supply

CSR Procurement

From a CSR perspective, we ask our business partners to perform the following. We also ask our customers' business partners to understand the Funai Group Procurement Policy and to make requests that will promote these items.

1 Conformance with laws, regulations and social norms
2 Respect for human rights, occupational health and safety
3 Environmental consideration
4 Optimal product quality and cost assurance
5 Construction of systems to ensure certain delivery dates and stable supply
6 Technological improvement
7 Confidential information management
8 Cooperation in reporting and auditing

Third party certification acquisition status

Standard		Environmental management system ISO 14001	Quality management system ISO 9001	Occupational health and safety management system OHSAS 18001	Information security Management system ISO/IEC 27001:2005 JIS Q 27001:2006
Facility that has acquired certification	FUNAI ELECTRIC CO., LTD., and Group company facilities	HQ / FUNAI (THAILAND) CO., LTD. / FUNAI ELECTRIC EUROPE Sp.zo.o. / CHUGOKU FUNAI ELECTRIC CO., LTD. / Zhong Yue Funai Electron Co. / Zhong Shan Funai Electron Co. / FUNAI SERVICE CO., LTD. / DX ANTENNA CO., LTD.*	HQ / FUNAI (THAILAND) CO., LTD. / FUNAI ELECTRIC EUROPE Sp.zo.o. / CHUGOKU FUNAI ELECTRIC CO., LTD. / Zhong Yue Funai Electron Co. / Zhong Shan Funai Electron Co. / FUNAI SERVICE CO., LTD. / DX ANTENNA CO., LTD.*	HQ/ FUNAI ELECTRIC EUROPE Sp.zo.o. / Zhong Yue Funai Electron Co. / Zhong Shan Funai Electron Co.	Information System Department in HQ/ Personnel and Administration / Department in HQ / Business Administrative Department in HQ / Investor and Public Relations Department in HQ
	FUNAI ELECTRIC (H.K.), LTD. consignment production plants	DONG GUAN PLANT / HUANG JIANG PLANT	DONG GUAN PLANT / HUANG JIANG PLANT	—	—

*Only DX ANTENNA was certified by the JQA

Members of the Board and Corporate Auditors and Officers

Members of the Board

Tetsuro Funai ············ Chairman

Tomonori Hayashi ······ President and CEO

Toshio Otaku ············ Director and Senior Executive Officer

Yoshikazu Uemura ······ Director and Officer

Jyoji Okada ··············· Director and Officer

Hideaki Funakoshi ······ Director and Officer

Shigeki Saji ··············· Director and Officer

Mitsuo Yonemoto ······ Outside Director

Yoshiaki Bannai ········· Outside Director

Corporate Auditors

Hiromu Ishizaki ········· Full-time Corporate Auditor

Shinichi Komeda ········· Outside Corporate Auditor

Masahide Morimoto ··· Outside Corporate Auditor

Officers

Hideo Nakai ·············· Senior Officer

Susumu Nojii ············ Senior Officer

Hisao Tatsumi ··········· Senior Officer

Kazuo Uga ··············· Officer

Takeshi Ito ··············· Officer

Sei Kono ·················· Officer

Hirofumi Nagaoka ······ Officer

Management Policies

Basic management policy

Funai Electric's basic management policy is to pursue its business activities by building strong trust and seeking the mutual prosperity of all parties related to the Group, by creating the most efficient development, production and sales organization possible and by providing stable supplies of high-quality and reasonably priced products to global markets, based on a corporate creed of continual product improvements, promotion of deeper trust and further harmony and mutual prosperity.

Target management indicators

The Group prioritizes the operating margin as its Group management indicator, seeking to achieve an operating margin of at least 5% at all companies over the medium term.

Basic policy on the distribution of profits

The Group recognizes the return of earnings to shareholders as an important management issue, and considers its fundamental policy to be the maintenance of stable dividends while strengthening the Group's management base. The Group employs a proactive dividend policy that takes into consideration factors such as the operating environment and uses a dividend ratio of 1.0% of consolidated net assets as its standard. The Group plans to implement dividend payments as a year-end dividend (once a year).

Based on this policy, for the fiscal year ended March 31, 2012, the Group has announced a regular year-end dividend of ¥40 per share, as well as a ¥10 dividend in commemoration of the Company's 50th anniversary of establishment. As a result, total dividends amounted to ¥50 per share.

The Group's dividend for the upcoming fiscal year is undecided.

Medium- to long-term management strategies and issues to be addressed

The consumer electronics market is globalizing with unprecedented speed. Amid such changes as business restructuring efforts that transcend traditional business borders, increasing Internet use and a growing societal focus on environmental issues, leading companies are undergoing a process of selection and focus, posting net losses or near-losses on an annual basis as the industry undergoes major structural reforms.

Operating in this difficult environment, the Funai Group faces such issues as raising management speed while ensuring quality and price levels to predominate against rival firms and at the same time expanding sales and recovering profitability by offering products that will sell. We will also embark on the development of new businesses, centered on eco-products, which have a bright future.

Below are the issues we will address to enhance the corporate value of the Group, as well as specific initiatives for fiscal year.

Increasing net sales and returning to profitability

The Group has positioned the increase of net sales and improvement of earnings as its highest priority issue.

● Product strategy:

In the audiovisual equipment segment, revenues from sales of LCD TVs were down during the year. This stemmed from a sluggish Japanese market, reflecting a falloff in the wake of the home electronics eco-point system and a decrease following the transition to digital terrestrial broadcasting. Our inventory levels improved from the preceding fiscal year, as we maintained appropriate inventories of both products and LCD panels, a mainstay component. We are enhancing our purchasing, sales and inventory (PSI) management. We will continue to make our products more competitive pricewise through redesigns and by restructuring our component sourcing system, with a view to recovering profitability. In products related to Blu-ray Discs, sales of players dropped off owing to the growing popularity of video on demand (VOD), where content is distributed via the Internet, but sales of recorders rose, centered on provision in Japan under OEM agreements. Going forward, we aim to boost sales by further strengthening our relationships with OEM customers.

During the year, we extended our brand licensing agreements with Royal Philips Electronics through December 31, 2015, maintaining responsibility for the sourcing, distribution, marketing and sales activities of

Philips consumer televisions and video products in the United States, Canada, Mexico and select South American countries. We plan to increase sales by augmenting our lineup of Philips brand products.

In addition, during the fiscal year we purchased from IPG Electronics 503 Limited a portfolio of 360 patents applicable to its television and related businesses, augmenting our audiovisual equipment segment's patent portfolio. This acquisition should aid our efforts to respond to competitors' patent claims.

In the information equipment segment as well, orders of conventional products from OEM customers were down, lowering revenues during the fiscal year under review. In the future, we will strive to provide higher-value-added products to OEM customers by leveraging our base of expertise in mechatronics, as well as by commercializing printers developed in-house.

We have also embarked on the new business of providing LED lighting in the Chinese market. We expect to commence full-fledged production and sales activities in the upcoming fiscal year, and will work to develop cost-competitive products.

- **Market strategy:**

The Group faces the challenges of reducing the risk of overemphasizing the US market, smoothing production and sales throughout the year by mitigating the effects of seasonality and increasing sales. To address these issues, we are considering ways to develop our business in expansionary emerging markets in the ASEAN countries and Near and Middle East regions, as well as in our existing markets in Europe, Japan, Mexico and other Latin American countries. In February 2012, we established Funai India Private Limited in Mumbai, India, and we are now preparing to begin sales at this subsidiary in the upcoming fiscal year.

Conversely, we have made the comprehensive decision to revise our position that prioritized cultivation of the Brazilian market. We will forego this development for the time being.

Through the steady implementation of the above-mentioned strategies, we plan to minimize the time lags between product planning, development, material procurement, production and sales, enabling us to provide products in a timely manner that meet market needs precisely.

Reinforcing production and development systems

The Group's production structure is highly dependent on China, and we recognize this as a risk that must be mitigated. Accordingly, during the year we augmented FUNAI (THAILAND) CO., LTD. a production base that will become core to our provision of products in the Indian market. We also plan to continue looking into production in other regions.

To increase groupwide development efficiency, we moved forward with efforts to expand our development facilities in Asian countries, establishing a development facility in China during the year.

Training and appointment of human resources

The Group recognizes that improving employee capabilities and linking this progress to bolstering the Group's strength is critical to ensure that the Group maintains its lead in the era of global competition and successfully implements its medium- to long-term business strategy. Accordingly, our policy is to proactively train and assign employees, without regard to their age or position, and we are strengthening and expanding our internal and external training systems to this end.

Business Performance

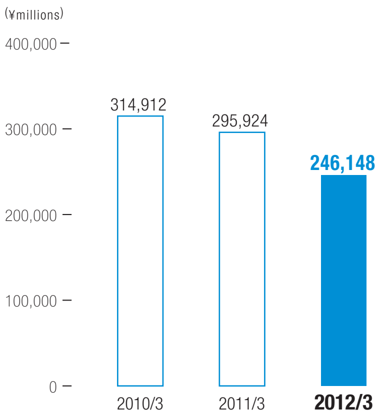
The year in review

During the fiscal year ended March 31, 2012, the economy of the United States, which is the Funai Group's principal market, was affected seriously in the first half by a sluggish housing market and a persistently high unemployment rate. In the second half, however, the job situation began to recover, centering on the private sector, and personal consumption showed signs of improvement. Meanwhile, uncertainty remains regarding the impact of rising gasoline prices on personal consumption and the effect of the European debt crisis on global economic conditions.

In the consumer electronics market, conditions were problematic. Unexpectedly high yen appreciation and supply chain disruptions stemming from the Great East Japan Earthquake and flooding in Thailand depressed corporate results. Performance in Japan fell off in the wake of the home electronics eco-point system, and in the mature markets of Europe and the United States demand decreased for LCD TVs (one of Funai Electric's main production lines). Also, in emerging markets, a driver of growth, the rate of expansion leveled off.

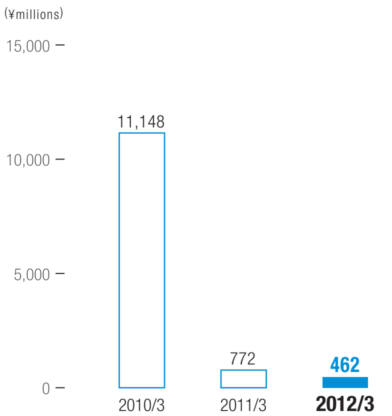
Net sales:

In the preceding fiscal year, net sales totaled ¥295,924 million. During the year under review, net sales decreased 16.8%, to ¥246,148 million.



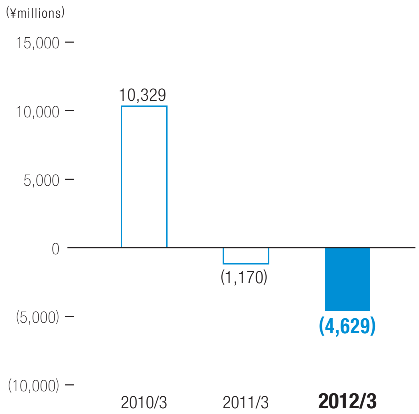
Operating income:

In the preceding fiscal year, operating income totaled ¥772 million. During the year under review, operating income decreased 40.2%, to ¥462 million.



