



# 2020

Corporate Profile

## Corporate Philosophy Framework

The Fundamental Principle, Corporate Precepts, and Corporate Commitments are the foundation and supporting pillars of our corporate activities, and clearly express the founding spirit.

The Corporate Philosophy and Group Vision were established in 2018, based on these pillars. They convey the corporate image and guidelines for conduct, and evolve with the times and social conditions.

### Fundamental Principle

# Dream with Conviction, and Act on Information

### Management Philosophy

## Challenge the company to grow by becoming helpful in the community

### Group Vision

## Funai creates products that are the choice of people around the world

“Around the world,” as a global company

“The choice,” aiming for top share in the industry

“Creates products,” that people will love

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## Corporate Commitments

**To adopt continual product improvements**  
**To continually promote ever deeper trust**  
**To seek further harmony and mutual prosperity**

## Corporate Precepts

**Perseverance overcomes all difficulties.**  
**Innovation is achieved through effort.**  
**Humanity must eventually find its expression.**

### Corporate Precepts

**Expand the triangle of knowledge, empathy, and intention**

The larger the triangle created from knowledge, empathy, and intention expands, the more we grow as human beings who are vessels for these qualities.

If this triangle does not grow larger, that means that we, as human beings, have not grown even though we have grown older. For example, when we pass the age of 30 or 40, we must increase our skills to a level appropriate to our age and improve ourselves as human beings.

The larger this triangle grows, the more a person can contribute to society.

(Source: *Becoming President of Five Companies at the Age of 40* by Tetsuo Funai)



Tetsuo Funai, Founder



### Corporate Logo

Our Corporate Logo, which shows a stylized “F” breaking out of its circular boundaries, expresses our focus on breaking away from stereotypes, while at the same time symbolizing our vigorous growth.

The shape of the “F” resembles a human hand, connoting production and manufacturing. This shape is meant to convey our high productivity and outstanding quality, with sharp angles to express simplicity.



# Our Goal is to Steadily Implement the Strategy and Stable Business Management While Keeping a Close Eye on the Business Environment and Market Trends

Funai Electric provides high-quality digital consumer electronics products with superior cost-performance, based on our fundamental principle of “Dream with Conviction, and Act on Information” and the group vision of creating products that are the choice of customers around the world.



## Reflecting on the Major Changes in the Business Environment in Fiscal 2019

I would first like to extend my condolences for those who have lost their lives and express my heartfelt sympathy to those who have contracted COVID-19.

The Funai Group was also impacted by delays in procuring parts, temporary suspension of operations at production plants, and other challenges, but we are discerning economic and market trends and moving forward with initiatives aimed at the business environment after COVID-19 has been controlled.

## Implementing a Strategy Aimed at an AV Changing Business Environment

During FY2019 (ended March 31, 2020), the Funai Group launched a new product equipped with Android TV™ in North America, our main market, and in Japan, launched a new product line-up centered on OLED TVs, etc. that enable recording based on the “record and watch” concept in July 2019. We also launched the “CureNel” nail art printer as a new category in June 2019.

However, a large volume of LCD televisions made in China were shipped to the U.S. market ahead of schedule from the first through the second quarter because they were subject to the fourth round of tariff increases imposed by the Trump administration in the U.S. The resulting oversupply of LCD televisions caused a substantial drop in product prices, and an operating loss for the first half of the fiscal year.

During the third quarter, exports of LCD televisions made in China decreased substantially and the balance of supply and demand improved. Strong sales of the 65-inch LCD televisions readied for the year-end sales campaign enabled Funai to secure an operating profit.

During the fourth quarter, production at Funai’s LCD television manufacturing plants in Thailand and Mexico proceeded generally according to plan and exports to the North America continued, despite delays in the supply of parts from suppliers in China caused due to COVID-19. Meanwhile, exports of LCD televisions from China to the North American market declined even further due to COVID-19. This worked to Funai’s advantage and resulted in operating income of around 100 million yen.



The above factors resulted in net sales for FY 2019 (ended March 31, 2020) of 88,425 million yen, an increase of 3,425 million yen (-16.2% YoY) from the forecast disclosed. The operating loss was 1,732 million yen (compared to operating income of 682 million yen in FY2018), an improvement of 1,268 million yen from the forecast disclosed. The ordinary loss was 1,594 million yen (compared to an ordinary profit of 1,392 million yen in FY2018), an improvement of 1,506 million yen from the forecast disclosed. Net loss attributable to owners of the parent was 2,392 million yen (compared to net income attributable to owners of the parent of 2,613 million yen in FY2018), an improvement of 808 million yen from the forecast disclosed.

### COVID-19 Impacts and Countermeasures

As I stated before, the spread of COVID-19 also impacted Funai by causing delays in parts procurement and temporary suspension of operations at production plants from March 2020 onward. The Funai Group will implement two countermeasures in response to these conditions.

The first is the procurement countermeasure. Delays in the supply of parts from Chinese parts manufacturers occurred because we are dependent on China for the supply of parts. We are therefore considering diversification of the producing countries to build an optimal supply chain.

The second is the production countermeasure. The shutdown of operations at the Lima plant in the Philippines and the Mexico plant caused delays in supply, so we will consider a back-up plan for the future.

Along with steady pursuit of these measures, we will keep a close eye on the business environment and market trends as we pursue stable management, as stated in Our Initiatives for 2020 on page 9.

### Aiming for Growth to the Next Stage

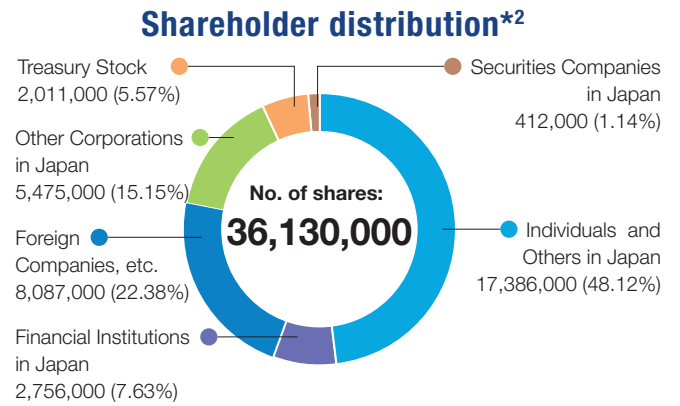
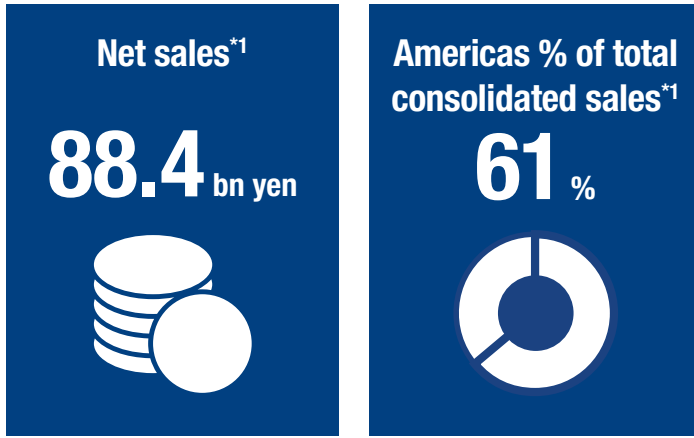
Continued instability of the global and domestic economies is anticipated in the future. The Funai Group will respond flexibly to such changes while working to provide solutions consisting of a combination of products, systems, and services to address environmental problems, resource and energy problems, and other social issues, based on ESG (environmental, social, governance) corporate management. We will work to achieve both sustainability and safety, security, and comfort, and create other types of value.

I think that it is precisely because conditions are severe that we will see increase opportunities to demonstrate the potential of our proprietary technology, originality and ingenuity, and other assets we have developed over the years. Funai will continue to grow to the next stage in the future by introducing excellent products that meet the needs of society.

