

September 12, 2016

To Whom It May Concern:

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

Notice of Transitional Matters concerning the Discovery of Inappropriate Accounting in Prior Results and the Decision to Apply for Approval of Postponement (Re-postponement) of Submission Deadline for the 1Q FY2016 Report

Funai Electric Co., Ltd. (“Funai” or the “Company”) hereby announces the current progress concerning the “Notice of Discovery of Inappropriate Accounting in Prior Results and the Postponement of Announcement of Results for 1Q FY2016” that it disclosed on August 4, 2016, and that it has today decided to apply for approval of postponement (re-postponement) of the submission deadline for the 1Q FY2016 report as stipulated in paragraph 1, Article 17-15-2 of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.

1. Securities report in question

1Q FY2016 report

2. Submission deadline

September 15, 2016

*The postponement of the original statutory deadline of August 15, 2016 was approved by the Kanto Finance Bureau on August 10, 2016.

3. Submission deadline if postponement is approved

October 17, 2016

4. Report on progress and reason for postponing (re-postponing) the submission deadline

It was discovered that there was inappropriate accounting in prior results at Funai’s consolidated subsidiaries. On August 10, 2016, the postponement of the submission deadline for the 1Q FY2016 report to September 15, 2016 was approved by the Kanto Finance Bureau. Funai commenced an investigation by an internal investigation committee on August 4, proceeded with the amendment of past securities reports, and requested the auditor to carry out audit procedures concurrently.

However, in the process of the internal investigation, additional matters that should be amended were discovered in addition to the matters that were already identified at the start of the investigation. Major items are

as follows:

(1) Comparison of items to be amended

Inappropriate item identified at the start of the investigation		Newly discovered inappropriate item
Company in question	Item to be amended	
① P&F USA, Inc	Amendment of unpaid taxes due to tax inquiries in Canada in the past	Increase in unpaid tax amount, expansion of period subject to amendment
② P&F USA, Inc	Amendment of transportation costs incurred in the past	N.A.
③ P&F USA, Inc	Neglected the recording of sales allowance	Increase in the amount that was not recorded
④ P&F USA, Inc	Neglected the recording of tax in arrears due to failure to make sales tax payment	N.A.
⑤ P&F MEXICANA, S.A. DE C.V.	Neglected the recording of sales allowance	N.A.

(2) Comparison of the amount and period subject to amendment

	Expectation at the start of investigation (Disclosed on Aug. 4, 2016)	Current expectation
Amount subject to amendment	Approx. 1.63 billion yen	Approx. 2.41 billion yen ^{*1}
Period subject to amendment	From FY2013 to FY2015	From FY2010 to FY2015

*1 Of the amount subject to amendment of approximately 2.41 billion yen, approximately 830 million yen was due to a discrepancy in the recorded period (costs that were recorded in the wrong period) and approximately 1.58 billion yen was due to neglect in recording certain costs (costs that should have been additionally recorded). Therefore, the actual impact on cumulative profit/loss will be approximately 1.58 billion yen.

As stated above, primarily at P&F USA, Inc., Funai's overseas subsidiary, the amount of unpaid Canadian taxes and failure to record sales allowance that occurred in past years are expected to increase from the initial assumption. Moreover, it has been discovered that some items should have been recorded before the period that was initially assumed to be subject to amendment (from FY2013 to FY2015). In light of this, the periods subject to investigation by the internal investigation committee have been expanded in order to thoroughly uncover the full scope of the inappropriate accounting that has been discovered. It has also turned out that local audit procedures for past financial statements of P&F USA, Inc. would take longer than initially expected.

It is much to our regret that due to such reasons, it is no longer expected that all audit procedures will be completed and the amended securities reports of past years and 1Q FY2016 report will be submitted by September 15, which is the postponed deadline. Funai expects that it will take another month until all audit

procedures are completed and the amended securities reports of past years as well as the 1Q FY2016 report can be submitted.

The ongoing internal investigation has not found any sign of fraud at present.

We sincerely apologize to our shareholders, clients and other stakeholders for causing considerable inconvenience and concern.

5. Responses to be made

The Company will promptly announce when the application for postponement has been accepted.

Furthermore, the specific disclosure timing of the announcement of results for 1Q FY2016 will be announced as soon as it is confirmed.

For further information, please contact

Investors and Public Relations

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