Net income (loss):

The Group recorded a net loss of ¥4,629 million, compared with net loss of ¥1,170 million in the preceding fiscal year.



Performance by geographical area

North America:

Revenues from sales of our mainstay LCD TVs fell substantially in the first half, by sluggish market conditions and price drop. Revenues were up slightly in the second half of the year, however, owing to favorable results from key customers during year-end sales. Meanwhile, owing to the growing prevalence of Internet-based content distribution through video on demand (VOD), which caused demand for DVD and Blu-ray Disc players to decline. Furthermore, reduced orders for printers prompted a major falloff in sales of information equipment. As a result, net sales declined 13.9% year on year, to ¥134,112 million.

Europe:

Sales of DVD-related products increased, but sales of information equipment dropped, and revenues fell due to the effects of the weak market for LCD TVs. As a result, net sales decreased 47.2% year on year, to ¥12,592 million.

Asia and others:

In Asia, the Group posted net sales of ¥9,290 million, up 9.2% from the preceding fiscal year. In other markets, net sales amounted to ¥8,863 million, down 35.0% from the preceding fiscal year.

Japan:

Sales of Blu-ray Disc recorders were favorable in the first half. In the second half, however, supply chain disruptions stemming from the flooding in Thailand resulted in component supply shortage, affecting sales. Also, sales of LCD TVs and antennas and related devices declined, owing to a drop in the wake of the home electronics eco-point system and a decrease following the transition to digital terrestrial broadcasting. As a result, net sales decreased 13.7% year on year, to ¥81,291 million.

Sales by product category

Audiovisual equipment:

In the audiovisual equipment segment, revenues from sales in Japan of LCD TVs were down substantially, owing to the falloff in the wake of the home electronics eco-point system and a decrease following the transition to digital terrestrial broadcasting. In DVD-related products as well, although revenues from sales of Blu-ray Disc recorders were up, revenues from sales of DVD players and Blu-ray Disc players declined year on year. As a result, net sales of this equipment decreased 7.6% year on year, to ¥183,507 million.

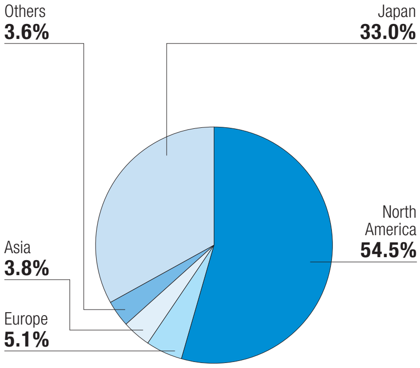
Information equipment:

In the information equipment segment, decreases in orders for printers resulted in net sales of this equipment decreased 46.8% year on year, to ¥30,014 million.

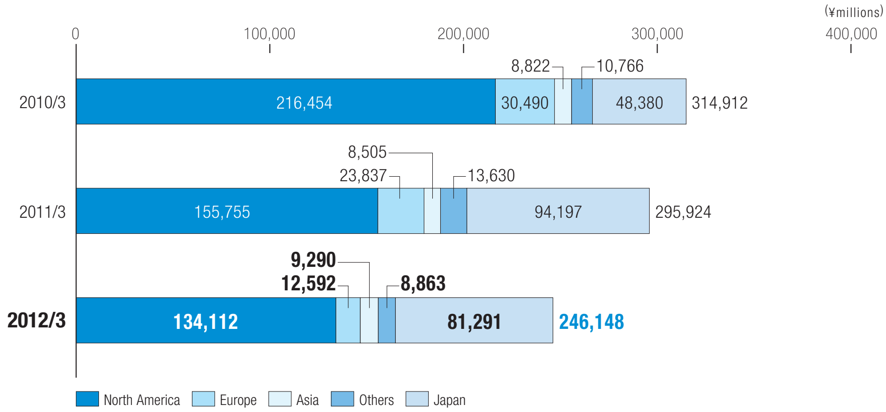
Others:

Sales of other products that are not included in the above categories amounted to ¥32,627 million, falling 20.3% year on year, as sales of antennas and related devices fell, reflecting a decrease following the transition to digital terrestrial broadcasting.

Sales composition by geographical area (Year ended March 31, 2012)



Sales by geographical area (Years ended March 31)



Financial condition

Current assets:

As of March 31, 2012, total current assets stood at ¥145,690 million, down ¥13,131 million from ¥158,821 million one year earlier.

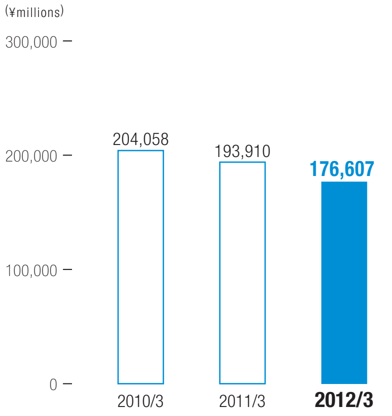
The primary reasons for this decline were a ¥4,071 million decrease in trade notes and accounts receivable, from ¥36,367 million to ¥32,296 million; an increase in available-for-sale securities owing to an addition of ¥4,500 million; and a ¥8,472 million decrease in raw materials and supplies, from ¥18,477 million to ¥10,005 million. Trade notes and accounts receivable were down as a result of lower sales. The increase in available-for-sale securities stemmed from an increase in bank holdings of negotiable securities for use in fund management. The main reason for the decrease in raw materials and supplies was a substantial improvement in inventories, as we succeeded in maintaining appropriate inventory levels.

Fixed assets:

Fixed assets totaled ¥30,917 million at year-end, falling ¥4,171 million from ¥35,089million one year earlier.

This decrease was largely attributable to a ¥1,626 million decrease in investment securities, from ¥6,268 million to ¥4,641 million, owing mainly to the sale of these securities.

Total assets



Current liabilities:

As of March 31, 2012, current liabilities amounted to ¥50,055 million, down ¥8,871 million from ¥58,926 million one year earlier.

Major factors included a ¥5,513 million decrease in short-term loans payable, from ¥10,096 million to ¥4,583 million. A return of bank borrowings employed as working capital was the principal reason.

Long-term liabilities:

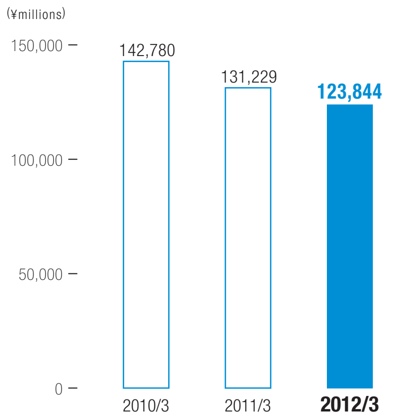
Long-term liabilities decreased ¥1,047 million during the year under review, from ¥3,755 million to ¥2,708 million. The main reason for this fall was a ¥484 million decrease in long-term accounts payable, included in the others line item, from ¥492 million to ¥8 million. This was attributable principally to a decrease in patent royalties payable.

Equity:

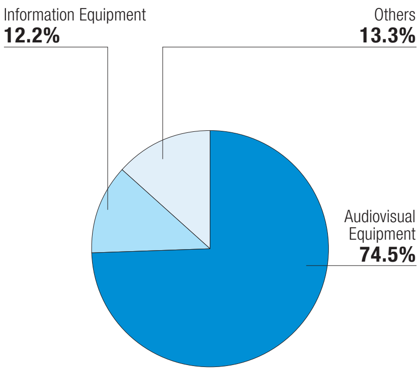
Total equity at the end of the fiscal year was down ¥7,384million from the end of the preceding term, from ¥131,229million to ¥123,844million.

Major factors included a ¥5,354 million decrease in retained earnings, from ¥116,739 million to ¥111,385 million, as well as foreign currency translation adjustments, which fell a further ¥1,431 million, from a negative ¥27,487 to a negative ¥28,918 million.

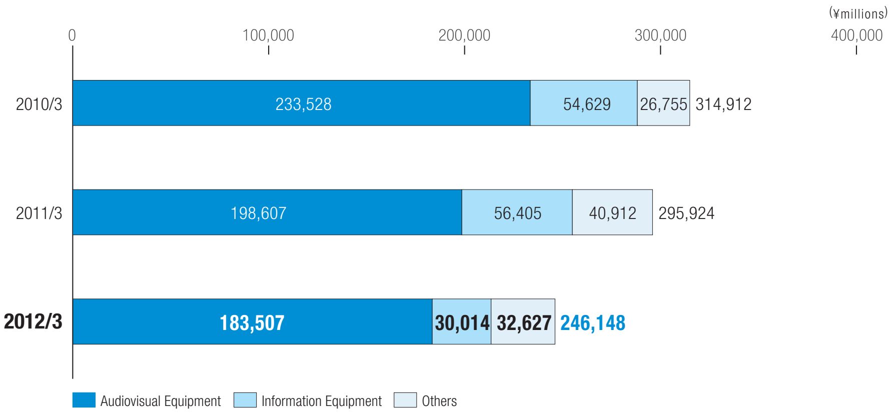
Total equity



Sales composition by product category (Year ended March 31, 2012)



Sales by product category (Years ended March 31)



Cash flows

Cash and cash equivalents amounted to ¥36,567 million as of March 31, 2012, up ¥2,822 million, or 8.4%, from one year previously. This rise stemmed from a decrease in inventories and receivables, as well as payments into time deposits.

Cash flows during the fiscal year under review and the factors behind these changes are described below.

● Cash flows from operating activities:

Net cash provided by operating activities came to ¥16,416 million, compared with ¥5,166 million used in these activities in the preceding fiscal year. Decreases in receivables and inventories were the primary factors.

● Cash flows from investing activities:

Net cash used in investing activities amounted to ¥6,435 million, whereas these activities provided ¥4,071 million in the previous term. The main reason was that payments into time deposits increased, although purchases of property, plant and equipment fell.

● Cash flows from financing activities:

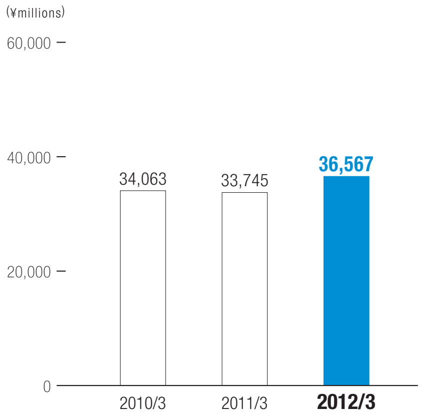
Net cash used in financing activities was ¥6,717 million, compared with ¥2,466 provided by these activities one year earlier. Primarily responsible was a decrease in short-term loans payable.

Capital investment:

During the fiscal year under review, Group capital investment totaled ¥3,932 million. Of this amount, investment in Japan totaled ¥865 million, in North America ¥19 million, in Asia ¥3,037 million and in Europe ¥8 million. This capital investment was mainly for the expansion of production facilities.