Hideaki Funakoshi  
Representative Director  
President and CEO

# At a Glance

First Section of the Tokyo Stock Exchange



\*1 Consolidated results for fiscal year ended March 31, 2020  
\*2 As of March 31, 2020

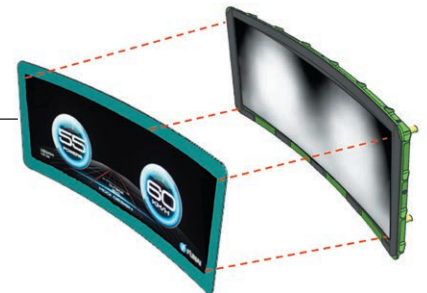
## Net Sales

**4% 3.8** bn yen  
Office Solutions Business

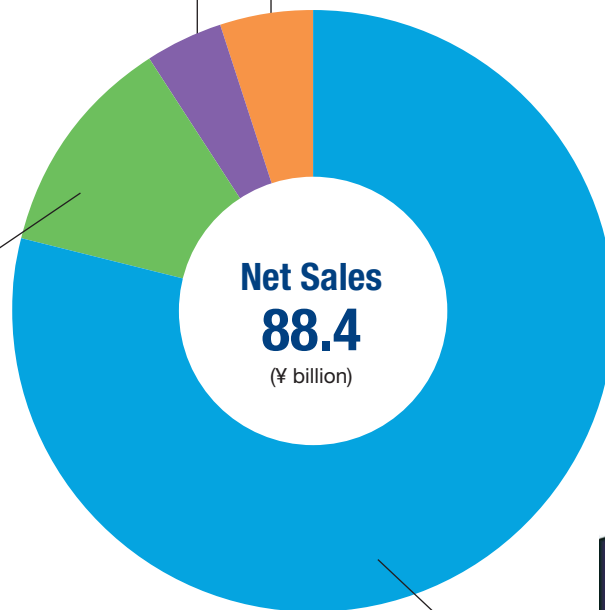


Nail art printer

**5% 4.6** bn yen  
Development and New Businesses



Backlight units for installation in vehicles



**79% 69.5** bn yen  
Display Business

**12% 10.5** bn yen  
Digital Media Business



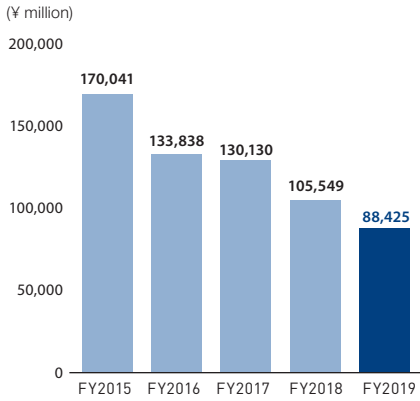
HD Blu-ray



65-inch Android TV™ for the U.S. market

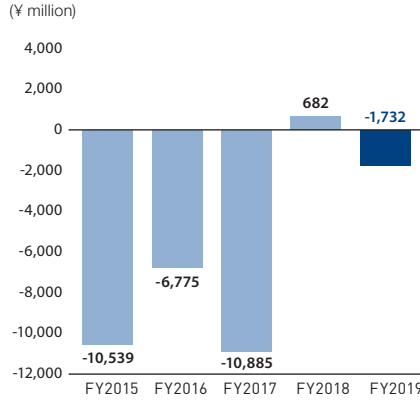
# Financial Highlights

## Net Sales



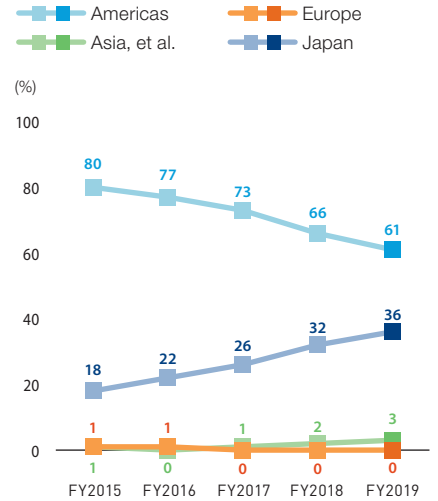
The decline in the price of LCD televisions in North America during the first half caused a slump in sales of Funai's new products. We were unable to recover the ground lost due to the decline in the first half and net sales **declined 16.2% YoY** for the full year.

## Operating Income



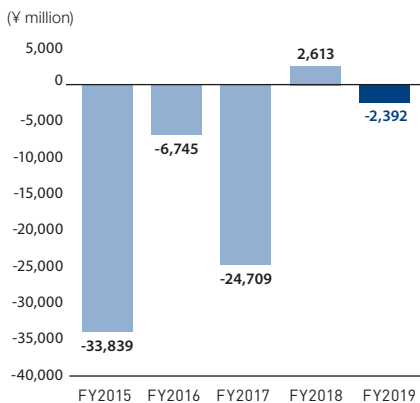
An **operating loss of 1,732 million yen** was recorded. This resulted from a decline in profit accompanying the decline in revenues, and a decline in value added after the deduction of COGS and selling expenses from net sales.

## Sales by Region



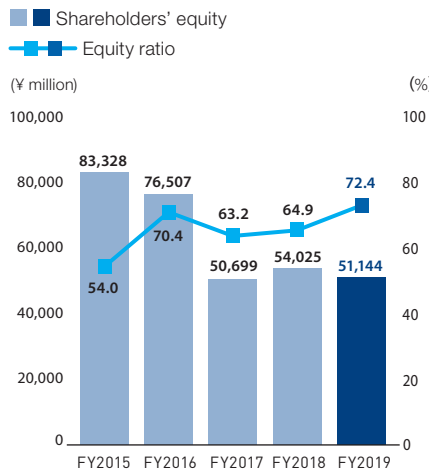
The slump in sales of LCD televisions caused a decline in revenues in the Americas, while sales in Japan remained nearly flat. This resulted in an increase in sales in Japan as a percentage of total sales.

## Net Income (Loss) Attributable to Owners of Parent



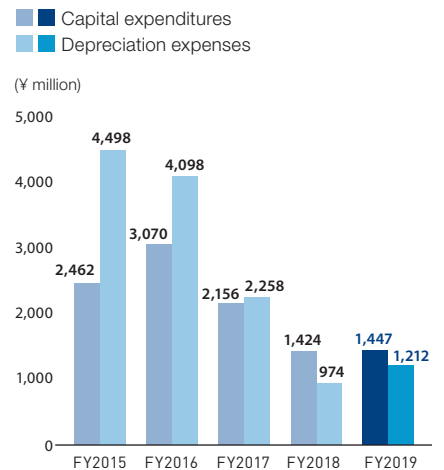
A loss on impairment of long-lived assets accompanying the operating loss and revision of deferred tax assets due to shrinking demand in the North American market resulted in a **net loss attributable to owners of the parent of 2,392 million yen**.

## Shareholders' Equity/Equity Ratio



The equity ratio **increased** from last fiscal year to **72.4%**, owing to progress on reducing inventories.

## Capital Expenditures and Depreciation Expenses



Capital expenditures were **1.4 billion yen**, on par with last fiscal year. Depreciation expenses **increased by 230 million yen**.



# Supplying Simple, High-quality Products to the World



7030 Series  
OLED TV equipped with an internal hard disk drive

Since our company was established, Funai Electric has demonstrated the ability to develop and supply products of superior quality and cost-performance, and has built a reputation of solid reliability in the global digital consumer electronics market.

Today we are engaged in a broad range of businesses in four business segments: The Display business, which provides flat-screen televisions; the Digital Media business, which provides BD (Blu-ray Disc) related products; the Office Solutions business, which provides printer-related equipment; and Development and New Businesses, which develops and manufactures dental CT scanners, products for installation in vehicles, and other high-quality products.

In our main Display business, we supply four brands of flat-panel televisions in a variety of sizes from small to large. In our Digital Media business, we supply BD (Blu-ray Disc) related products. We supply these products to Japan and North America, respectively. We are recognized for our price competitiveness and capacity to supply these audiovisual products and are particularly proud of our top-ranked share

among Japanese manufacturers in flat-panel televisions in the North American market.

