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To whom it may concern:

Funai Electronic Co., Ltd.  
Representative: Tetsuro Funai, President and C.E.O.  
(Code No.6839, 1st section of TSE/OSE)  
Contact Info: [Naoyuki Takanaka], Investor/Public Relations Department  
(Phone: 072-870-4395)

## **Filing of The Complaint For The Rescission of The Osaka Regional Taxation Bureau's Supplementary Tax Assessment Order Based on The Application of The Anti-Tax Haven Taxation Rule**

Funai Electric Co., Ltd. ("the Company") has carried out its normal business activities overseas, utilizing its global logistics hub in Hong Kong.

On June 28, 2005, the Regional Commissioner of the Osaka Regional Taxation Bureau (the "Regional Commissioner") ordered the imposition of a supplementary tax assessment against the Company, allegedly, pursuant to the provisions of the Special Taxation Act concerning tax havens. The assessment amounted to 16 billion yen (including corporate income tax and local tax) covering the normal business activities of the Company's subsidiaries in Hong Kong during the past three years. The Company, having been dissatisfied with the said supplementary tax assessment order, filed its objection with the tax authorities on August 24, 2005. However, on June 27, 2006, the Regional Commissioner dismissed the said objection filed by the Company. Considering that the rationale of the tax authorities for the dismissal was unacceptable, the Company filed a petition with the National Tax Tribunal (the "Tribunal") on July 25, 2006 seeking a review of the decision made by the Regional Commissioner.

Presently, the review proceedings based on the Company's petition is pending in the Tribunal. However, the Regional Commissioner seems unwilling to show his accountability, judging from his extremely limited disclosure of materials relating to the supplementary tax assessment order that he issued. Moreover, the Regional Commissioner's answer to the petition merely picked up the superficial statements and the like from the said materials which are most favorable to the tax authorities, completely ignoring and denying the facts, objections and the like presented by the Company. As a result, the Regional Commissioner, in his answer, merely repeated the same arguments stated previously, and responded to the Company's requests for explanation in an extremely vague and disingenuous manner. Such

response by the tax authority creates severe disadvantages to the taxpayer; the Company, therefore, determined that the continuation of the proceedings in the Tribunal would not resolve this dispute swiftly.

Three months have passed since the Company filed its petition with the Tribunal for a review of the supplementary tax assessment order, and now, the circumstances have become ripe for the Company to seek a judicial remedy. Therefore, today, the Company filed a complaint with the Osaka District court for the rescission of the supplementary tax assessment order, pursuant to the applicable laws and regulations.