The Group did not dispose of or sell any major facilities during the year under review.

Cash and cash equvalents, end of yaer



Business Risk

Risks that may have a significant impact on the Group's financial situation and operating results are outlined below. Forward-looking statements in this text are based on decisions made by the Group as of June 22, 2012.

Funai Group management policy

The Group has adopted a policy of providing high-quality, low-cost products to consumers based upon optimized production and sales systems on a global scale. We manufacture and sell our principal products, such as audiovisual equipment (DVD-related products, LCD TVs, etc.) and information equipment (printers, etc.), in addition to other products (receiver-related electronics, etc.). Price competition in these product areas is intense. Additionally, the life cycle of digital products is short and the competition to develop new technologies and functions is also growing more severe. Accordingly, these factors may affect the Group's financial situation and operating results.

❶ Product cost and market prices

The Group's primary target is customers of mass merchandisers such as Walmart and therefore we must deliver low prices. Consequently, the Group is working to cut costs through measures such as establishing production systems in optimal locations, pursuing further application of the Funai Production System (FPS), the unique productivity improvement system developed by Funai, and utilizing internal production of parts and centralized purchasing.

However, competition in the home electronic appliance industry is intense and when the cost of parts and raw materials rise, cost pressures may affect the Group's financial situation and operating results regardless of the fact that we have implemented these measures.

❷ Product supply through OEM (producing partner brands)

As part of our effort to collaborate with distributors and electronic appliance manufacturers, particularly overseas, OEM accounted for 33.0% of the Group's production supply during the fiscal year under review.

While our OEM strategy is to efficiently increase our market share and improve productivity through mass production, entrusting the sales strategy to our partners may also result in unforeseen changes. Additionally, individual OEM contracts are relatively short in duration and Funai must be able to accurately respond to the needs of its partners. We must strengthen our OEM strategy and, at the same time, strengthen marketing in order to complement that strategy from a long-term perspective, and create a proposal-based sales strategy through the establishment of the Funai brand. The progress of these measures may affect the Group's financial situation and operating results.

❸ New technologies

As the number of digital products in the home electronic appliance industry increases and the needs of the market become more diverse, Funai must improve the quality, volume and speed of its new product development.

The Group must be able to respond to such issues and we will improve our technical capabilities, primarily in the digital product area, by collaborating with other companies, industry and academia, and through personnel training. We also will consider mergers and acquisitions among our options. However, a diversification of market needs or technological innovation beyond our expectations may affect the Group's financial situation and operating results.

❹ Defects relating to products and services

The Group efforts to increase quality are centered on the departments that are responsible for quality management and technologies. In addition, a service platform consisting of service companies in both domestic and international markets has been established. However, if there is a defect in a product that requires the Group to respond by repairing or replacing such product, the impact of the warranty and/or the resultant decrease in corporate reputation may have negative implications for the Group's financial situation and operating results.

❺ Intellectual property rights

Recent years have seen an increase in activity by so-called "patent trolls." These are entities that sell no products of their own, but that attempt to generate income from patent royalties by filing lawsuits using intellectual property rights acquired from third parties. This is a worrisome trend for all companies involved in manufacturing and sales. In the United States, legislation to limit trolls' activities has been submitted and is under deliberation. However, as a result of this trend we could be compelled to make high compensation payments that may affect the Group's financial situation and operating results.

Impact of overseas market trends

❶ Dependence on the North American market

A large portion of the Group's net sales originates in overseas markets. The North American market in particular accounted for 54.5% of net sales in the current consolidated fiscal year. Should the North American economy rapidly enter a recession, this may affect the Group's financial situation and operating results.

❷ Dependence on Chinese production

The Group is working to improve the cost competitiveness of its products by concentrating production in positive cost-benefit regions and purchasing parts in bulk. In the current consolidated fiscal year 98.4% of our products were produced overseas, with 87.6% produced under consignment fabrication and at our own plants in China. Changes in the Chinese government, the outbreak of conflict or natural disasters or other unforeseen circumstances may affect the Group's financial situation and operating results.

❸ Foreign currency risk
The Group selects production sites for its principal products after giving consideration to optimal production sites and sales systems.

DVD-related products, LCD TVs, and printers are produced in China, LCD TVs are produced in Poland, and LCD TVs are produced in Thailand.

Funai purchases products from overseas subsidiaries in these countries and sells them in overseas markets, particularly North America, either through Funai's overseas sales subsidiaries or through direct sales to OEM supply partners. Domestic sales are also conducted through direct sales and sales subsidiaries.

Purchases from overseas subsidiaries in these countries accounted for 85.9% of gross purchases during the current consolidated fiscal year. Likewise, overseas net sales accounted for 67.0% of net sales. The majority of our purchasing and sales are conducted in U.S. dollars. We believe this reduces the risks that accompany currency fluctuations.

However, it is impossible to completely eliminate foreign currency risk, and large currency fluctuations may affect the Group's financial situation and operating results.

Tax assessment based on the anti-tax haven system

Information concerning the supplementary tax assessment based on application of the anti-tax haven system for the current period is provided below. There is a possibility this assessment will affect the Group's financial situation and operating results if the assertions made by Funai are not recognized as a result of legal procedures.

❶ Funai received a rectification notices from the Osaka Regional Taxation Bureau on June 28, 2005, and June 16, 2008. The Bureau determined that Funai's Hong Kong subsidiary does not meet the requirements for exclusion under the anti-tax haven system and the Hong Kong subsidiary's income for the three fiscal years ended March 31, 2002 through 2004, and the three years from March 31, 2005 through 2007, will be considered, and taxed as, Funai's income. Funai objected to this supplementary tax assessment, and filed petitions seeking a review of the decision with the Osaka Regional Tax Tribunal on July 25, 2006, and August 6, 2008. On July 3, 2008, and July 23, 2009, we received written verdicts on this case from the Administrative Review Office of the Osaka Regional Taxation Bureau, which indicated that our assertions had been dismissed. On November 16, 2006 and November 14, 2008, the Company filed suits in the Osaka District Court to overturn the supplementary tax assessment orders, and a hearing for consolidation of those actions was filed on November 26, 2008. The court dismissed the claims of our Company on June 24, 2011. As the Company is unable to accept the Osaka District Court's judgment, we filed a notice of appeal at the Osaka Superior Court on July 7, 2011.

The additional taxes of ¥16,651 million (¥19,184 million including incidental taxes) and ¥15,038 million (¥16,838 million including incidental taxes) include corporate, enterprise and residence taxes. In accordance with the "Accounting Practices, Disclosure and Audit Treatment for Various Taxes" (Japanese Institute of Certified Public Accountants, Auditing and Assurance Practice Committee, Audit Committee Report No. 63) Funai charged the tax assessments to income as "prior year's taxes" in the fiscal year ended March 31, 2007, and the fiscal year ended March 31, 2009.

❷ Funai received a rectification notice from the Osaka Regional Taxation Bureau on June 29, 2011. The Bureau determined that Funai's Hong Kong subsidiary does not meet the requirements for exclusion under the anti-tax haven system and the Hong Kong subsidiary's income for the three fiscal years ended March 31, 2008 through 2010, will be considered, and taxed as Funai's income. Funai objected to these supplementary tax assessments, and filed a petition with the Osaka Regional Tax Tribunal on August 25, 2011, to overturn the supplementary tax assessment order.

The additional tax of ¥825 million (¥935 million including incidental taxes) includes corporate, enterprise and residence taxes. This amount is charged to income as "prior year's taxes" for the year under review.

Financial Section

Contents

Consolidated Balance Sheet

Funai Electric Co., Ltd. and Consolidated Subsidiaries
March 31, 2012

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	March 31,		March 31,
ASSETS	**2012**	2011	***2012***
CURRENT ASSETS:			
Cash and cash equivalents (Note 15)	**¥ 36,567**	¥ 33,745	***$ 445,939***
Time deposits (Note 15)	**36,079**	36,331	***439,988***
Receivables:			
Trade (Note 15)	**32,296**	36,367	***393,853***
Other	**1,418**	2,249	***17,292***
Allowance for doubtful accounts	**(120)**	(139)	***(1,463)***
Inventories (Note 3)	**33,963**	43,838	***414,183***
Deferred tax assets (Note 14)	**2,915**	3,722	***35,549***
Prepaid expenses and other current assets	**2,572**	2,708	***31,366***
Total current assets	**145,690**	158,821	***1,776,707***
PROPERTY, PLANT AND EQUIPMENT:			
Land (Note 4)	**5,171**	5,136	***63,061***
Buildings and structures (Note 4)	**12,742**	13,704	***155,390***
Machinery, equipment and other	**32,092**	50,207	***391,366***
Lease assets (Note 13)	**773**	651	***9,427***
Construction in progress	**80**	8	***976***
Total	**50,858**	69,706	***620,220***
Accumulated depreciation	**(36,073)**	(53,416)	***(439,915)***
Net property, plant and equipment	**14,785**	16,290	***180,305***
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5 and 15)	**2,330**	4,151	***28,415***
Investments in and advances to unconsolidated subsidiaries and associated companies	**2,440**	2,117	***29,756***
Patents	**3,813**	2,787	***46,500***
Long-term loans	**223**	363	***2,719***
Long-term prepaid expenses	**1,361**	2,477	***16,597***
Goodwill	**14**	34	***171***
Prepaid pension cost (Note 7)	**887**	1,262	***10,817***
Deferred tax assets (Note 14)	**3,662**	4,239	***44,659***
Other assets	**1,700**	1,722	***20,732***
Allowance for doubtful accounts	**(298)**	(353)	***(3,634)***
Total investments and other assets	**16,132**	18,799	***196,732***
TOTAL	**¥176,607**	¥193,910	***$2,153,744***

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	(Millions of yen) March 31, 2012	2011	(Thousands of U.S. dollars) (Note 1) March 31, 2012
CURRENT LIABILITIES:			
Short-term bank borrowings (Notes 6 and 15)	¥ 4,550	¥ 9,563	$ 55,488
Current portion of long-term debt (Notes 6, 13, and 15)	258	739	3,146
Payables:			
Trade (Note 15)	29,623	28,939	361,256
Other (Note 15)	11,158	12,556	136,073
Income taxes payable (Note 14)	326	2,072	3,976
Other current liabilities (Note 14)	4,140	5,057	50,488
Total current liabilities	50,055	58,926	610,427
LONG-TERM LIABILITIES:			
Long-term debt (Notes 6, 13, and 15)	281	402	3,427
Liability for retirement benefits (Note 7)	2,108	2,393	25,707
Long-term payables – other	8	492	97
Deferred tax liabilities (Note 14)	5	63	61
Other	306	405	3,732
Total long-term liabilities	2,708	3,755	33,024
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 8 and 13)			
EQUITY (Notes 9, 10, and 18):			
Common stock:			
Authorized, 80,000,000 shares; issued, 36,130,796 shares in 2012 and 36,123,596 shares in 2011	31,308	31,300	381,805
Capital surplus	33,272	33,265	405,756
Stock acquisition rights	107	88	1,305
Retained earnings	111,385	116,739	1,358,354
Treasury stock – at cost, 2,011,607 shares in 2012 and 2011	(24,341)	(24,341)	(296,841)
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	56	612	683
Foreign currency translation adjustments	(28,918)	(27,487)	(352,659)
Total	122,869	130,176	1,498,403
Minority interests	975	1,053	11,890
Total equity	123,844	131,229	1,510,293
TOTAL	¥176,607	¥193,910	$2,153,744