Funai utilizes the ink cartridges and printer products we developed ourselves in our Office Solutions business and the strong partnerships with our OEM (consignment manufacturing) customers in our Development and New Businesses segment to develop, manufacture, and sell high value-added products.

We are entering a severe shakeout period in the global digital consumer electronics industry as competition stiffens on function, design, and price with the rise of Chinese, Taiwanese, and Korean manufacturers.

However, it is precisely in this sort of severe environment that we are seizing the opportunity to manifest the true value of Funai Electric, with our advanced in-house development capacity and our formidable production system. We will work to increase our brand value and expand our market share by rapidly developing and manufacturing products that match the needs of consumers and supplying products of superior quality and cost-performance to the global market.

## Our Product Brands

» Brand sold in Japan

**FUNAI**

» Brands sold in North America

**Philips**

**Magnavox**

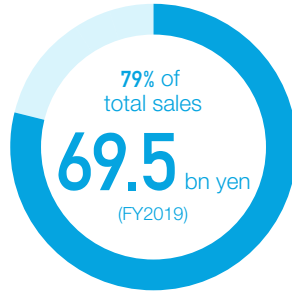
**SANYO**



## Display Business



65-inch Android TV™ for the U.S. market



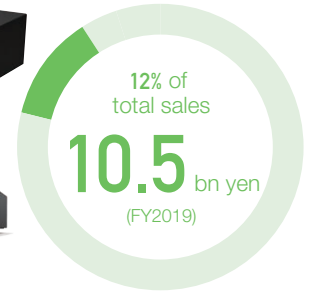
### Globally recognized high-definition imaging, a new option in OLED TVs in Japan

Funai Electric maintains top-ranked share among Japanese manufacturers in the North American market where we sell three brands (Philips, Magnavox, and SANYO). We also began exclusive sales of FUNAI-brand products at Yamada Denki stores in Japan from 2017 and are steadily expanding sales.

## Digital Media Business



HD Blu-ray



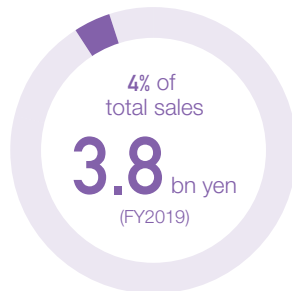
### Enticing AV users with a high-definition simultaneous recording function

In the North American market, we have provided 4K Ultra HD Blu-ray Disk players since 2016. We also launched exclusive sales of a FUNAI-brand 4K Ultra-HD Blu-ray Disc recorder in Yamada Denki stores in July 2018, and are continuing to expand overall sales with flat-panel televisions.

## Office Solutions Business



Nail art printer



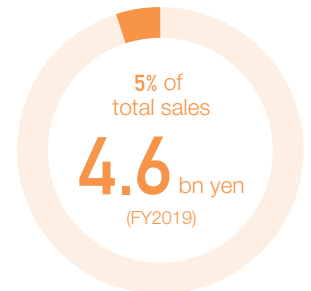
### Capitalizing on the diverse range of business needs to achieve expansion of the printer business

Funai is utilizing the expertise it has cultivated in OEM for inkjet printer products since 1997 to expand the business substantially. We manufacture printer-related products for various purposes in the B2B and OEM segments, such as proprietary ink cartridges for industrial use that employ thermal inkjet technology and the Nail Art Printer. We have also entered an alliance with The Procter & Gamble Company, the world's largest manufacturer of consumer daily necessities, and will introduce products in the beauty segment.

## Development and New Businesses



Dental CT scanner



### Meeting a wide range of OEM needs with latest technology and optimal manufacturing

Funai Electric is manufacturing dental CT scanning devices for the U.S. market. We have also jointly developed a bed for nursing care with the medical division of a university in an industry-academic partnership and are working on a prototype. Through this and other products, we are meeting a wide range of needs in the medical and healthcare segments with superior technology. In addition to the above initiatives, we are working on development of devices for installation in vehicles and will provide components and modules that are based on our optical technology, such as meter panels and power inverters.

# Our Initiatives for 2020

## Display Business

### U.S. Market

Funai has continued to position 32-inch, 65-inch, and 75-inch models as strategic models since last fiscal year. For 32-inch models, we are targeting growth in sales volume through aggressive expansion. For 65 and 75-inch models, we are targeting growth in the average unit price by expanding sales of large models. High value-added products to be launched include the 2nd generation Android TV™ with the voice recognition function installed in the body of the television to enhance convenience, and a new kitchen television with an enhanced voice recognition function.

### Japanese Market

From June onward, we will launch a total of 10 new models, beginning with the world's first OLED Android TV™ equipped with an internal hard disk drive.

## Office Solutions Business

### Enabling Printing on 3D Objects Other Than Paper

The focus is on commercializing products that make it possible to print on 3D objects other than paper media, using edible ink that can easily be printed on foods.

### Cartridge Evaluation Kit

We have introduced a cartridge evaluation kit that enables simple and quick evaluation of ink performance just by filling the cartridges with ink, to expand applications of Funai's inkjet technologies to alliance partners and accelerate support for commercialization.



Food printer



Cartridge evaluation kit



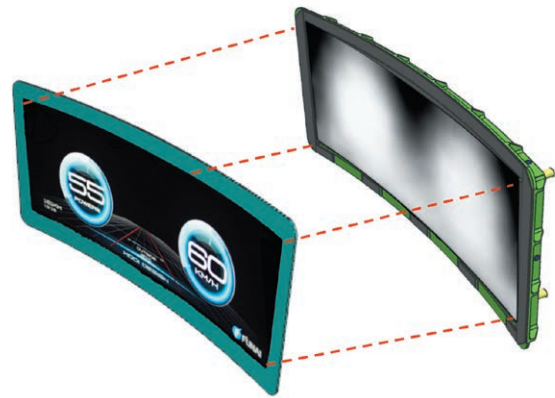
Café art printer

## Development and New Businesses

### Equipment for Installation in Vehicles

Funai began mass production of direct backlight units, which apply the imaging and optical technology we cultivated through development of televisions, from June 2020.

We also began joint development of devices for motorcycles with ROKI Co., Ltd., an automotive filter manufacturer that we partnered with in 2019.



Backlight unit for installation in vehicles

### Medical Devices

PreXion Corporation, a company that develops and sells dental CT scanners, became a wholly owned subsidiary of Funai in May 2020, and its products have been well-received by U.S. specialists and physicians. The company plans to launch a new product this fiscal year. We are also pursuing life science technology applications of inkjet technology with a major player in the industry and are also working to develop a body position-changing mat for use in long-term care via an industry-academic partnership.



# Topics

## TOPIC Accelerating new business creation via an alliance: Sales of first product from the alliance with NTT Plala Inc. launched

Funai launched the HBD-WA10 Blu-ray Disc Recorder in July 2020, as the first product from our alliance with NTT Plala Inc. We announced a business alliance with the company in June 2019 and are aiming to provide new products and services to serve as a platform for home life by integrating NTT Plala's expertise in network communications technology and video streaming services with the imaging technology and global production platform cultivated by Funai over many years. The Blu-ray Disc Recorder launched is the first product capable of dubbing programs that were recorded\* on the Hikari TV service provided by NTT Plala and stored on a USB hard disk drive to Blu-ray Discs/DVDs. It also can be purchased through the Hikari TV Shopping service run by the company.

We have positioned pursuit of an alliance strategy as a management strategy of combining our proprietary technology with the technology of other companies, creating new products and services, and developing and strengthening new businesses. We will continue to pursue collaboration with NTT Plala in the future, while also actively expanding business alliances that will contribute to an increase in the corporate value of the Funai Group.

\* Capable of recording programs streamed through Hikari TV (terrestrial and BS digital broadcasting, specialty channels, etc.).

## TOPIC Market launch of world's first OLED Android TV™ equipped with an internal hard disk drive

Sales of four series consisting of 10 models were launched in June 2020, including the 7030 series using Android TV™ as the first OLED TV equipped with an internal hard disk drive, and the FUNAI-brand television line-up sold exclusively through the Yamada Denki Group was updated. This line-up is based on the concept of "watch, record, and expand," achieves even higher definition image quality and sound quality, and uses Android TV™, which expands the new ways to have fun through a variety of recording functions and an Internet connection. These products demonstrate the technical capabilities of FUNAI brand.

