

August 4, 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 Discovery of Inappropriate Accounting in Prior Results and the Postponement of Announcement of Results for 1Q FY2016**

During the process of preparing the results for 1Q FY2016 of Funai Electric Co., Ltd. (“Funai” or the “Company”), it was discovered that inappropriate accounting had been made at overseas subsidiaries in the results for previous years. Funai has decided to establish an internal investigation committee for this matter, and has started investigation of the details and impact of the inappropriate accounting. The Company hereby announces the details that have so far been revealed as well as responses to be made in the future.

The Company also announces that it has decided to postpone the announcement of results for the first quarter of the fiscal year ending March 2017, which was scheduled for August 8, 2016, due to this matter.

We apologize deeply to our shareholders, clients and other related parties for the considerable inconvenience and concern caused by this matter.

### 1. Outline of the inappropriate accounting

In the process of preparing the results for 1Q FY2016, it was discovered that some accounting that should have been made in past years had been forgotten and had resulted in inappropriate accounting at consolidated subsidiaries of P&F USA, Inc. (“PFU”) and P&F MEXICANA, S.A. DE C.V. (“PFM”). Following this discovery, Funai established an internal investigation committee on August 4 and commenced an investigation to uncover the full scope of the inappropriate accounting and to consider preventive measures.

Although the investigation is still ongoing, it has so far been revealed that the cumulative amount of inappropriate accounting in past years is approximately 1.63 billion yen and the period of such inappropriate accounting was from the fiscal year ending March 2014 through the fiscal year ending March 2016. This amount is the currently known amount and may change over the course of the investigation.

Any signs of fraudulent activity have not been found so far. The Company plans to examine this matter through the future internal investigation.

### 2. Establishment of an internal investigation committee

It has been decided to establish an internal investigation committee as follows in order to investigate the facts concerning the matter.

(1) Objective of the investigation

- To investigate the outline, background and cause of the inappropriate accounting that has been discovered and to propose preventive measures.
- To investigate other matters deemed necessary by the internal investigation committee.

(2) Scope of the investigation

- P&F USA, Inc. and P&F MEXICANA, S.A. DE C.V., at which the inappropriate accounting has discovered.
- Other major sales subsidiaries and factories

(3) Members of the internal investigation committee

Chairperson	Hiroyuki Makiura (Director of Funai)
Member	Hiromu Ishizaki (Director and Audit and Supervisory Committee member of Funai)
Member	Yoshito Yamaguchi (Audit Office)

\*A necessary and sufficient number of investigation assistants will be allocated to the internal investigation committee.

(4) Responses to be made

Since the investigation by the committee is expected to take around one month, the Company plans to submit an application for postponing the submission deadline for the 1Q FY2016 report. The Company will promptly announce when the application is submitted. Furthermore, the specific disclosure timing of the announcement of results for 1Q FY2016 has not yet been decided and will be announced as soon as it is confirmed.

The Company intends to fully disclose the facts that are uncovered by investigations of the investigation committee, as well as details of future preventive measures and the impact on the Company's business results as soon as they are known.

For further information, please contact  
Investors and Public Relations

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