Consolidated Statement of Operations

Funai Electric Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2012

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	March 31,		March 31,
	2012	2011	***2012***
NET SALES	**¥246,148**	¥295,924	***$3,001,805***
COST OF SALES (Note 12)	**208,780**	255,615	***2,546,098***
Gross profit	**37,368**	40,309	***455,707***
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 11 and 12)	**36,906**	39,537	***450,073***
Operating income	**462**	772	***5,634***
OTHER INCOME (EXPENSES):			
Interest and dividend income	**335**	399	***4,085***
Interest expense	**(127)**	(133)	***(1,549)***
Foreign exchange (loss) gain – net	**(379)**	197	***(4,622)***
Equity in (losses) earnings of associates	**(28)**	28	***(341)***
(Loss) gain on sales of investment securities – net (Note 5)	**(311)**	283	***(3,793)***
Loss on investments in limited partnership – net	**(136)**	(35)	***(1,659)***
Loss on impairment of long-lived assets (Note 4)	**(397)**		***(4,841)***
Other – net	**20**	(58)	***244***
Other (expenses) income – net	**(1,023)**	681	***(12,476)***
NET (LOSS) INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**(561)**	1,453	***(6,842)***
INCOME TAXES (Note 14)**:**			
Current	**1,386**	1,642	***16,902***
Prior years	**935**		***11,402***
Deferred	**1,618**	634	***19,732***
Total income taxes	**3,939**	2,276	***48,036***
NET LOSS BEFORE MINORITY INTERESTS	**(4,500)**	(823)	***(54,878)***
MINORITY INTERESTS	**(129)**	(347)	***(1,573)***
NET LOSS	**¥ (4,629)**	¥ (1,170)	***$ (56,451)***

	(Yen)		(U.S. dollars)
PER SHARE OF COMMON STOCK (Notes 2.v and 17)**:**			
Basic net loss	**¥ (135.69)**	¥ (34.31)	***$ (1.65)***
Cash dividends applicable to the year	**50.00**	40.00	***0.61***

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Funai Electric Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2012

	(Millions of yen) Years ended March 31, 2012	(Millions of yen) Years ended March 31, 2011	(Thousands of U.S. dollars) (Note 1) Year ended March 31, 2012
NET LOSS BEFORE MINORITY INTERESTS	**¥(4,500)**	¥ (823)	***$(54,878)***
OTHER COMPREHENSIVE INCOME (LOSS) (Note 16)**:**			
Unrealized (loss) gain on available-for-sale securities	**(556)**	143	***(6,780)***
Foreign currency translation adjustments	**(1,418)**	(9,662)	***(17,293)***
Share of other comprehensive (loss) income in associates	**(13)**	90	***(159)***
Total other comprehensive loss	**(1,987)**	(9,429)	***(24,232)***
COMPREHENSIVE LOSS (Note 16)	**¥(6,487)**	¥(10,252)	***$(79,110)***
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of the parent	**¥(6,616)**	¥(10,578)	***$(80,683)***
Minority interests	**129**	326	***1,573***

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Funai Eiectric Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2012

	(Thousands)	(Millions of yen)					Accumulated Other Comprehensive Income (Loss)				
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-sale Securities	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2010	**34,093**	**¥31,280**	**¥33,245**	**¥ 62**	**¥119,273**	**¥(24,341)**	**¥471**	**¥(17,936)**	**¥142,054**	**¥726**	**¥142,780**
Net loss					(1,170)				(1,170)		(1,170)
Cash dividends, ¥40.00 per share					(1,364)				(1,364)		(1,364)
Purchase of treasury stock						(0)			(0)		(0)
Exercise of stock options	19	20	20						40		40
Net change in the year				26			141	(9,551)	(9,384)	327	(9,057)
BALANCE, MARCH 31, 2011	**34,112**	**31,300**	**33,265**	**88**	**116,739**	**(24,341)**	**612**	**(27,487)**	**130,176**	**1,053**	**131,229**
Net loss					**(4,629)**				**(4,629)**		**(4,629)**
Cash dividends, ¥40.00 per share					**(1,364)**				**(1,364)**		**(1,364)**
Adjustment of retained earnings due to change in scope of the consolidation					**639**				**639**		**639**
Exercise of stock options	**7**	**8**	**7**						**15**		**15**
Net change in the year				**19**			**(556)**	**(1,431)**	**(1,968)**	**(78)**	**(2,046)**
BALANCE, MARCH 31, 2012	**34,119**	**¥31,308**	**¥33,272**	**¥107**	**¥111,385**	**¥(24,341)**	**¥ 56**	**¥(28,918)**	**¥122,869**	**¥975**	**¥123,844**

	(Thousands of U.S. dollars) (Note.1)					*Accumulated Other Comprehensive Income (Loss)*				
	Common Stock	*Capital Surplus*	*Stock Acquisition Rights*	*Retained Earnings*	*Treasury Stock*	*Unrealized Gain (Loss) on Available-for-sale Securities*	*Foreign Currency Translation Adjustments*	*Total*	*Minority Interests*	*Total Equity*
BALANCE, MARCH 31, 2011	***$381,707***	***$405,671***	***$1,073***	***$1,423,646***	***$(296,841)***	***$7,463***	***$(335,207)***	***$1,587,512***	***$12,841***	***$1,600,353***
Net loss				***(56,451)***				***(56,451)***		***(56,451)***
Cash dividends, $0.49 per share				***(16,634)***				***(16,634)***		***(16,634)***
Adjustment of retained earnings due to change in scope of the consolidation				***7,793***				***7,793***		***7,793***
Exercise of stock options	***98***	***85***						***183***		***183***
Net change in the year			***232***			***(6,780)***	***(17,452)***	***(24,000)***	***(951)***	***(24,951)***
BALANCE, MARCH 31, 2012	***$381,805***	***$405,756***	***$1,305***	***$1,358,354***	***$(296,841)***	***$ 683***	***$(352,659)***	***$1,498,403***	***$11,890***	***$1,510,293***

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Funai Electric Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2012

	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
	Years ended March 31,		*Year ended March 31,*
	2012	2011	***2012***
OPERATING ACTIVITIES:			
Net (loss) income before income taxes and minority interests	**¥ (561)**	¥ 1,453	***$ (6,842)***
Adjustments for:			
Income taxes – paid	**(3,578)**	(2,970)	***(43,634)***
Prior years' income taxes – paid	**(935)**		***(11,402)***
Income taxes – refund	**1,353**	246	***16,500***
Depreciation and amortization	**6,548**	6,367	***79,854***
Gain on sale or disposal of property, plant and equipment	**(8)**	(1)	***(97)***
Loss on impairment of long-lived assets	**397**		***4,841***
Equity in losses (earnings) of associates	**28**	(28)	***341***
Loss (gain) on sales of investment securities – net	**311**	(283)	***3,793***
Changes in assets and liabilities:			
Decrease (increase) in trade receivable	**3,473**	(5,248)	***42,354***
Decrease (increase) in inventories	**9,098**	(8,950)	***110,951***
Increase in trade payable	**1,087**	2,289	***13,256***
Decrease in liability for employees' retirement benefits	**(316)**	(32)	***(3,854)***
Other – net	**(481)**	1,991	***(5,866)***
Total adjustments	**16,977**	(6,619)	***207,037***
Net cash provided by (used in) operating activities	**16,416**	(5,166)	***200,195***
INVESTING ACTIVITIES:			
Payments for time deposits	**(96,744)**	(71,744)	***(1,179,805)***
Proceeds from time deposits	**96,372**	82,008	***1,175,268***
Proceeds from sale of property, plant and equipment	**102**	44	***1,244***
Purchases of property, plant and equipment	**(3,608)**	(6,400)	***(44,000)***
Purchases of intangible assets	**(2,678)**	(235)	***(32,658)***
Proceeds from sales of investment securities	**486**	482	***5,927***
Purchases of investment securities	**(290)**	(139)	***(3,536)***
Payments for loans receivable	**(4)**	(3)	***(49)***
Proceeds from collection of loans receivable	**11**	45	***134***
Other – net	**(82)**	13	***(1,000)***
Net cash (used in) provided by investing activities	**(6,435)**	4,071	***(78,475)***
FINANCING ACTIVITIES:			
(Decrease) increase in short-term bank loans – net	**(5,068)**	4,496	***(61,805)***
Repayments of long-term debt	**(33)**	(533)	***(403)***
Purchase of treasury stock		(0)	
Dividends paid	**(1,364)**	(1,364)	***(16,634)***
Other – net	**(252)**	(133)	***(3,073)***
Net cash (used in) provided by financing activities	**(6,717)**	2,466	***(81,915)***
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**227**	(1,629)	***2,768***
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**3,491**	(258)	***42,573***
DECREASE IN CASH AND CASH EQUIVALENTS DUE TO EXCLUSION OF SUBSIDIARIES FROM CONSOLIDATION	**(669)**	(60)	***(8,158)***
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**33,745**	34,063	***411,524***
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥36,567**	¥33,745	***$445,939***

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Funai Electric Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2012

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2011 consolidated financial statements to conform to the classifications used in 2012.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Funai Electric Co., Ltd. (the "Company"), is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥82 to $1, the approximate rate of exchange at March 31, 2012. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements as of March 31, 2012 include the accounts of the Company and its 13 significant (14 in 2011) subsidiaries (together, the "Group". Funai Electric (Malaysia) Sdn. Bhd. is excluded from the scope of consolidation from fiscal year beginning on April 1, 2011 as its liquidation has been completed.

Under the control or influence concept, those companies where the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 1 (1 in 2011) unconsolidated subsidiary is accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes that (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements; (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process; (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; and (e) exclusion of minority interests from net income, if included in net income.

c. Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method—In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (1) amortization of goodwill; (2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; (3) expensing capitalized development costs of R&D; (4) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; and (5) exclusion of minority interests from net income, if included in net income.

d. Cash Equivalents—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificates of deposit, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

e. Allowance for Doubtful Accounts—The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

f. Inventories—Inventories of the Company and its consolidated domestic subsidiaries are mainly stated at the lower of cost, determined by the average method for finished products and work in process, and by the first-in, first-out method for raw materials, or net selling value.

Inventories of the consolidated foreign subsidiaries are mainly stated at the lower of cost, determined by the first-in, first-out method, or net selling value.

g. Investment Securities—Investment securities are classified and accounted for depending on management's intent. All investment securities are classified as available-for-sale securities.

