# *Press Release*

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For Immediate Release:

## Funai Reports Revised Forecast of Consolidated Fiscal Year Results

Funai Electric Co., Ltd. ("the Company") has revised its forecast of consolidated fiscal year results released on October 29, 2007 as follows:

1. Revised Consolidated Fiscal Year Results (April 1, 2007 to March 31, 2008)

(Units: Million Yen)

| | Net Sales | Operating Income | Ordinary Income | Net Income Before Subsidiary Dividend*1 | Net Income |
|---|---|---|---|---|---|
| Previously Announced Forecast (A) | 320,000 | 4,700 | 9,700 | [7,800] | 500 |
| Revised Forecast (B) | 279,000 | (2,100) | 2,300 | [(1,900)] | (7,400) |
| Amount of Increase/Decrease (B–A) | (41,000) | (6,800) | (7,400) | [(9,700)] | (7,900) |
| Percentage Changed (%) | (12.8) | — | (76.3) | [ —] | — |
| (Reference) Previous FY Results (to March 2007) | 396,712 | 20,766 | 26,591 | [ —] | (3,665)*2 |

*1: Shows net income in cases where dividends from subsidiaries were not implemented.

*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 of the Auditing and Assurance Practice Committee of the Japanese Institute of Certified Public Accountants (JICPA), *Accounting, Presentation, and Audit Treatment for Various Taxes*, and disposing of the amount as "prior fiscal year corporation taxes, etc." Using conventional methods in previous years would have resulted in net income of 15,518 million yen.

2. Reasons Behind Revision of Consolidated Results Forecast

On October 29, 2007, the company announced revisions to its consolidated results forecast and has subsequently made every possible effort to bring about a turnaround in business performance. With no improvement being seen from its third and fourth quarter results, however, the company has had to make a further revision to its forecasted fiscal year results.

Net sales are expected to fall significantly on previous forecasted results. The reasons for this include declining sales of LCD televisions, together with an expected fall in revenue from sales of the company’s printers, which had been experiencing steady medium-term performance. The main reasons for the company’s declining income in these two areas are outlined below.

(1) Procurement Shortage for LCD Television Panels

With the aim of securing a stable supply of panels for LCD television production, the Funai Group formed a strategic alliance with a major Taiwanese panel maker in February 2007. However, a shortage of such panels has led to the current situation in which an adequate number of panels cannot be procured.

Faced with this situation, the company placed an increasing focus on panel procurement from the second quarter. By the third quarter, however, the company was unable to shake off the impact of this panel shortage, resulting in delays in product delivery and subsequent declining orders for the company’s LCD televisions.

In looking ahead to the next fiscal year, the company plans on rebuilding its relationship with the Taiwan-based panel manufacturer as the linchpin of its strategy for achieving adequate panel procurement. At this stage in the fourth quarter of the current fiscal year, however, sales of the company’s LCD televisions have markedly declined on the company’s initial estimates due to procurement failing to meet the company’s estimate for the fiscal year.

(2) Falling Orders for Printers

Despite sales of the company’s printers remaining strong during this medium-term period, a review of product strategy by the company’s OEM clients brought about a sharp decline in orders.

This combination of declining profits from LCD televisions, falling income from reduced sales of printers, and poor performance from the company’s DVD-related products and CRT televisions resulted in the company’s operating income being forecast downward to show a deficit for the fiscal year.

In terms of extraordinary factors affecting the company’s net income, in addition to reasons provided at the revision of earnings forecast on October 29, 2007, the company anticipates reversing approximately 3 billion yen of its deferred tax assets. This is expected to be used mainly to cover the net loss carried forward by the company’s consolidated subsidiary, Funai Corporation. To date, any net loss carried forward has been applied to future corporation tax and the company has calculated total deferred tax assets based on rational criteria. Reflecting the change in the company’s performance to the third quarter and a more conservative outlook on the collectibility of the company’s deferred tax assets, the company expects to reverse the majority of the subsidiary’s deferred tax assets in this fiscal period.

## 3. Outlook for Next Fiscal Year

The company has no plans to make any further revisions to its forecast for the next fiscal year other than changes previously announced and listed below. Forecasted sales, however, will be announced at the next earnings announcement following a review of efforts to improve the company’s performance, taking into account the company’s business alliance with Victor Company of Japan, Ltd., announced on January 30, 2008.

(1) Strategic partnership aimed at securing LCD television panel procurement
(2) Expand sales in European DVD business and introduce next-generation DVD players
(3) Secure new working relationship with printer OEM clients
(4) Creation of service system in the company’s key U.S. market
(5) Ensure fair competition in relation to digital television-related patents

(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 company's key U.S. market) and severe price fluctuations may cause actual events and results to differ materially from those anticipated in these statements.