

April 9, 2007

To Whom It May Concern:

Funai Electric Co., Ltd.

Representative: Tetsuro Funai, President and CEO
(Code No.: 6839 1st section of TSE/OSE)

Inquires: Naoyuki Takanaka
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Notice Concerning Accounting Treatment of Supplementary Tax

Assessment Amount

The Funai Electric Co., Ltd. group has carried out its business activities overseas by utilizing its global logistics hub in Hong Kong. On June 28, 2005, the Osaka Regional Taxation Bureau ordered the imposition of a supplementary tax assessment against Funai Electric Co., Ltd. (the "Company"), allegedly pursuant to the provisions of the Special Taxation Act Concerning Tax Havens. The assessment amounted to 19.1 billion yen (including incidental taxes) covering the business activities of the Company's subsidiaries in Hong Kong during the past three years. Considering this tax order to be an unreasonable tax assessment it cannot accept, the Company followed the procedures to file a petition of its objections, and currently is seeking to overturn the supplementary tax assessment order in the Osaka District Court. Because the Company believes its tax handling will be identified as clearly proper during the court's hearing of the case, and believes the court will rule in the Company's favor, the Company has accounted for these additional taxes as "long-term suspense payments of income taxes" on its consolidated balance sheet since the interim accounting period ended September 30, 2005. This accounting treatment has received an audit report of unqualified opinion from MISUZU Audit Corporation (formerly Chuo Aoyama Price Waterhouse Coopers), the Company's independent auditors.

In an action pertinent to this accounting treatment, on March 8, 2007 The Japanese Institute of Certified Public Accountants (Auditing and Assurance Practice Committee) issued Audit Committee Report No. 63 "Accounting Practices, Disclosure and Audit Treatment for Various Taxes." The Report clarified the procedure for, as a rule, accounting for supplementary tax assessments in the business fiscal year when the supplementary assessment is received. As a result of repeated consultations with MISUZU Audit Corporation regarding the clarifying statement, the Company will reverse the "long-term suspense payments of income taxes" described above, and book the amount as "prior fiscal year corporation taxes etc." for the current consolidated fiscal year, in accordance with the recently released Committee Report No. 63. Although the effect of this change will substantially reduce the Company's current year net income, the change will have a one-time effect in conjunction with the revision of the accounting treatment for supplementary tax assessments.

The accounting treatment described above does not have any relationship to the Company's policy concerning the complaint for rescission of the supplementary tax order currently being heard by the court, and the Company will continue to assert the correctness of its position, through its lawsuit or other means in the future.

The Company presently is carefully examining its operating results for the consolidated fiscal year ended on March 31, 2007, and will release the results as soon as they are finalized. There is no change to the details of the Company's dividend policy described in the Brief Statement of Account released on November 8, 2006.

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