Marketable available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

h. Property, Plant and Equipment—Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998, at rates based on the estimated useful lives of the assets. Depreciation of property, plant and equipment of consolidated foreign subsidiaries is principally computed by the straight-line method at rates based on the estimated useful lives of the assets. The range of useful lives is principally from 3 to 50 years for buildings and structures and from 1 to 20 years for machinery, equipment and other.

Lease assets are depreciated by the straight-line method over the respective lease periods.

i. Patents—Patents are carried at cost less accumulated amortization, which is computed by the straight-line method over the estimated useful lives.

j. Goodwil—Cost in excess of the net assets of subsidiaries acquired is amortized on a straight-line basis over 5 years.

k. Intangible Assets—Intangible assets are stated at cost. Amortization of intangible assets of the Company and its consolidated subsidiaries is computed by the straight-line method. Amortization of software for internal use is computed by the straight-line method based over the estimated useful life (5 years).

l. Long-Lived Assets—The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured at the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the sum of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

m. Retirement and Pension Plans—The Company and certain consolidated domestic subsidiaries have non-contributory funded defined benefit pension plans and unfunded retirement benefit plans for employees. Certain consolidated foreign subsidiaries also have defined contributed pension plans.

Effective April 1, 2000, the Group adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The total transitional obligation determined as of April 1, 2000 was charged to income when adopted, except that of a certain domestic subsidiary, which is being amortized over 15 years.

Actuarial gains or losses are amortized by the straight-line method over a period within the average remaining years of service of the employees (10 years) starting from the following period. Prior service cost is amortized by the straight-line method over a period within the average remaining years of service of the employees (10 years).

Retirement allowances for directors, corporate auditors and executive officers are recorded to state the liability at the amount that would be required if all directors, corporate auditors and executive officers retired at each balance sheet date.

As from beginning of the annual period beginning on April 1, 2011, the Company and its domestic consolidated subsidiaries have transferred their respective retirement benefit plans from the tax-qualified pension plan to defined benefit pension plans. The effect of this transfer on the consolidated statements of operations is immaterial.

n. Asset Retirement Obligations—In March 2008, the ASBJ published ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

o. **Stock Options**—In December 2005, the ASBJ issued ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006.

This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received.

The Company recognizes compensation expense for stock options granted to directors, corporate auditors, executive officers and employees stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. A domestic subsidiary also measures options at their intrinsic value if it cannot reliably estimate the fair value. In the consolidated balance sheets, the stock option is presented as "Stock acquisition right" in a separate component of equity until exercised.

p. **Research and Development Cost**—Research and development costs are charged to income as incurred.

q. **Leases**—In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in a note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the balance sheets. In addition, the revised accounting standard permits leases, which existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

The Group applied the revised accounting standard effective April 1, 2008. In addition, the Group continues to account for leases, which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

r. **Construction Contracts**—In December 2007, the ASBJ issued ASBJ Statement No. 15, "Accounting Standard for Construction Contracts" and ASBJ Guidance No. 18, "Guidance on Accounting Standard for Construction Contracts." Under the previous Japanese GAAP, either the completed-contract method or the percentage-of-completion method was permitted to account for construction contracts. Under this new accounting standard, the construction revenue and construction costs should be recognized by the percentage-of-completion method if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts.

s. **Income Taxes**—The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

t. **Foreign Currency Transactions**—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of operations to the extent that they are not hedged by forward exchange contracts.

u. **Foreign Currency Financial Statements**—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate.

Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income (loss) in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

v. **Per Share Information**—Basic net income (loss) per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share reflects the potential dilution that could occur if stock options were exercised into common stock. Diluted net income per share of common stock assumes full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statements of operations are dividends applicable to the respective years, including dividends to be paid after the end of the year.

w. Accounting Changes and Error Corrections—In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows: (1) Changes in Accounting Policies—When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively, unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions. (2) Changes in Presentations—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated. This accounting standard and the guidance are applicable to accounting changes and corrections of prior-period errors, which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

x. New Accounting Pronouncements

Accounting Standard for Retirement Benefits—On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with effective date of April 1, 2000 and the other related practical guidances, being followed by partial amendments from time to time through 2009. Major changes are as follows:

(a) Treatment in the balance sheet

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, are recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) Treatment in the statement of operation and the statement of comprehensive income

The revised accounting standard would not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and past service costs that arose in the current period and yet to be recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

This accounting standard and the guidance are effective for the end of annual periods beginning on or after April 1, 2013 with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company expects to apply the revised accounting standard from the end of the annual period beginning on April 1, 2013 and is in the process of measuring the effects of applying the revised accounting standard for the year ending March 31, 2014.

3. INVENTORIES

Inventories at March 31, 2012 and 2011 consisted of the following:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2012	2011	***2012***
Merchandise and finishedproducts	**¥22,387**	¥23,565	***$273,012***
Work in process	**1,571**	1,796	***19,159***
Raw materials and supplies	**10,005**	18,477	***122,012***
Total	**¥33,963**	¥43,838	***$414,183***

4. LONG-LIVED ASSETS

During the year ended March 31, 2012, the Group recorded losses on impairment in the following asset groups:

Use	Location	Type
Business assets	DX ANTENNA CO., LTD. (Hyogo-ku, Kobe City)	Buildings and structures
Business assets	DX ANTENNA CO., LTD. (Ono City, Hyogo Pref.)	Buildings and structures
Research facility	DX ANTENNA CO., LTD. (Tarumi-ku, Kobe City)	Buildings and structures and land

During the year ended March 31, 2012, DX ANTENNA CO., LTD., a consolidated domestic subsidiary reduced the book values of structures earmarked for demolition and land scheduled for sale to their recoverable values. These reductions, along with estimated removal costs associated with demolition, were recorded as losses on impairment (¥397 million ($4,841 thousand)) on the consolidated statements of operations. These losses were ¥354 million ($4,317 thousand) on buildings and structures and ¥43 million ($524 thousand) on land.

DX ANTENNA CO., LTD. reduced to zero the recoverable value of those assets that are slated for demolition. For assets scheduled for sale, DX ANTENNA CO., LTD. reduced their recoverable value to their net sale value based on real estate appraisal values.

5. INVESTMENT SECURITIES

The costs and aggregate fair values of investment securities at March 31, 2012 and 2011 were as follows:

	(Millions of yen)			
March31,2012	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥1,228**	**¥ 269**	**¥131**	**¥1,366**
March31,2011				
Securities classified as:				
Available-for-sale:				
Equity securities	¥1,975	¥1,255	¥106	¥3,124

	(Thousands of U.S. dollars)			
March31,2012	*Cost*	*Unrealized Gains*	*Unrealized Losses*	*Fair Value*
Securities classified as:				
Available-for-sale:				
Equity securities	***$14,976***	***$3,281***	***$1,598***	***$16,659***

Available-for-sale securities whose fair values are not readily determinable as of March 31, 2012 and 2011 were as follows:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2012	2011	***2012***
Available-for-sale:			
Equity securities	**¥593**	¥ 595	***$ 7,232***
Investments in limited partnerships	**371**	432	***4,524***
Total	**¥964**	¥1,027	***$11,756***

The proceeds, realized gains and realized losses of the available-for-sale securities, which were sold during the years ended March 31, 2012 and 2011 were as follows:

	(Millions of yen)		
March 31, 2012	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	**¥ 450**	**¥ 3**	**¥ 314**
Total	**¥ 450**	**¥ 3**	**¥ 314**
March31,2011			
Available-for-sale:			
Equity securities	¥ 482	¥283	
Total	¥ 482	¥283	

	(Thousands of U.S. dollars)		
March 31, 2012	*Proceeds*	*Realized Gains*	*Realized Losses*
Available-for-sale:			
Equity securities	***$5,488***	***$ 36***	***$3,829***
Total	***$5,488***	***$ 36***	***$3,829***

The impairment losses on available-for-sale equity securities for the years ended March 31, 2012 and 2011 were ¥0 million ($0 thousand) and ¥1 million, respectively.

6. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans bore interest at annual average rate of 1.8% at March 31, 2012 and 2011.

Long-term debt at March 31, 2012 and 2011 consisted of the following:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2012	2011	***2012***
Unsecured loans from banks and other financial institutions, due serially to 2013 with average interest rates of 0.6%	**¥ 33**	¥ 567	***$ 402***
Obligations under finance leases	**506**	574	***6,171***
Total	**¥539**	¥1,141	***$6,573***
Less current portion	**(258)**	(739)	***(3,146)***
Long-term debt, less current portion	**¥281**	¥ 402	***$3,427***

Annual maturities of long-term debt, excluding finance leases (see Note 13), at March 31, 2012 were as follows:

Year ending March 31	(Millions of yen)	*(Thousands of U.S. dollars)*
2013	¥ 33	*$ 402*
Total	¥ 33	*$ 402*

7. RETIREMENT AND PENSION PLANS

The Company and certain consolidated subsidiaries have severance payment plans for employees, directors, corporate auditors and executive officers. Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The Company and certain consolidated subsidiaries have non-contributory funded defined benefit pension plans and unfunded retirement benefit plans for employees. Certain consolidated foreign subsidiaries also have defined contribution pension plans.

The liability for employees' retirement benefits at March 31, 2012 and 2011 consisted of the followings:

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31,		March 31,
	2012	2011	***2012***
Projected benefit obligation	**¥ 8,771**	¥ 8,980	***$106,963***
Fair value of plan assets	**(7,289)**	(7,180)	***(88,890)***
Unrecognized prior service cost	**630**	308	***7,683***
Unrecognized actuarial loss	**(1,401)**	(1,331)	***(17,085)***
Unrecognized transitional obligation	**(559)**	(684)	***(6,817)***
Prepaid pension cost	**887**	1,262	***10,817***
Net liability	**¥ 1,039**	¥ 1,355	***$ 12,671***

The components of net periodic benefit costs for the years ended March 2012 and 2011 are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31,		March 31,
	2012	2011	***2012***
Service cost	**¥ 572**	¥ 478	***$ 6,976***
Interest cost	**155**	176	***1,890***
Expected return on plan assets	**(131)**	(158)	***(1,597)***
Amortization of prior service cost	**(83)**	(68)	***(1,012)***
Recognized actuarial gain	**226**	206	***2,756***
Amortization of transitional obligation	**125**	125	***1,524***
Net periodic benefit costs	**¥ 864**	¥ 759	***$10,537***

Assumptions used for the years ended March 31, 2012 and 2011 are set forth as follows:

	2012	2011
Discount rate	**1.4~2.0%**	1.4~2.0%
Expected rate of return on plan assets	**1.4~2.0%**	1.4~2.0%
Amortization period of prior service cost	**10 years**	10 years
Recognition period of actuarial gain/loss	**10 years**	10 years

Retirement allowances for directors, corporate auditors and executive officers at March 31, 2012 and 2011 were ¥1,069 million ($13,036 thousand) and ¥1,038 million, respectively, which were included in liability for retirement benefits. Retirement allowances for directors, corporate auditors and executive officers are paid subject to the approval of the Compensation Committee or at shareholders' meeting.