The top-of-the-line 7030 series is the world's first\* OLED Android TV™ equipped with an internal hard disk drive. It is also compatible with the Dolby Atmos stereo sound technology used in feature films and theaters worldwide, and the use of height effects speakers on the back provide a three-dimensional surround sound with just the television alone. Installation of a 2 TB internal hard disk drive in addition to the multiple recording and replay functions already available has also enabled high-capacity recording.

All series are equipped with 4K satellite broadcasting tuners that enable users to watch a 4K broadcast while recording a different 4K broadcast in the background.

A TV commercial was launched nationwide along with the launch of the new series.

\* As of March 31, 2020, research by Funai Electric



7030 Series  
OLED TV equipped with  
an internal hard disk drive

## TOPIC PreXion Corporation, a dental CT scanner development and sales company, acquired as a subsidiary

On May 31, 2020, Funai acquired 100% of the shares in PreXion Corporation, a company which develops and sells dental CT scanners, making it a wholly owned subsidiary. Funai has been focusing on the highly profitable medical and healthcare fields as a new business pillar in addition to the flat-screen television business to rebuild our business portfolio. PreXion Corporation has been manufacturing dental CT scanners under contract for Funai, and we have acquired the company as a subsidiary to enter fully into integrated manufacturing and sales in this business with the goal of enhancing corporate value.

### PreXion Corporation

Headquarters: Chiyoda-ku, Tokyo

Business description: Development and sale of medical imaging and diagnostic equipment



Dental CT scanner

## Design

### Targeting Even Stronger Competitiveness

**Adding higher value, reducing the number of parts, local design, and production in the optimal location: Funai is working to achieve both high value-added products and competitive cost performance to make Funai even more competitive and successful in global competition.**

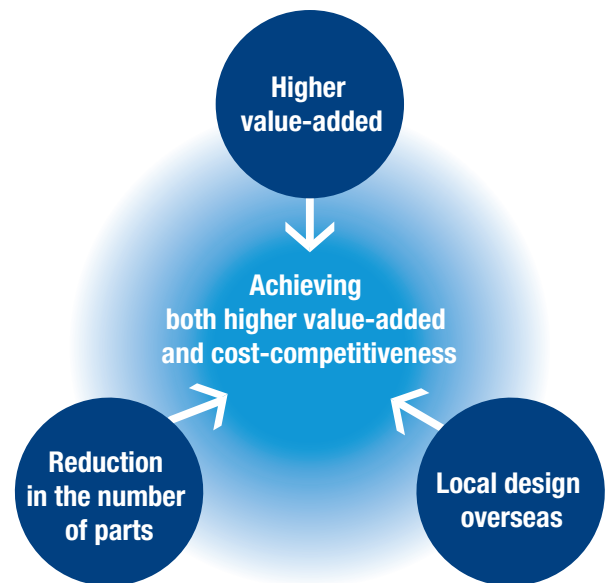
The business environment surrounding Funai is becoming increasingly severe due to the impact from trade friction and the emergence of global competitors.

To emerge the winner in such intense competition, Funai must succeed in two ways: Maintaining the world-class price competitiveness that is a strength of Funai, and developing appealing products that customers will choose.

To maintain cost competitiveness, we are pushing ahead on reducing the number of parts, using common parts, finding new local parts through overseas R&D, and reducing fixed development costs, among other efforts. We are performing some design work at development sites in Malaysia, China, and elsewhere, and are working to shorten development time, reduce labor hours, and improve the efficiency of local parts procurement.

To create high value-added products that customers will choose, we are targeting medium and long-term development themes and incorporating high value-added technology that will lead to building dominance, in addition to performing short-term development.

#### Our Approach to Design



## Production

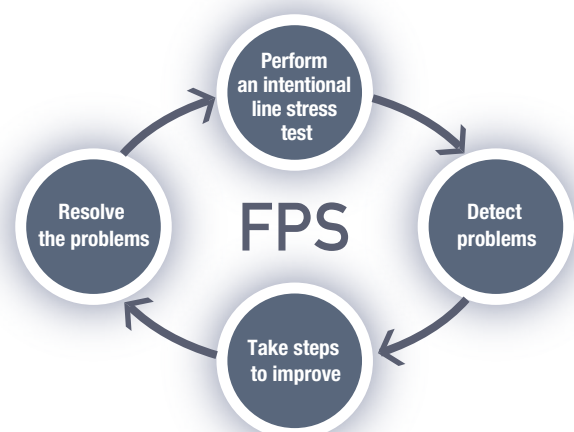
### Taking on the Challenge of Improvements in Productivity

**Funai Electric continuously pursues improvements in productivity through its unique Funai Production System (FPS). FPS enables Funai to provide high quality products with superior cost performance.**

FPS, Funai’s unique production system, detects problems in the production process through intentional stress testing of the production line (reducing the number of line workers, speeding up the belt conveyor), and taking steps to improve productivity that encourage voluntary efforts to improve.

Repeatedly working through this cycle detects problems with the current production system and fosters a mindset among team members to take the initiative on improvement. This enables continual improvements in productivity. Funai sees FPS as the driver for achieving sustainable growth and is working to achieve even greater improvements in production.

#### Continual improvement in productivity through FPS





## Sales

### Capturing the Needs of Markets around the World

Funai Electric deploys a sales strategy based on the unique characteristics of each market in many locations around the world. In the North American market, which is the largest market in the world, Funai has strengthened its relationship with leading mass retailers to develop an accurate assessment of market needs, and maintains top share in the market. We also began exclusive sales of the FUNAI brand through Yamada Denki, the largest mass retailer of consumer electronics in Japan, from 2017.

Funai's sales strategy is to use our close relationships with sales channels to accurately identify market needs and the latest trends, and provide high-quality products with superior cost-performance.

