

October 29, 2007

To Whom It May Concern:

Funai Electric Co., Ltd.  
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## Notice Concerning Revised Forecast of Full-Year Results

Funai Electric Co., Ltd. (the "Company") has revised the forecast of consolidated results for the full year announced together with the Brief Settlement of Accounts announcement on May 10, 2007 as follows.

### 1. Revised Forecasted Interim Results (April 1, 2007 - September 30, 2007)

[Consolidated]

(Unit: Million Yen)

	Net Sales	Operating Income	Ordinary Income	Interim Period Net Income (Before Subsidiary Dividend) Note 1	Interim Period Net Income
Previously Announced Forecast (A)	200,800	10,800	13,000	[ 10,200]	6,100
Revised Forecast (B)	156,300	2,000	5,000	[ 2,000]	-4,300
Amount of Increase/Decrease (B-A)	-44,500	-8,800	-8,000	[ -8,200]	-10,400
Rate of Increase/Decrease (%)	-22.2	-81.5	-61.5	[ -80.4]	-
(Reference) Results from Previous Period (Interim Period of Fiscal Year Ended Mar. 2007)	163,151	10,366	12,301	[ -]	6,990

### 2. Revised Forecasted Fiscal Year Results (April 1, 2007 - March 31, 2008)

[Consolidated]

(Unit: Million Yen)

	Net Sales	Operating Income	Ordinary Income	Full-Year Net Income (Before Subsidiary Dividend) Note 1	Interim Period Net Income
Previously Announced Forecast (A)	420,000	22,000	26,500	[ 20,100]	16,000
Revised Forecast (B)	320,000	4,700	9,700	[ 7,800]	500
Amount of Increase/Decrease (B-A)	-100,000	-17,300	-16,800	[ -12,300]	-15,500
Rate of Increase/Decrease (%)	-23.8	-78.6	-63.4	[ -61.2]	-96.9
(Reference) Results from Previous Period (Fiscal Year Ended Mar. 2007)	396,712	20,766	26,591	[ -]	Note 2 -3,665

### 3. Reasons for the Revisions of Consolidated Results Forecast

During the interim period, net sales were substantially lower than forecasted results. Although Information Equipment net sales were close to the Company's forecast, net sales of Audio Visual Equipment experienced a sharp decline. The main factors are discussed below.

#### (1) Larger than projected reduction in the CRT TV market

In the Funai Group's key market in the United States, manufacturers are obligated to equip all televisions with built-in digital tuners from March 2007, which has resulted in higher prices for CRT televisions. Because prices for LCD TVs continue to fall, the CRT TV market declined at an accelerating pace.

#### (2) Procurement shortage of panels for LCD televisions

In February 2007, the Funai Group formed a strategic alliance with Taiwan's Chi Mei Group, which includes several world-class LCD panel manufacturers, with the objective of ensuring stable procurement of TFT-LCD panels. Because of price issues during actual procurement, however, the Company decided to focus on another supplier from which it had purchased CRTs in the past. During this year, however, the supplier has experienced management difficulties which have hindered procurement from this company. Because of the resulting confusion from a procurement perspective, and efforts to procure products from several suppliers, the Funai Group faced a product shortage and ultimately could not obtain all of the panels it required. As a result, the Company was unable to respond to strong inquiries from the market.

#### (3) Weak sales as a result of a decline in the DVD market

In the DVD business, the market continued to shrink rapidly in the U.S., affected by the maturation of the DVD market and buying restraint as consumers await the introduction of next-generation DVD players. Net sales of products that connect to VCRs in particular fell sharply.

As a result of the above factors, operating income also declined sharply. Earnings were affected significantly, especially in the LCD TV business, which incurred a loss because of falling prices for manufactured goods and higher panel prices.

One extraordinary factor was the dissolution of FUNAI ELECTRIC (MALAYSIA) SDN.BHD., the Funai Group's manufacturing subsidiary for CRT TVs, which the Company decided to close because of the shrinking market for this product. As a result, the Company booked an extraordinary loss of 900 million yen for the interim period in conjunction with the dissolution. In addition, the distributable amount of earned surplus was reduced markedly as a result of the Company's decision to dispose of the additional tax of 19.1 billion yen pertaining to application of the Taxation Act Concerning Tax Havens in the prior period. The Company therefore implemented dividends totaling 23.9 billion yen to the Company from the dissolved FUNAI ELECTRIC (MALAYSIA) SDN.BHD and from FUNAI ELECTRIC (H.K.) LTD. (HONG KONG) during the interim period. Although this dividend was a transaction within the consolidated group and the amount was offset and was not shown on the consolidated financial statements, corporate taxes of 6.3 billion yen were generated because of the difference in tax rates between Japan and the countries where the subsidiaries are located.

Based on the factors taken into consideration for the downward revisions during the interim period, the Company has also revised its full-year forecast as shown above.

### 4. Outlook for the next consolidated fiscal year

In the LCD TV business, the Company has improved its prospects for procurement of LCD panels as a result of rebuilding the relationship with Chi Mei Group, the world-class Taiwan LCD panel manufacturer with which the Company formed a strategic alliance. Together with the increase in net sales, the Company plans to restore this business to profitability.

In the DVD business, the Company expects net sales to recover with the full-scale introduction of next-generation DVD players to the market, and the Company's efforts to increase sales in the European market centered on HDD-equipped recorders.

In the Information Equipment business, the Company expects to increase net sales and earnings based on cooperation with new OEM suppliers.

The Group's efforts will not stop with these measures aimed at the recovery of its business in each of these each businesses. In October 2007, the Company created an organization with stronger capabilities for responding to customers' needs in the Funai Group's key market in the

United States, by positioning the existing service department as a subsidiary under the immediate control of the Head Office.

In other action, to ensure fair competition the Company filed with the U.S. International Trade Commission for an injunction to stop U.S. imports by 14 manufacturers and importers of digital televisions and other related products, on the grounds of infringement of digital TV-related patents.

Based on these factors, the Company plans to increase total net sales from approximately 380 billion to 400 billion yen.

(Note)

The aforementioned estimates are forward-looking statements about the future performance of Funai Electric Co., Ltd. and are based on management's assumptions and beliefs in light of information currently available, and involve known and unknown risks and uncertainties.

Various factors such as a change in economic conditions overseas (especially changes in the main U.S. market and possible further revaluation of the yuan) and severe price fluctuations may cause actual events and results to differ materially from those anticipated in these statements.

Note 1 Shows interim period (full-year) net income assuming dividend from subsidiaries was not implemented.

Note 2 Full year net income as a result of reversing the "long-term suspense payments of income taxes" for additional taxes based on Report No. 63 *Accounting Practices, Disclosure and Audit Treatment for Various Taxes* of the Auditing and Assurance Practice Committee of the Japanese Institute of Certified Public Accountants, and disposing of the amount as "prior fiscal year corporation taxes etc." Net income would have been 15,518 million yen had the accounting practice used in previous years been applied.