8. CONTINGENT LIABILITIES

FUNAI EUROPE GmbH, a consolidated foreign subsidiary, is being investigated by the German authorities for transfer pricing matter related to the transactions between the Company and FUNAI ELECTRIC EUROPE Sp.z o.o. The investigation has not yet been finalized.

Since reasonable estimation of the liability arising from the tax investigation is not possible at this point, the impact of this matter is not reflected to the consolidated financial statements for the year ended March 31, 2012.

9. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria such as (1) having the Board of Directors, (2) having the independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases / Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

10. STOCK OPTIONS

The stock options outstanding for the year ended March 31, 2012 are as follows:

(The Company)

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2002 Stock Option	6 directors 381 employees 18 other persons	399,700 shares	July 23, 2002	¥15,150 *($ 185)*	From August 1, 2004 to July 31, 2011
2003 Stock Option	4 directors 313 employees 6 other persons	378,500 shares	July 22, 2003	¥13,646 *($ 166)*	From August 1, 2005 to July 31, 2012
2004 Stock Option ①	2 directors 293 employees 5 other persons	359,900 shares	July 21, 2004	¥16,167 *($ 197)*	From August 1, 2006 to July 31, 2013
2004 Stock Option ②	20 employees 1 other person	25,600 shares	August 13, 2004	¥16,836 *($ 205)*	From August 1, 2006 to July 31, 2013
2005 Stock Option	2 directors 293 employees 5 other persons	346,400 shares	July 12, 2005	¥12,369 *($ 151)*	From August 1, 2007 to July 31, 2014
2008 Stock Option	1 director officer 10 executive officers 315 employees	431,700 shares	November 20, 2008	¥ 1,609 *($ 20)*	From August 1, 2010 to July 31, 2017

(DX ANTENNA CO., LTD.)

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2010 Stock Option	4 directors 29 employees	152,000 shares	February 13, 2010	¥384 *($ 5)*	From February 11, 2012 to February 10, 2019
2010 Stock Option	2 directors 39 employees	116,900 shares	May 27, 2011	¥807 *($ 10)*	From May 27, 2013 to May 26, 2020

The stock option activity is as follows:

(The Company)

	2002 Stock Option	2003 Stock Option	2004 Stock Option ①	2004 Stock Option ②	2005 Stock Option	2008 Stock Option
Year ended March 31, 2011	(Shares)	(Shares)	(Shares)	(Shares)	(Shares)	(Shares)
Non-vested						
April 1, 2010 – Outstanding						417,700
Granted						
Canceled						
Vested						
March 31, 2011 – Outstanding						417,700
Vested						
April 1, 2010 – Outstanding	399,600	378,500	359,900	25,600	346,400	
Vested						417,700
Exercised						19,400
Canceled						12,100
March 31, 2011 – Outstanding	399,600	378,500	359,900	25,600	346,400	386,200
Year ended March 31, 2012						
Non-vested						
March 31, 2011 – Outstanding						
Granted						
Canceled						
Vested						
March 31, 2012 – Outstanding						
Vested						
March 31, 2011 – Outstanding	399,600	378,500	359,900	25,600	346,400	386,200
Vested						
Exercised						7,200
Canceled	399,600					18,500
March 31, 2012 – Outstanding		378,500	359,900	25,600	346,400	360,500
Exercise price	¥15,150 (\$ 185)	¥13,646 (\$ 166)	¥16,167 (\$ 197)	¥16,836 (\$ 205)	¥12,369 (\$ 151)	¥1,609 (\$ 20)
Average stock price at exercise						¥2,046 (\$ 25)
Fair value price at grant date						
From August 1, 2010 to July 31, 2017						¥ 440 (\$ 5)
From August 1, 2011 to July 31, 2017						¥ 447 (\$ 5)
From August 1, 2012 to July 31, 2017						¥ 454 (\$ 6)
From August 1, 2013 to July 31, 2017						¥ 458 (\$ 6)
From August 1, 2014 to July 31, 2017						¥ 475 (\$ 6)
From August 1, 2015 to July 31, 2017						¥ 487 (\$ 6)
From August 1, 2016 to July 31, 2017						¥ 510 (\$ 6)

(DX ANTENNA CO., LTD.)

	2010 Stock Option	2011 Stock Option
Year ended March 31, 2011	(Shares)	(Shares)
Non-vested		
April 1, 2010 – Outstanding	152,000	
Granted		
Canceled	2,000	
Vested		
March 31, 2011 – Outstanding	150,000	
Vested		
April 1, 2010 – Outstanding		
Vested		
Exercised		
Canceled		
March 31, 2011 – Outstanding		
Year ended March 31, 2012		
Non-vested		
March 31, 2011 – Outstanding	150,000	
Granted		116,900
Canceled	3,500	5,600
Vested	146,500	
March 31, 2012 – Outstanding		111,300
Vested		
March 31, 2011 – Outstanding		
Vested	146,500	
Exercised		
Canceled		
March 31, 2012 – Outstanding	146,500	
Exercise price	¥384 (\$ 5)	¥807 (\$ 10)

The Assumption Used to Measure Fair Value
(DX ANTENNA CO., LTD.)

On February 13, 2010 and on May 27, 2011, DX ANTENNA CO., LTD., one of the subsidiaries, granted stock options. As DX ANTENNA CO., LTD. was a non-public company, the fair unit value of the stock options was measured at their intrinsic value.

The total intrinsic value of the stock options granted on February 13, 2010 for the year ended March 31, 2012 was ¥83 million ($1,012 thousand). The total intrinsic values of the stock options granted on May 27, 2011 for the year ended March 31, 2012 was ¥16 million ($195 thousand).

Estimated Method of Number of Vested Options
(The Company)

Estimated number of vested options of the company is determined based on the historical data.

(DX ANTENNA CO., LTD.)

Estimated number of vested options of DX ANTENNA CO., LTD. is determined based on the actual cancellation data because the number of options canceled in the future cannot be reasonably estimated.

11. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended March, 31 2012 and 2011 principally consisted of the following:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2012	2011	***2012***
Promotion fee	**¥1,961**	¥2,121	***$ 23,915***
Royalty on patents	**9,037**	8,616	***110,207***
Depreciation	**1,986**	1,903	***24,220***
Amortization of goodwill	**21**	31	***256***
Provision for accrued pension and severance costs	**467**	382	***5,695***

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥10,531 million ($128,427 thousand) and ¥12,969 million for the years ended March 31, 2012 and 2011, respectively.

13. LEASES

The Group leases certain machinery, computer equipment, office space and other assets.

Obligations under finance leases were as follows:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2012	2011	***2012***
Due within 1 year	**¥225**	¥205	***$2,744***
Due after 1 year	**281**	369	***3,427***
Total	**¥506**	¥574	***$6,171***

The minimum rental commitments under noncancelable operating leases at March 31, 2012 and 2011 are as follows:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2012	2011	***2012***
Due within 1 year	**¥1,018**	¥ 759	***$12,415***
Due after 1 year	**2,072**	1,009	***25,268***
Total	**¥3,090**	¥1,768	***$37,683***

Pro forma Information for Leased Property Whose Lease Inception was before March 31, 2008

ASBJ Statement No. 13, “Accounting Standard for Lease Transactions,” requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheets. However, ASBJ Statement No. 13 permits leases that do not transfer ownership of the leased property to the lessee and whose lease inception was before March 31, 2008 to be accounted for as operating lease transactions if certain “as if capitalized” information is disclosed in the notes to the financial statements. The Company applied the ASBJ Statement No. 13 effective April 1, 2008 and continued to account for such leases as operating lease transactions.

Pro forma information for leased property whose lease inception is before March 31, 2008 is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31,		March 31,
	2012	2011	2012
Acquisition cost	¥ 375	¥ 596	$ 4,573
Accumulated depreciation	365	528	4,451
Net leased property	¥ 10	¥ 68	$ 122

Obligations under finance leases:

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31,		March 31,
	2012	2011	2012
Due within 1 year	¥ 10	¥ 59	$ 122
Due after 1 year	1	11	12
Total	¥ 11	¥ 70	$ 134

Depreciation expense, interest expense and other information under finance leases:

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31,		March 31,
	2012	2011	2012
Depreciation expense	¥ 57	¥ 100	$ 695
Interest expense	1	3	12
Total	¥ 58	¥ 103	$ 707
Lease payments	¥ 61	¥ 105	$ 744

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of operations, are computed by the straight-line method and the interest method, respectively.

14. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.7% for the years ended March 31, 2012 and 2011.

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities at March 31, 2012 and 2011, were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	March 31,		March 31,
	2012	2011	2012
Deferred tax assets:			
Liability for retirement benefits	¥ 752	¥ 973	$ 9,171
Accounts payable – other	1,247	1,276	15,207
Allowance for doubtful accounts	3,381	3,910	41,232
Accrued employees' bonuses	426	604	5,195
Impairment loss on investment securities	253	292	3,085
Inventories	652	917	7,951
Intercompany profit	20	8	244
Tax loss carryforwards	9,869	10,514	120,354
Other	823	1,764	10,037
Less valuation allowance	(10,176)	(10,944)	(124,098)
Total	¥ 7,247	¥ 9,314	$ 88,378
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥25	¥385	$305
Prepaid pension cost	316	514	3,854
Other	335	518	4,085
Total	¥ 676	¥ 1,417	$ 8,244
Net deferred tax assets	¥ 6,571	¥ 7,897	$ 80,134

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of operations for the year ended March 31, 2011 was as follows (2012 was not presented because of the net loss for the period):

	2011
Normal effective statutory tax rate	40.7%
Expenses not deductible for income tax purposes	13.5
Elimination of dividend earned from subsidiaries	(1.7)
Lower income tax rates applicable to income in certain foreign countries	3.6
Valuation allowance	96.7
Other – net	3.9
Actual effective tax rate	156.7%

On December 2, 2011, new tax reform laws were enacted in Japan, which changed the normal effective statutory tax rate from approximately 40.7% to 38.0% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015, and to 35.6% afterwards. The effect of this change was to decrease deferred tax assets in the consolidated balance sheet as of March 31, 2012 by ¥519 million ($6,329 thousand) and to increase income taxes-deferred in the consolidated statement of operation for the year then ended by ¥522 million ($6,366 thousand).

On June 28, 2005 and June 16, 2008, the Company received notices of supplementary tax assessment for additional tax on the income of its subsidiary in Hong Kong under the tax haven rules for the three financial years ended March 31, 2002 to March 31, 2004 and the three financial years ended March 31, 2005 to March 31, 2007 from the Osaka Regional Taxation Bureau, as the subsidiary in Hong Kong did not satisfy the conditions for exemption from the application of tax haven rules. The Company has contested the validity in court as the Company disagreed with this assessment and considered it to be unacceptable. Therefore, the Company asked the Osaka National Tax Tribunal to examine the case on July 25, 2006 and again on August 6, 2008. Thereafter, the Company received written verdicts on this case on July 3, 2008 and on July 23, 2009, indicating that the Company's assertions had been dismissed. The Company brought a case for the cancellation of the notice to the Osaka District Court on November 16, 2006 and again on November 14, 2008, and these cases had been consolidated and held since November 26, 2008. The court dismissed the claims of the Company on June 24, 2011. Thereafter, as the Company did not accept the Osaka District Court's judgment, the Company filed a notice of appeal at the Osaka High Court on July 7, 2011.