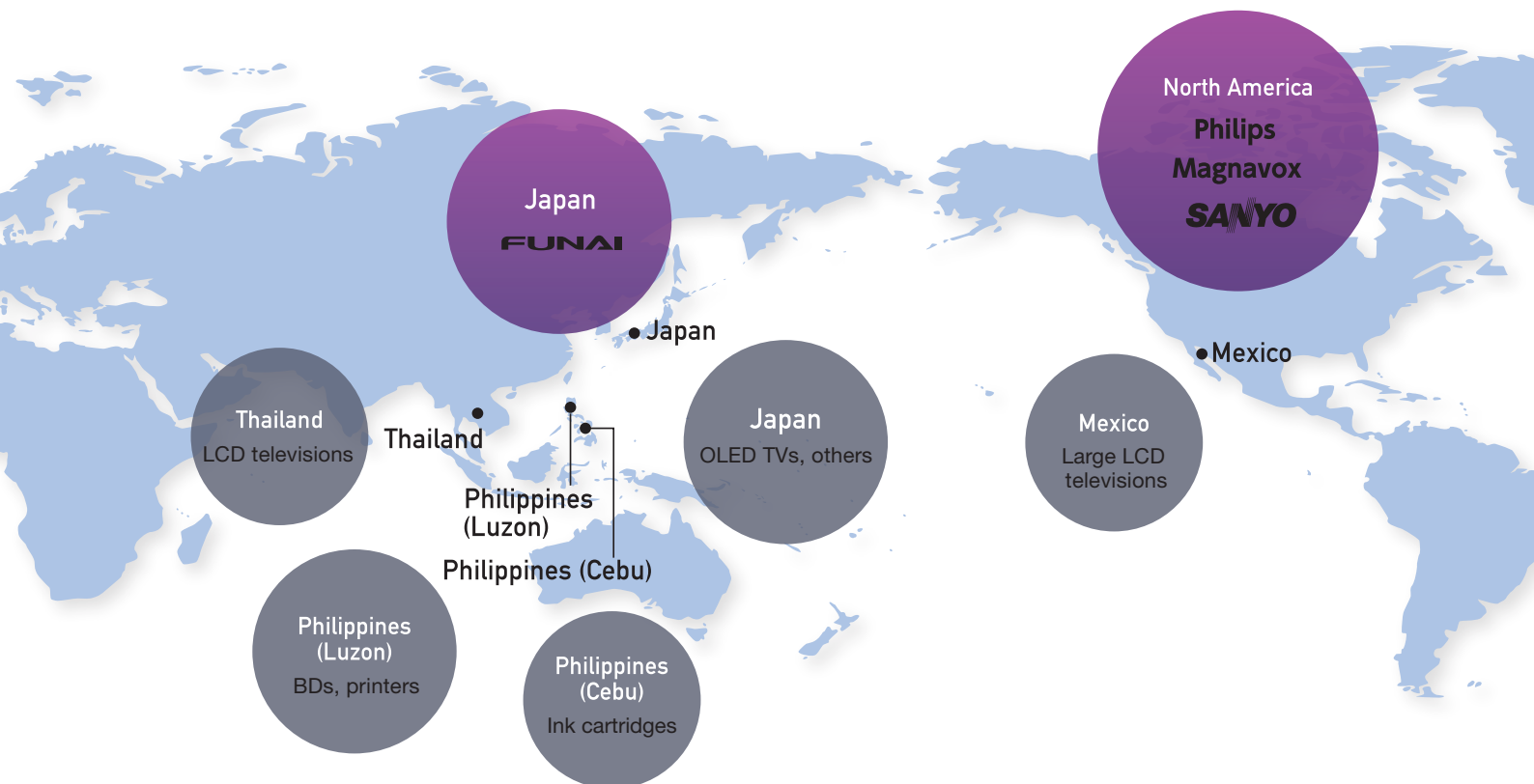
In LCD televisions, our core product, we hold top market\* share among Japanese manufacturers in the North American market in terms of unit shipments. We also began exclusive sales of FUNAI-brand products in Yamada Denki stores in the Japanese market from June 2017. In June 2020, we launched sales of ten television models in four series, including the 7030 OLED Android TV™ series equipped with an internal hard disk drive. This provides a new line-up of FUNAI-brand TVs sold exclusively through the Yamada Denki Group nationwide. Funai is steadily increasing market presence by pursuing a product development and sales strategy matched to the needs of the market.

In printer-related products, we launched the nail art printer, a product that applies Funai's thermal inkjet technology, and it has received good reviews. In new businesses, we are pursuing development and production of nursing care and medical equipment, and are also engaging in product development aimed at next-generation needs through our alliance strategy, under which we have entered alliances with FOMM Corporation, a venture firm that is developing compact electric vehicles; P&G, the world's largest manufacturer of consumer daily necessities; NTT Plala Inc., the provider of Hikari TV, the largest video platform in Japan; ROKI Co., Ltd., and other companies.

\*2014-2019: Funai's share of LCD television shipments in North America compared to other Japanese manufacturers, IHS Markit research.

#### Global sales locations Global production locations

● Main markets ● Production locations



# Realizing Sustainable Communities

We are also actively pursuing environmental initiatives as one of the cornerstones of management.

Since the company was founded, Funai has built overwhelming trust in the imaging device segment using its superior supply capabilities and the cost performance of electronic products focused on functionality as sales points.

The proprietary Funai Production System (FPS), technical skills in mechatronics, and structure for producing

and selling in the optimal global locations, which we have developed in the course of our history, are our most important management assets. We regard these as our greatest weapons in surviving intense industry competition.

We also aspire to improving quality, delivery lead times, and costs even more, and delivering products that always meet

the needs of the times.

We are actively pursuing environmental initiatives as one of the cornerstones of management as we work to achieve these things.

We continually work to implement environmental initiatives in activities at business locations and in product-related activities.

## Product-related Activities and Results

Based on our Corporate Commitments to “adopt continual product improvements, continually promote ever deeper trust, and seek further harmony and mutual prosperity,” we design and manufacture high-quality products that are friendly to the global environment and satisfy customers.

Specifically, we endeavor to develop products that are lightweight and simple so they use fewer resources. By decreasing the amount of electricity products use, we contribute to reductions in global warming when our products are used by customers. Making products slimmer means that they can be transported more efficiently, and this reduces the environmental impact of the shipping process. By eliminating hazardous substances from our products, we are working to halt environmental pollution. To ensure that these goals are achieved on an ongoing basis, we have established the Product Environment Committee as a cross-company organization for environmentally considerate product design.

### ● Green Procurement Activities

Based on the principles contained in the Group Code of Conduct, we endeavor to protect the global environment and work to mitigate the risk to human health and the environment from the chemicals contained in our products as one part of

those efforts. Funai has formulated Green Procurement Standards. The purpose of these standards is to mitigate these risks, and environmentally friendly parts and materials are procured throughout the entire supply chain, by parts and materials manufacturers in addition to Funai itself.

More specifically, we have built and operate a system for managing chemicals contained in products to ensure that hazardous chemicals are not used in our products. To achieve this, we work together with our parts and materials suppliers to prohibit or limit hazardous chemicals regulated by individual countries throughout the world.

### ● Initiatives to Prevent Global Warming

Funai is participating in the Japan Business Federation’s Commitment to a Low Carbon Society through the Liaison Group of Japanese Electrical and Electronics Industries for Global Warming Prevention and is pursuing measures to combat global warming via the company’s business activities.

Reducing greenhouse gas emissions (CO<sub>2</sub>) is one indicator for product development, and we control new issues such as reducing electricity consumption, reducing product size, and improving transport efficiency in all aspects of product development while implementing company-wide initiatives that can



contribute to preventing global warming on an ongoing basis.

### ● Life Cycle Assessment (LCA)

To create products that reduce the burden on the environment, we perform a product assessment every year to evaluate products from the aspects of energy savings, reduction in use of natural resources, recycling, hazardous substances contained, and other aspects to assess the burden imposed on the environment, from production through disposal of a product. This is useful in designing and developing products that impose a lower burden on the environment.



## Environmentally-friendly Product Development



Based on the principles contained in the Funai Group Code of Conduct, we endeavor to protect the global environment and work to reduce the burden imposed on the environment from the chemicals contained in our products

as one part of those efforts.

To reduce this environmental burden, we have worked with our suppliers to build a system to manage chemical substances contained in our products and those of our suppliers, and have taken steps to prohibit use of chemicals in products that impose a large environmental burden.

J-Moss is the abbreviation of the JIS standard for labeling chemical substances contained in electrical and electronic devices in Japan.

Based on JIS C 0950: 2008, labeling of products that contain specified chemical substances\* is legally mandated

for specific product groups (televisions, personal computers, air conditioners, refrigerators, washing machines, microwaves, and clothes dryers). The J-Moss Green Mark can be displayed on products that contain a percentage of such substances that is lower than the standard value.

Funai televisions meet the criteria for the J-Moss Green Mark because we select environmentally friendly materials and parts from the design stage.

\* Covers six substances: Lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyl, and polybrominated diphenyl ether

## Human Resource Education/Initiatives in Employee Health Management



In the Funai Group, we regard the development of globally active human resources and professional resources as one of the most important management tasks embodying the founding spirit, and we put effort into educating and training people after they join the company.

New employee training is provided in April every year to equip new

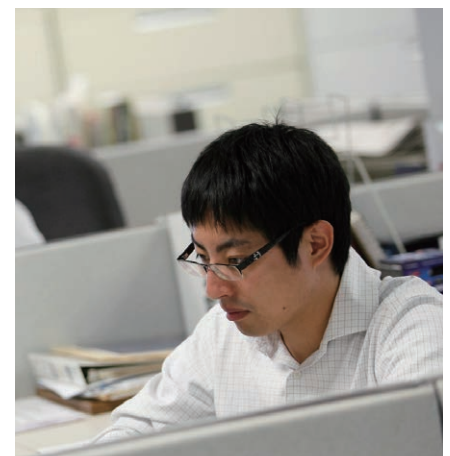
employees with basic knowledge as full-fledged members of society and teach them how to perform their work. Training in an overseas plant for three months is provided regardless of job classification and employees learn the thought process of the proprietary Funai Production System (FPS). Continuous skills improvement training by an instructor is offered internally to encourage ambitious employees to pursue self-education to improve business skills and technical skills. Training by grade level is also provided periodically to improve the management skills of people in managerial and specialist positions.

Various kinds of English courses are provided to equip employees with the language skills essential as global human resources, and we are working to maintain their motivation to improve their English skills by introducing the TOEIC score as a requirement for advancement and promotion.

We also actively engage in employee health management to ensure that all employees come to work in a healthy condition and demonstrate their personal

capabilities. All employees participate in company health drive efforts. We also provide them with information on health and nutrition, and have an industrial physician conduct health management courses.

Funai formulated a mental health promotion plan based on the Ministry of Health, Labour and Welfare's Guidelines for Promoting the Mental Health of Workers. We have put in place an internal structure and set up a consultation desk as part of our mental health promotion measures.



# Corporate Governance

## [Overview of Corporate Governance]

The Funai Electric Group has the following view of corporate governance. We aim to respond to changes in the management environment and continually strive to enhance corporate value by increasing the transparency of management for shareholders, consumers, business partners, local communities, employees, and all other internal and external stakeholders, and ensuring sound and efficient management and swift decision-making.

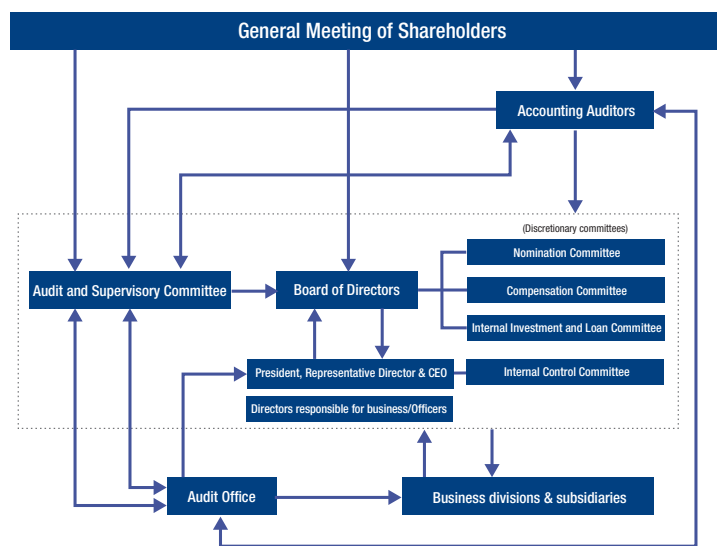
We have established an executive officer system to facilitate agile decision-making and prompt execution of business based on this philosophy.

Funai also established the Funai Group Code of Conduct and the Funai Group Procurement Policy, which is based on the Group Code of Conduct. We established the CSR Committee as the organization in charge of promoting these, and this committee promotes CSR activities.

## [Overview of the Corporate Governance Structure and Reasons for Adopting this Structure]

We have adopted the structure of a company with an Audit and Supervisory Committee, and have established a Board of Directors, an Audit and Supervisory Committee, and Accounting Auditors. Directors possessing voting rights on the Board of Directors who are also Audit and Supervisory Committee members perform audits to strengthen the oversight function of the Board of Directors and enhance corporate governance.

We have established an executive officer system to facilitate prompt execution of business. In addition to the Audit and Supervisory Committee, we have also established the Nomination Committee, Compensation Committee, and Internal Investment and Loan Committee to serve as discretionary advisory bodies to the Board of Directors. These committees ensure objectivity and transparency in the process for making important decisions.



## [Board of Directors]

The Board of Directors consists of nine directors: Six directors who are not Audit and Supervisory Committee members (two of whom are outside directors), and three directors who are Audit and Supervisory Committee members (two of whom are outside directors). The internal directors have extensive knowledge of Funai's businesses and facilitate swift decision-making, while the outside directors, who have no significant conflict of interests, ensure sound and transparent management by participating in decisions made by the Board of Directors. More than one-third of the directors on the Company's Board of Directors are outside directors and this structure enables more objective, impartial, and fair decision-making.

## [Advisory Bodies]

### • Nomination Committee

The Nomination Committee consists of directors who have been appointed as committee members by the Board of Directors. As an advisory body to the Board of Directors, this committee recommends candidates for director positions to the Board of Directors, thereby ensuring transparency and objectivity in the candidate selection process.

### • Compensation Committee

The Compensation Committee consists of directors who have been appointed as committee members by the Board of Directors. This committee has been delegated the authority to determine the compensation for executive officers and directors who are not Audit and Supervisory Committee Members, thereby ensuring transparency and objectivity in the compensation determination process. The compensation of Audit and Supervisory Committee members is determined through discussion by directors who are Audit and Supervisory Committee members.

### • Internal Investment and Loan Committee

The Internal Investment and Loan Committee consists of directors and executive officers whom the president has appointed as committee members. This committee examines and discusses the contents of individual investment and lending projects of importance to the Company, thereby ensuring transparency and objectivity in the process for deciding whether or not to proceed with individual investment and lending projects.

# A Broad Range of Local and Community Activities

## Ongoing partnership with Los Angeles Angels to achieve penetration of the FUNAI brand

Funai concluded a partnership agreement with the Los Angeles Angels, a major league baseball team in the U.S., in February 2018. Shohei Ohtani, who is both a pitcher and designated hitter for the Los Angeles Angels, has attracted much interest in the U.S., as well as in Japan.

The main provisions of the partnership agreement include installing a board inscribed with both the FUNAI logo and the Angels logo on the media banner in postgame “hero of the game” interviews in the press room after Angels home games, and conducting postgame interviews for games that Ohtani has played in, in front of this media banner. A home plate advertisement will also be displayed at 11 of the 21 home games that Ohtani will play in at the Angel Stadium of Anaheim, which is the home base of the Angels.

An advertisement was displayed over the pitcher’s mound as a new initiative for this season.

## Sponsor agreement renewed with S.C. Sagami-hara of the soccer J3 League



In June 2020, Funai renewed the sponsor agreement with the professional soccer J3 League club, S.C. Sagami-hara. The FUNAI logo is displayed on the pants of the official uniform for S.C. Sagami-hara. The FUNAI logo is also displayed on the interview board used for official S.C. Sagami-hara home games and events, the signboard installed behind the goal, on the official website, and on official publications, among other items.

S.C. Sagami-hara, which calls Sagami-hara City, Zama City, Ayase City, and Aikawa Town home, is currently part of the J3 League. The transfer of Junichi Inagaki, the former representative of Japan, from the 2019 season was a hot topic.

By supporting the activities of the team through this sponsorship agreement, we are contributing to the promotion and energization of sports. It will create opportunities for even more people to take an interest in the Funai Group, and our hope is that this will lead to penetration of the FUNAI brand.

(Photo provided by S.C. Sagami-hara)

## Activities that contribute to and support communities

In the U.S., the Funai Group participates in the Children’s Miracle Network, which supports hospitals that treat pediatric illnesses, and participates in charity projects.

We have also supported Walmart and Sam’s Club in participating in the Sharing & Caring support for children in need during the holiday season, and donated Funai TV and DVD products.

We hope that these activities will make children’s dreams come true and give them the strength and courage to fight their illnesses, and that they will contribute to the community in general by supporting families, sponsors, and those who donate.



## Locally-rooted contribution activities

Funai products are used as thank you gifts when taxpayers contribute a portion of their taxes to the hometown revitalization fund for the city of Daito in Osaka, where our headquarters is located. We provided approx. 4,000 units in FY2019. We will continue to make substantial contributions to the Daito City hometown revival tax contribution fund and strive to improve Funai’s name recognition.