The additional tax assessments were ¥16,651 million (¥19,184 million including incidental taxes) and ¥15,038 million (¥16,838 million including incidental taxes), including corporate income taxes, inhabitant taxes and enterprise taxes. They were recognized as "INCOME TAXES – Prior years" for the fiscal years ended March 31, 2007 and 2009 in accordance with the "Treatment of Accounting and Presentation of Taxes for the Purpose of Audits" (JICPA Audit and Assurance Practice Committee Report No. 63).

On June 29, 2011, the Company received notices of supplementary tax assessment for additional tax on the income of its subsidiary in Hong Kong under the tax haven rules for the three financial years ended March 31, 2008 to March 31, 2010 from the Osaka Regional Taxation Bureau, as the subsidiary in Hong Kong did not satisfy the conditions for exemption from the application of tax haven rules. The Company has contested the validity in court as the Company disagreed with this assessment and considered it to be unacceptable. Therefore, the Company asked the Osaka National Tax Tribunal to examine the case on August 25, 2011.

The additional tax assessments were ¥825 million ($10,061 thousand) (¥935 million ($ 11,402 thousand) including incidental taxes), including corporate income taxes, inhabitant taxes and enterprise taxes. They were recognized as"INCOME TAXES – Prior years" for the year ended March 31, 2012.

The cases which were brought to the Osaka District Court by the Company on June 28, 2005 and June 16, 2008 were dismissed on June 24, 2011. Accordingly, the Company has been accounting at an amount estimated based on an assumption that the Company had been applying the tax haven rules for expenses from the fiscal year ended March 31, 2011.

15. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

1. The Situation of Financial Instruments

(1) Group Policy for Financial Instruments

The Group uses bank loans for fund-raising and short-term deposits to fund operations. The Group does not use derivatives. In principle, derivatives are not permitted.

(2) Nature and Extent of Risks Arising from Financial Instruments and Risk Management for Financial Instruments

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk.

To avoid such a risk, the Group sets up sales management regulations and determines trading conditions and credit limit by each customer.

The Company has many receivables and payables based on foreign currencies due to its overseas operations. Basically, the Group does not make forward foreign currency contracts because of its U.S. dollar basis trading.

Investment securities, mainly equity instruments, are exposed to the market risk. Marketable and investment securities are managed by monitoring market values and financial position of the issuers on a regular basis. This risk should be reported to investment committee internally.

Payment terms of payables, such as trade notes and trade accounts, are less than one year.

Loans, both short-term and long-term, are financed for sales operations. Basically, derivatives are not permitted. Although the variable interest rates of loans are exposed to market risks, those risks may be mitigated by using interest rate swap derivatives. This derivative transaction should be executed and managed by corporate regulations. To decrease credit risks, the Group enters into relationships with highly rated financial institutions only.

Trade credit and loans are exposed to liquidity risks. The Group manages to have our associated companies make monthly financial plans.

2. Fair Value of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, another rational valuation technique is used instead. The list below does not contain financial instruments for which fair values are difficult to determine.

(a) Fair value of financial instruments

	(Millions of yen)		
March 31, 2012	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	**¥ 36,567**	**¥ 36,567**	
Time deposits	**36,079**	**36,079**	
Receivables trade	**32,296**	**32,296**	
Investment securities	**1,366**	**1,366**	
Total	**¥106,308**	**¥106,308**	
Short-term bank loans (excluding finance lease obligation)	**¥ 4,583**	**¥ 4,583**	
Payables trade	**29,623**	**29,623**	
Payables other	**11,158**	**11,158**	
Total	**¥ 45,364**	**¥ 45,364**	
March 31, 2011			
Cash and cash equivalents	¥ 33,745	¥ 33,745	
Time deposits	36,331	36,331	
Receivables trade	36,367	36,367	
Investment securities	3,124	3,124	
Total	¥109,567	¥109,567	
Short-term bank loans (excluding finance lease obligation)	¥ 10,097	¥ 10,097	
Payables trade	28,939	28,939	
Payables other	12,556	12,556	
Long-term debt (excluding finance lease obligation)	33	33	
Total	¥ 51,625	¥ 51,625	

	(Thousands of U.S. dollars)		
March 31, 2012	*Carrying Amount*	*Fair Value*	*Unrealized Gain/Loss*
Cash and cash equivalents	***$ 445,939***	***$ 445,939***	
Time deposits	***439,988***	***439,988***	
Receivables trade	***393,853***	***393,853***	
Investment securities	***16,659***	***16,659***	
Total	***$1,296,439***	***$1,296,439***	
Short-term bank loans (excluding finance lease obligation)	***$ 55,890***	***$ 55,890***	
Payables trade	***361,256***	***361,256***	
Payables other	***136,073***	***136,073***	
Total	***$ 553,219***	***$ 553,219***	

Assets

Cash and cash equivalents, time deposits, and receivables trade

The carrying values of cash and cash equivalents, time deposits, and receivables trade approximate fair values because of their short maturities.

Investment securities

The investment securities are measured at the quoted market prices on the stock exchange for the equity instruments.

Liabilities

Short-term bank loans, payables trade, and payables other

The carrying value of short-term bank loans and payables approximate fair value because of their short maturities.

Long-term debt

The carrying value of long-term debt approximate fair value because loans based on floating rates reflect market interest rates over a short period of time, as long as the credit standing of the Group does not change significantly from the time of borrowing.

Derivatives

Not applicable because derivatives are not permitted.

(b) Financial instruments whose fair values cannot be reliably determined

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
	2012	2011	***2012***
Investments in equity instruments and investment in limited partnerships that do not have a quoted market price in an active Market	**¥964**	¥1,027	***$11,756***

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

	(Millions of yen)			
March 31, 2012	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	**¥ 36,567**			
Time deposits	**36,079**			
Receivables trade	**32,296**			
Total	**¥104,942**			
March 31, 2011				
Cash and cash equivalents	¥ 33,745			
Time deposits	36,331			
Receivables trade	36,367			
Total	¥106,443			

	(Thousands of U.S. dollars)			
March 31, 2012	*Due in 1 Year or Less*	*Due after 1 Year through 5 Years*	*Due after 5 Years through 10 Years*	*Due after 10 Years*
Cash and cash equivalents	***$ 445,939***			
Time deposits	***439,988***			
Receivables trade	***393,853***			
Total	***$1,279,780***			

Please see Note 6 for annual maturities of long-term debt and Note 13 for obligations under finance leases.

16. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2012 were as follows:

	(Millions of yen)	*(Thousands of U.S. dollars)*
	March 31,	*March 31,*
	2012	***2012***
Unrealized gain (loss) on available-for-sale securities:		
Loss arising during the year	**¥(1,388)**	***$(16,927)***
Reclassification adjustments to profit or loss	**445**	***5,427***
Amount before income tax effect	**(943)**	***(11,500)***
Income tax effect	**387**	***4,720***
Total	**¥ (556)**	***$ (6,780)***
Foreign currency translation adjustments:		
Adjustments arising during the year	**¥(1,418)**	***$(17,293)***
Total	**¥(1,418)**	***$(17,293)***
Share of other comprehensive income (loss) in associates:		
Loss arising during the year	**¥ (13)**	***$ (159)***
Total	**¥ (13)**	***$ (159)***
Total other comprehensive loss	**¥(1,987)**	***$(24,232)***

The corresponding information for the year ended March 31, 2011 was not required under the accounting standard for presentation of comprehensive income as an exemption for the first year of adopting that standard and not disclosed herein.

17. NET INCOME PER SHARE

Information basic net loss per share ("EPS") for the years ended March 31, 2012 and 2011 were as follows:

	Millions of yen	Thousands of shares	Yen	*Dollars*
	Net Loss	Weighted-Average Shares	EPS	
Year ended March 31, 2012:				
Basic EPS				
Net loss available to common shareholders	**¥(4,629)**	**34,114**	**¥(135.69)**	***$(1.65)***
Year ended March 31, 2011:				
Basic EPS				
Net loss available to common shareholders	¥(1,170)	34,100	¥ (34.31)	

Diluted net income per share for 2012 and 2011 are not disclosed due to the loss positions.

18. SUBSEQUENT EVENTS

(1) Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2012 was approved at meeting of the Company's Board of Directors held on May 23, 2012:

	(Millions of yen)	*(Thousands of U.S. dollars)*
Year-end cash dividends, ¥50.00 *($0.61)* per share	**¥1,706**	***$20,805***

19. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group.

The Group is engaged in the manufacture and sale of consumer electronics products.

The reportable segments of the Group are composed of four segments, "Japan," "North America," "Asia," and "Europe," which consist of geographic segments based on the manufacturing and sales operations.

Those areas, Japan, North America, Asia and Europe are mainly covered by the Company and DX ANTENNA CO., LTD., FUNAI CORPORATION, INC. and P&FUSA, INC., FUNAI ELECTRIC (H.K.) LTD. and FUNAI ELECTRIC EUROPE Sp.z o.o., respectively. Each local entity sets up and carries out its own strategy as a single business unit.

(2) Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets, and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies." Intersegment sales are based on an arm's-length price.

(3) Information about Sales, Profit (Loss), Assets, and Other Items:

	(Millions of yen)						
	2012						
	Japan	North America	Asia	Europe	Total	Reconciliations (Note.1)	Consolidated
Sales:							
Sales to external customers	**¥111,871**	**¥124,127**	**¥ 4,717**	**¥ 5,433**	**¥246,148**	**¥**	**¥246,148**
Intersegment sales or transfers	**112,132**	**0**	**160,758**	**5**	**272,895**	**(272,895)**	
Total	**¥224,003**	**¥124,127**	**¥165,475**	**¥ 5,438**	**¥519,043**	**¥(272,895)**	**¥246,148**
Segment profit (loss) (Note.2)	**¥ 4,690**	**¥ (1,344)**	**¥ 426**	**¥ (1,530)**	**¥ 2,242**	**¥ (1,780)**	**¥ 462**
Segment assets	**¥111,957**	**¥ 35,895**	**¥ 77,704**	**¥ 4,286**	**¥229,842**	**¥ (53,235)**	**¥176,607**
Other							
Depreciation	**¥ 2,421**	**¥ 109**	**¥ 3,914**	**¥ 106**	**¥ 6,550**	**¥ (2)**	**¥ 6,548**
Amortization of goodwill	**21**				**21**		**21**
Investment in equity method affiliate			**231**		**231**		**231**
Increase in property, plant and equipment and intangible assets	**3,523**	**23**	**3,171**	**20**	**6,737**	**(128)**	**6,609**
Impairment losses of assets	**397**				**397**		**397**