# A Parallel Chronology of Product Development and the History of Funai Electric

## 1960s

- August 1961 ● FUNAI ELECTRIC CO., LTD. established in Ikuno Ward, Osaka City, capitalized at 20 million yen. (Transistor radio business of FUNAI LIGHT MACHINERY MFG. CO., LTD. spun off as an independent company)
- March 1964 ● CHUGOKU FUNAI ELECTRIC CO., LTD. (now a consolidated subsidiary) established as a production company in Fukuyasu-gun (now Fukuyama City), Hiroshima Prefecture
- May 1968 ● FUNAI ELECTRIC COMPANY OF TAIWAN established in Kaohsiung, Taiwan as the first large production plant overseas
- April 1969 ● Construction of new headquarters building completed in Daito City, Osaka Prefecture (current location of headquarters)

## 1970s

- September 1970 ● FUNAI AMERICA ELECTRIC SERVICE CORP. (later, FUNAI USA CORPORATION) established in the U.S. as a sales subsidiary
- September 1976 ● Headquarters relocated to Daito City, Osaka Prefecture

## 1980s

- June 1980 ● FUNAI ELECTRIC TRADING (EUROPE) GmbH established in Hamburg, Germany as a sales subsidiary
- July 1983 ● Tokyo Branch Office established in Chiyoda-ku, Tokyo
- March 1987 ● Full-scale entry into the domestic market

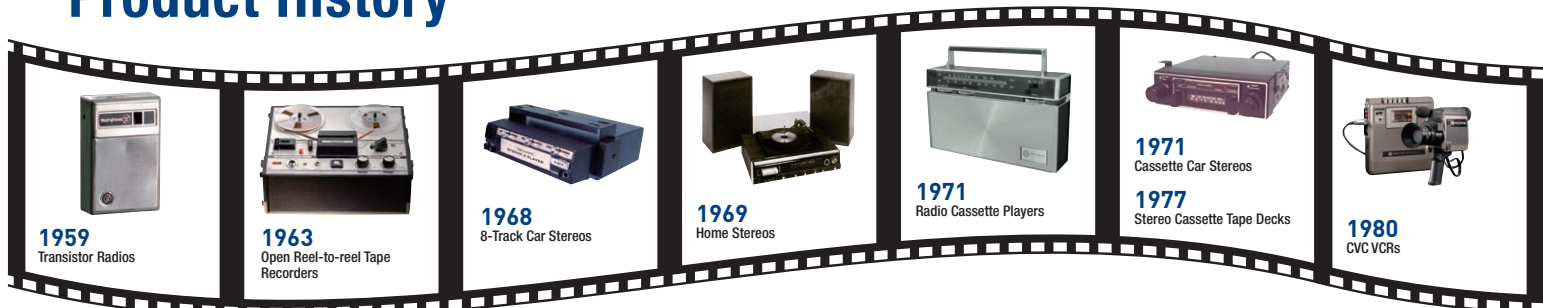
## 1990s

- March 1992 ● HIGHSONIC INDUSTRIAL LTD. (now FUNAI ELECTRIC (H.K.), LTD., a consolidated subsidiary) established in Hong Kong to oversee contract manufacturing in Guangdong, China
- January 1996 ● FUNAI SERVICE CO., LTD. (now a consolidated subsidiary) established as a domestic service subsidiary
- February 1999 ● Listed on the Second Section of the Osaka Securities Exchange

## 2000s

- March 2000 ● Listed on the First Sections of the Tokyo Stock Exchange and the Osaka Securities Exchange
- November 2000 ● FUNAI LIGHT MACHINERY MFG. CO., LTD. acquired through an absorption-type merger
- March 2001 ● Fiscal year-end changed from June 15 to March 31

## Product History



**1959**  
Transistor Radios



**1963**  
Open Reel-to-reel Tape Recorders



**1968**  
8-Track Car Stereos



**1969**  
Home Stereos



**1971**  
Radio Cassette Players



**1971**  
Cassette Car Stereos  
**1977**  
Stereo Cassette Tape Decks



**1980**  
CVC VCRs

The start of production of the transistor radio led to the establishment of our predecessor, FUNAI LIGHT MACHINERY MFG. CO., LTD. Explosive growth followed, as the company concentrated on OEM sales to leading U.S. and European manufacturers.

The application of mechatronics technology, centering on control technology for the rotating mechanism, led to the development of a host of product manufacturing technologies.

In these years, set world record for unit production of 8-track car stereos.

Proprietary compact video cassette recorder developed. The advanced technical capabilities drew interest for the success in recording a video on the peak of Mt. Everest for the first time in the world.



**1994**  
Air Conditioners



**1997**  
Inkjet Printers



**1999**  
DVD Players



**2000**  
Laser Beam Printers



**2002**  
Projectors



**2002**  
LCD TVs



**2004**  
DVD Recorders

Supplied OEM products to leading U.S. printer manufacturer. Succeeded in mass production.

In the 2000s, acquired a leading share of the North American market.

Commenced production of monochrome laser beam printers following the launch of inkjet printers in 2000.

Provision of OEM products to specialized projector manufacturer in United States.

With a few years after commencing production, acquired top share of the North American market.

In addition to our own brand, received orders for OEM production from other major manufacturers, leading to a top share of the global market.

- July 2003 ● FUNAI (THAILAND) CO., LTD. (now a consolidated subsidiary) established in Nakhon Ratchasima, Thailand as a production subsidiary
- October 2006 ● FUNAI ELECTRIC (POLSKA) Sp. z o.o. established in Lubusz, Poland as a production subsidiary
- September 2007 ● BROADTEC TV R&D CENTER SDN. BHD. (now FUNAI MALAYSIA R&D SDN. BHD.) established in Malaysia as a research and development center
- October 2007 ● FUNAI SERVICE CORPORATION (now a consolidated subsidiary) established in Ohio, U.S.A. as a service subsidiary
- June 2008 ● P&F USA, Inc. (now FUNAI CORPORATION, INC., a consolidated subsidiary) established in Georgia, U.S.A. as a sales subsidiary
- April 2009 ● P&F MEXICANA, S.A. DE C.V. (now a consolidated subsidiary) established in the State of Mexico, Mexico as a sales subsidiary

## 2010s

- June 2011 ● FUNAI ELECTRIC R&D (SHENZHEN) CO., LTD. established in China as a research and development center
- April 2013 ● FUNAI ELECTRIC PHILIPPINES INC. (currently a consolidated subsidiary) established in Batangas Province, Philippines as a production subsidiary

- April 2013 ● Acquired 100% of the shares in a manufacturing subsidiary of Lexmark International (Philippines), Inc. that produces printer-related products (now FUNAI ELECTRIC CEBU, INC., a consolidated subsidiary)
- June 2015 ● Switched to the format of a company with an Audit & Supervisory Committee
- April 2016 ● FUNAI MANUFACTURING, S.A. DE C.V. (now a consolidated subsidiary) established in Tijuana, Mexico as a production subsidiary
- May 2017 ● Hideaki Funakoshi became President & CEO
- June 2017 ● Exclusive sale of FUNAI-brand televisions and Blu-ray Disc recorders at Yamada Denki began
- July 2017 ● Tetsuro Funai, the company founder passed away
- April 2018 ● Absorption-type merger of FUNAI CORPORATION, INC. and P&F USA INC., with P&F USA INC. (now a consolidated subsidiary) as the surviving company
- June 2019 ● Entered business alliance with NTT Plala, Inc.
- October 2019 ● Entered business alliance with ROKI Co., Ltd.

## 2020s

- May 2020 ● Acquired PreXion Corporation as a subsidiary



**1983**  
VHS Videos

CVC technology applied to development of the VHS video format. The video deck mechanisms and key parts (motor, cylinders) were then produced in-house and product competitiveness improved dramatically.



**1983**  
Cordless Telephones

Developed cordless home telephones, entering the telecommunications equipment business. Developed the world's first antenna-less cordless telephone.



**1985**  
Microwave Ovens



**1985**  
TV/VCR Combos  
**1986**  
CRT TVs

One example of a CRT TV/video combination: the TV with internal video. Major sales growth in the late 1990s to early 2000s, acquiring a share of more than 60% in North America.



**1987**  
Auto Bakeries

The world's first automatic bread-making machine, sold as the Raku Raku Pan Da. The first such product to make a full-fledged entry into the Japanese market. Earned top-selling product award as the Nikkei Inc. "best-selling product of the year awards."



**1988**  
Faxes



**1989**  
Laser Disk Players

Noteworthy as the first products marketed by all stores of Japanese leading mass retailers under the FUNAI brand. Commercial versions sold later.



**2004**  
Digital Still Cameras

OEM supply to leading U.S. camera manufacturer.



**2008**  
Blu-ray Disc Players

Commenced production of players meeting the next-generation optical disc standard, with higher quality than DVDs.



**2009**  
Blu-ray Disc Recorders

Became a record-breaking hit in Japan ahead of the 2011 transition to digital terrestrial broadcasting.



**2012**  
LED Lighting



**2013**  
Stick-Type Smart TV Devices

Commenced development and sales to telecommunications carriers of this stick-type compact set-top-box, which converts a standard television to an Android™ 4.0-equipped smart TV.



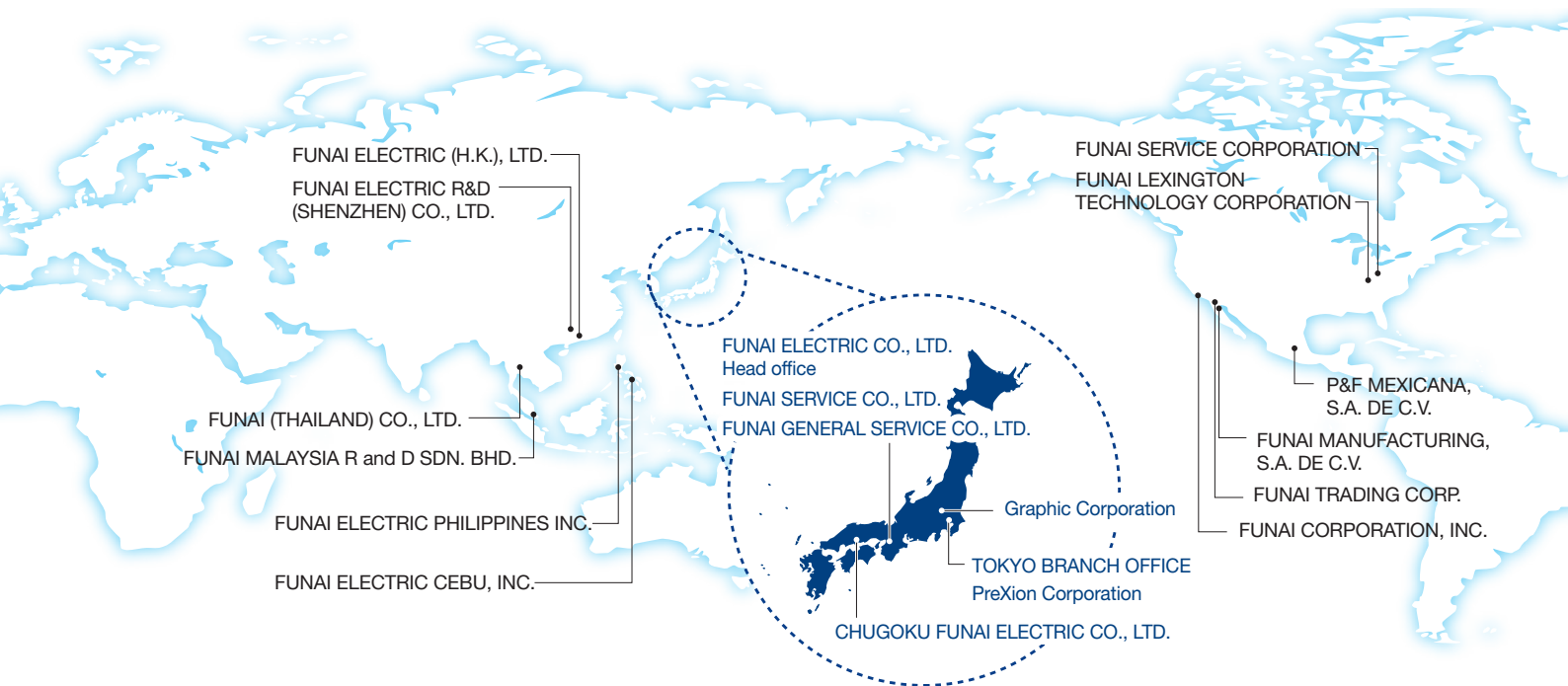
**2018**  
OLED

Launched OLED with built-in hard disk for the first time in history at Yamada Denki.



**2019**  
Nail Art Printer "CureNel"

We started selling completely new products that anyone can easily print on their nails in a short time.



<b>Name</b>	FUNAI ELECTRIC CO., LTD.								
<b>Established</b>	August 1961								
<b>Head office</b>	7-7-1 Nakagaito, Daito, Osaka 574-0013 TEL +81-72-870-4303 FAX +81-72-871-1112 URL <a href="https://www2.funai.co.jp/en/index.html">https://www2.funai.co.jp/en/index.html</a>								
<b>Capital</b>	31.307 bn yen (as of Mar. 31, 2020)								
<b>Net sales</b>	88.425 bn yen (fiscal year ended Mar. 31, 2020)								
<b>Employees</b>	2,166 (as of Mar. 31, 2020)								
<b>Business category</b>	Electrical equipment								
<b>Principal businesses</b>	<table border="0"> <tr> <td><b>Display Business</b></td> <td>LCD TVs/OLED TVs</td> </tr> <tr> <td><b>Digital Media Business</b></td> <td>Blu-ray Disc players/recorders</td> </tr> <tr> <td><b>Office Solutions Business</b></td> <td>Printers Ink cartridges</td> </tr> <tr> <td><b>Development and New Businesses</b></td> <td>Other devices</td> </tr> </table>	<b>Display Business</b>	LCD TVs/OLED TVs	<b>Digital Media Business</b>	Blu-ray Disc players/recorders	<b>Office Solutions Business</b>	Printers Ink cartridges	<b>Development and New Businesses</b>	Other devices
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<b>Development and New Businesses</b>	Other devices								

#### Offices and subsidiaries

<b>Offices</b>	HEAD OFFICE TOKYO BRANCH OFFICE
<b>Sales subsidiaries</b>	FUNAI CORPORATION, INC. FUNAI TRADING CORP. P&F MEXICANA, S.A. DE C.V.
<b>Production subsidiaries</b>	CHUGOKU FUNAI ELECTRIC CO., LTD. FUNAI MANUFACTURING, S.A. DE C.V. FUNAI ELECTRIC (H.K.), LTD. FUNAI (THAILAND) CO., LTD. FUNAI ELECTRIC CEBU, INC. FUNAI ELECTRIC PHILIPPINES INC.
<b>Development subsidiaries</b>	FUNAI ELECTRIC R&D (SHENZHEN) CO., LTD. FUNAI MALAYSIA R and D SDN. BHD. FUNAI LEXINGTON TECHNOLOGY CORPORATION
<b>Affiliated subsidiaries</b>	FUNAI SERVICE CO., LTD. FUNAI GENERAL SERVICE CO., LTD. Graphic Corporation PreXion Corporation FUNAI SERVICE CORPORATION

#### Executives (as of Jun. 30, 2020)

##### Members of the Board

Representative Director and President and CEO	Hideaki Funakoshi
Director and Executive Officer	Makoto Ueshima
Director and Officer	Takeshi Ito
Director and Officer	Motoyoshi Adachi
Outside Director	Mitsuo Yonemoto
Outside Director	Atsushi Shirakami

##### Directors (Audit and Supervisory Committee Members)

Director	Fumiaki Kidera
Outside Director	Hiroyuki Yamada
Outside Director	Takahiro Tanaka

##### Officers

Officer	Hisaharu Oura
Officer	Masanori Sakakibara



## FUNAI ELECTRIC CO., LTD.

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 Phone +81-72-870-4303 Fax +81-72-871-1112  
 URL <https://www2.funai.co.jp/en/index.html>