	(Millions of yen)						
	2011						
	Japan	North America	Asia	Europe	Total	Reconciliations (Note.1)	Consolidated
Sales:							
Sales to external customers	¥153,662	¥133,079	¥ 2,696	¥ 6,487	¥295,924	¥	¥295,924
Intersegment sales or transfers	126,434	3	194,332	8	320,777	(320,777)	
Total	¥280,096	¥133,082	¥197,028	¥ 6,495	¥616,701	¥(320,777)	¥295,924
Segment profit (loss) (Note.2)	¥ 7,220	¥ (6,663)	¥ 2,086	¥ (1,749)	¥ 894	¥ (122)	¥ 772
Segment assets	¥122,295	¥ 38,857	¥ 86,868	¥ 5,920	¥253,940	¥ (60,030)	¥193,910
Other							
Depreciation	¥ 2,866	¥ 132	¥ 3,140	¥ 230	¥ 6,368	¥ (1)	¥ 6,367
Amortization of goodwill	31				31		31
Investment in equity method affiliate			272		272		272
Increase in property, plant and equipment and intangible assets	1,189	33	5,353	56	6,631	(200)	6,431

	(Thousands of U.S. dollars)						
	2012						
	Japan	*North America*	*Asia*	*Europe*	*Total*	*Reconciliations (Note.1)*	*Consolidated*
Sales:							
Sales to external customers	***$1,364,281***	***$1,513,744***	***$ 57,524***	***$66,256***	***$3,001,805***	***$***	***$3,001,805***
Intersegment sales or transfers	***1,367,463***	***0***	***1,960,464***	***61***	***3,327,988***	***(3,327,988)***	
Total	***$2,731,744***	***$1,513,744***	***$2,017,988***	***$66,317***	***$6,329,793***	***$(3,327,988)***	***$3,001,805***
Segment profits (loss) (Note.2)	***57,195***	***(16,390)***	***5,195***	***(18,659)***	***27,341***	***(21,707)***	***5,634***
Segment assets	***$1,365,329***	***$ 437,744***	***$ 947,610***	***$52,268***	***$2,802,951***	***$ (649,207)***	***$2,153,744***
Other							
Depreciation	***$ 29,524***	***$ 1,329***	***$ 47,732***	***$ 1,293***	***$ 79,878***	***$ (24)***	***$ 79,854***
Amortization of goodwill	***256***				***256***		***256***
Investment in equity method affiliate			***2,817***		***2,817***		***2,817***
Increase in property, plant and equipment and intangible assets	***42,963***	***281***	***38,671***	***244***	***82,159***	***(1,561)***	***80,598***
Impairment losses of assets	***4,841***				***4,841***		***4,841***

Note.1 Components of reconciliation are as follows:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
Segment profit (loss)	**2012**	2011	***2012***
Elimination of intersegment transactions	**¥ 10**	¥ 7	***$ 122***
Company-wide expenses[*1]	**(948)**	(995)	***(11,561)***
Adjustment of inventory	**(842)**	866	***(10,268)***
Total	**¥(1,780)**	¥(122)	***$(21,707)***

	(Millions of yen)		*(Thousands of U.S. dollars)*
	March 31,		*March 31,*
Segment assets	**2012**	2011	***2012***
Company-wide assets(*2)	**¥ 27,148**	¥ 17,934	***$ 331,073***
Adjustment of inventory	**(958)**	(117)	***(11,683)***
Elimination of intersegment assets and liabilities etc.	**(79,425)**	(77,847)	***(968,597)***
Total	**¥(53,235)**	¥(60,030)	***$(649,207)***

(*1) Company-wide expenses are mainly general and administrative expenses not attributable to any reportable segment.
(*2) Company-wide assets mainly consists of cash surplus (cash and deposits) and long-term-investments (investment securities, etc.) that are not attributable to any reportable segment.

Note.2 Segment profit (loss) is adjusted to operating income in consolidated statements of operations.

(4) Related Information

1. Information about product or service

	(Millions of yen)			
	2012			
	Audiovisual Equipment	Information Equipment	Other	Total
Sales to external customers	**¥183,507**	**¥ 30,014**	**¥ 32,627**	**¥246,148**

	(Millions of yen)			
	2011			
	Audiovisual Equipment	Information Equipment	Other	Total
Sales to external customers	¥198,607	¥56,405	¥40,912	¥295,924

	(Thousands of U.S. dollars)			
	2012			
	Audiovisual Equipment	*Information Equipment*	*Other*	*Total*
Sales to external customers	**$2,237,890**	**$366,025**	**$397,890**	**$3,001,805**

2. Information about geographical areas

a. Sales

(Millions of yen)						
2012						
	North America					
Japan	USA	Other	Asia	Europe	Other	Total
¥81,291	**¥127,989**	**¥6,123**	**¥9,290**	**¥12,592**	**¥8,863**	**¥246,148**

(Millions of yen)						
2011						
	North America					
Japan	USA	Other	Asia	Europe	Other	Total
¥94,197	¥147,876	¥7,879	¥8,505	¥23,837	¥13,630	¥295,924

(Thousands of U.S. dollars)						
2012						
	North America					
Japan	*USA*	*Other*	*Asia*	*Europe*	*Other*	*Total*
$991,354	***$1,560,841***	***$74,671***	***$113,293***	***$153,561***	***$108,085***	***$3,001,805***

Note: Sales are classified by countries or regions based on the location of customers.

b. Property, plant and equipment

(Millions of yen)						
2012						
		Asia				
Japan	North America	China	Other	Europe	Total	
¥9,473	**¥106**	**¥2,570**	**¥1,203**	**¥1,433**	**¥14,785**	

(Millions of yen)						
2011						
		Asia		Europe		
Japan	North America	China	Other	Poland	Other	Total
¥9,815	¥159	¥3,438	¥1,183	¥1,686	¥9	¥16,290

(Thousands of U.S. dollars)					
2012					
		Asia			
Japan	*North America*	*China*	*Other*	*Europe*	*Total*
$115,524	***$1,293***	***$31,341***	***$14,671***	***$17,476***	***$180,305***

3. Information about major customer

	Sales			
	(Millions of yen)		*(Thousands of U.S. dollars)*	
Name of Customer	**2012**	2011	***2012***	Related Segment Name
WAL-MART STORES, INC.	**¥82,791**	¥79,107	***$1,009,646***	North America

(5) Goodwill by Reportable Segment

	(Millions of yen)					
	2012					
	Japan	North America	Asia	Europe	Elimination	Total
Amortization of goodwill	**¥21**					**¥21**
Goodwill at March 31, 2012	**14**					**14**

	(Millions of yen)					
	2011					
	Japan	North America	Asia	Europe	Elimination	Total
Amortization of goodwill	**¥31**					**¥31**
Goodwill at March 31, 2011	**34**					**34**

	(Thousands of U.S. dollars)					
	2012					
	Japan	*North America*	*Asia*	*Europe*	*Elimination*	*Total*
Amortization of goodwill	**$256**					**$256**
Goodwill at March 31, 2012	**171**					**171**

Independent Auditor's Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of Funai Electric Co., Ltd. and consolidated subsidiaries as of March 31, 2012, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Funai Electric Co., Ltd. and consolidated subsidiaries as of March 31, 2012, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 14, 2012

Member of
Deloitte Touche Tohmatsu Limited

Corporate Data

Outline

Name	FUNAI ELECTRIC CO., LTD.
Established	August 1961
Head office	7-7-1 Nakagaito, Daito, Osaka 574-0013, Japan
Phone	+81-72-870-4303
Fax	+81-72-871-1112
URL	http://www.funaiworld.com/
Capital	¥31,308 million (March 31, 2012)
Net Sales	¥246,148 million (Year ended March 31, 2012)
Employees	1,102 (March 31, 2012 / Non-Consolidated)
Category	Electrical Equipment

Business Operations

Audiovisual Equipment
- LCD TVs
- DVD Players / Recorders
- Blu-ray Disc Players / Recorders

Information Equipment
- Printers

Others
- Receiver-related Electronics

History

Aug. 1961	FUNAI ELECTRIC CO., LTD. was established in Ikuno-ku, Osaka capitalized at ¥20 million.
Mar. 1964	CHUGOKU FUNAI ELECTRIC CO., LTD. was established as a production subsidiary in Fukayasu-gun (now Fukuyama), Hiroshima.
Sep. 1976	The head office was relocated to Daito, Osaka.
May 1991	FUNAI CORPORATION, INC. was established as a sales subsidiary in New Jersey, U.S.
Mar. 1992	HIGHSONIC INDUSTRIAL LTD. (now FUNAI ELECTRIC (H.K.), LTD.) was established in Hong Kong, China.
Apr. 1992	DONG GUAN PLANT in Dongguan City, Guangdong Province started operations as a consignment production plant in China.
Aug. 1994	ZHONG SHAN PLANT in Zhong Shan City, Guangdong Province started operations as a consignment production plant in China.
Jan. 1996	FUNAI SERVICE CO., LTD. was established as a service subsidiary in Higashi-Osaka, Osaka.
May 1996	HIGHSONIC INDUSTRIAL LTD. (now FUNAI ELECTRIC (H.K.), LTD.) established H.F.T. INDUSTRIAL LTD. by joint investment with a Japan company.
Feb. 1999	FUNAI ELECTRIC CO., LTD. was listed on the Second Section of Osaka Securities Exchange.
Mar. 2000	FUNAI ELECTRIC CO., LTD. was listed on the First Section of Tokyo Stock Exchange and the First Section of Osaka Securities Exchange.
Nov. 2001	Acquired the majority stocks of DX ANTENNA CO., LTD. in Japan.
Jul. 2003	FUNAI (THAILAND) CO., LTD. was established as a production subsidiary in Nakornratchasima, Kingdom of Thailand.
Dec. 2003	HUANG JIANG PLANT in Dongguan City, Guangdong Province started operations as a consignment production plant in China.
Apr. 2004	FUNAI ELECTRIC ADVANCED APPLIED TECHNOLOGY RESEARCH INSTITUTE INC. was established.
Oct. 2006	FUNAI ELECTRIC (POLSKA) Sp. z o.o. (now FUNAI ELECTRIC EUROPE Sp. z o.o.) was established as a production subsidiary in the city of Nowa Sol, Poland.
Oct. 2007	FUNAI SERVICE CORPORATION was established as a service subsidiary in Ohio, U.S.
Jun. 2008	P&F USA, Inc. was established as a sales subsidiary in Georgia, U.S., for PHILIPS brand consumer TVs. Tetsuro Funai, President and CEO, assumed the post of Chairman. Tomonori Hayashi, Senior Executive Officer, assumed the post of President and CEO.
Apr. 2009	P&F MEXICANA, S.A. DE C.V. was established as a sales subsidiary in Mexico.
Jul. 2010	Zhong Yue Funai Electron Co. was established as a production subsidiary in Guangdong Province, China.
Feb. 2012	Funai India Private Limited was established as a production subsidiary in Mumbai, India.
May 2012	CMET FUNAI Optical Electronics Co., Ltd., was established as a sales subsidiary in Shanghai, China.
Jun. 2012	FUNAI CMET Optical Electronics Co., Ltd., was established as a production subsidiary in Guangdong Province, China. Zhong Shan Funai Electron Co. was established as a production subsidiary in Guangdong Province, China.

FUNAI ELECTRIC CO., LTD.

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