



FUNAI ELECTRIC CO., LTD.

Financial Statements Presentation FY2005 (Ended March 2006)

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Outline of FY2005 Financial Results (Consolidated)

- 1 Summary of Operating Results
- 2 Summary of Business Conditions
- 3 Breakdown of Sales by Equipment
- 4 Sales of Audio and Visual Equipment
- 5 Sales of Digital Equipment
- 6 Sales of Information Equipment
- 7 Geographic Breakdown of Sales
- 8 Comparison of Sales by Area and Equipment
- 9 Financial Conditions
- 10 Changes of Inventories
- 11 Capital Expenditures, Depreciation Expenses and R&D Expenditures
- 12 Forecast of Operating Results in FY2006(Ending March 2007)

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1 Summary of Operating Results

(100 million yen)

	FY2004 Results	Projection (as of 5/11)	FY2005 Results	Changes from Previous FY2004	Changes from Projection
Net Sales	3,830	3,640	3,608	5.8%	0.9%
Operating Income	333	230	233	30.1%	+1.3%
Margin	(8.7%)	(6.3%)	(6.5%)		
Ordinary Income	366	274	274	25.0%	+0.2%
Margin	(9.6%)	(7.5%)	(7.6%)		
Net Income after Tax	257	213	215	16.0%	+1.4%
Margin	(6.7%)	(5.9%)	(6.0%)		
Average USD-JPY Exchange Rate	JPY107. ⁶⁰	JPY112. ⁸⁸	JPY113. ⁹²		



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2 Summary of Business Conditions

Business Environment

- US economy continued to be firm supported by a large expansion of capital expenditures and housing construction, on the other hand, the growth of private consumption was relatively slow mainly due to energy price hike.
- Demand for digital related products centering on FPD TV expanded and sales price dropped due to higher raw material cost led by crude oil price hike and increasingly keen competition with Asian and industry outside manufacturers.

Sales Conditions by Devices (Comparison to Previous Year)

Audio and Visual Equipment

- DVD related product was weak due to a rapid sales price decline and stagnant demand for DVD recorder in US.
- LCDTV and PDPTV substantially gained.
- In Analog equipment, CRT TV inched up due to continuous persistent demand. Video and Televideo decreased in line with the size of market shrinking.

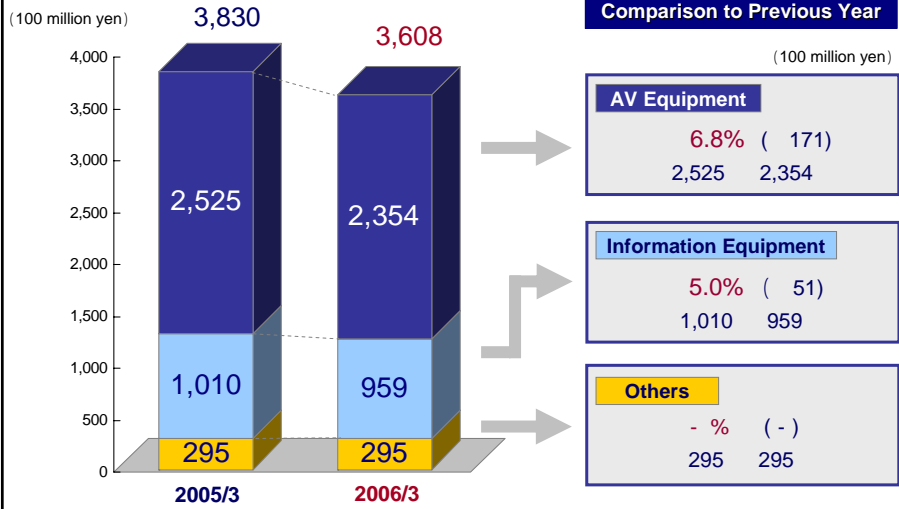
Information Equipment

- Printer was down due to a result from fierce competition.
- DSC was enlarged.



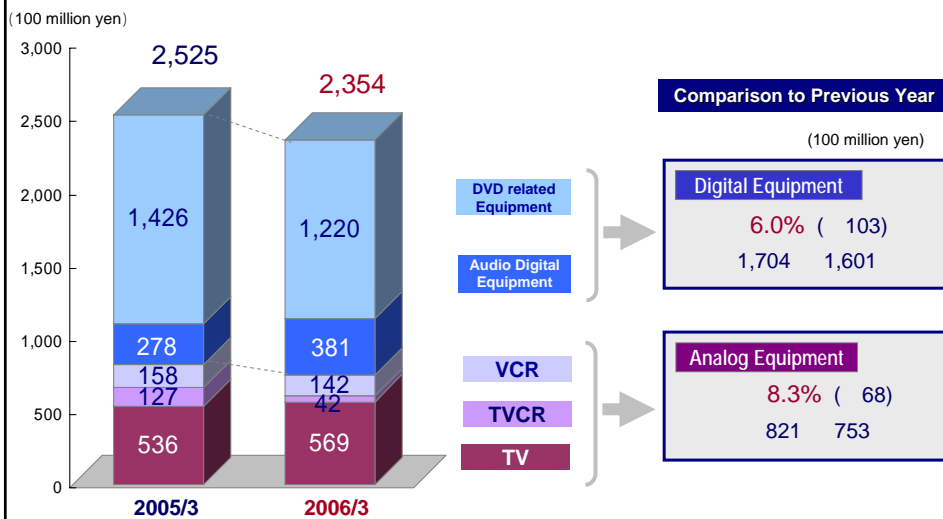
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3 Breakdown of Sales by Equipment



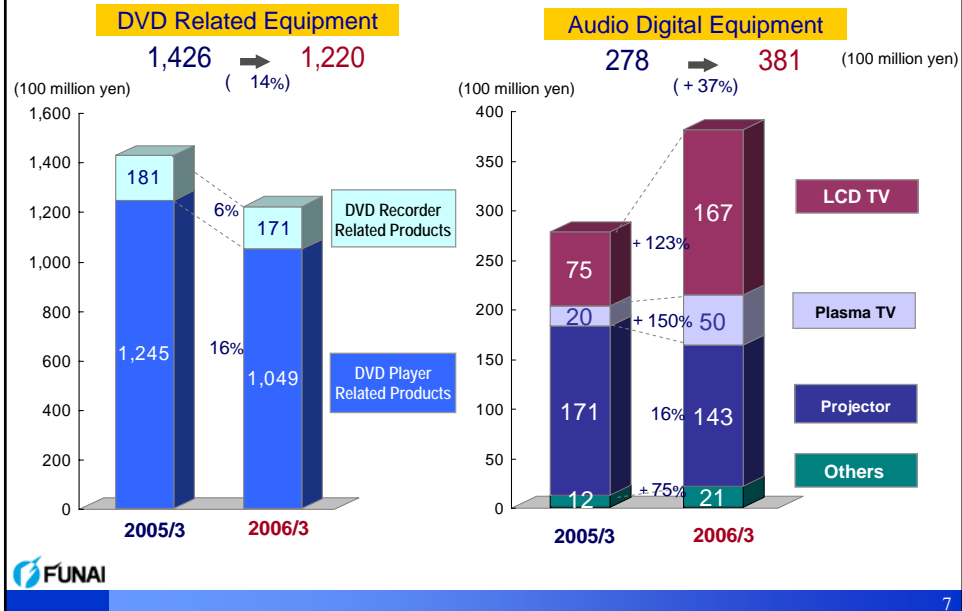
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4 Sales of Audio and Visual Equipment

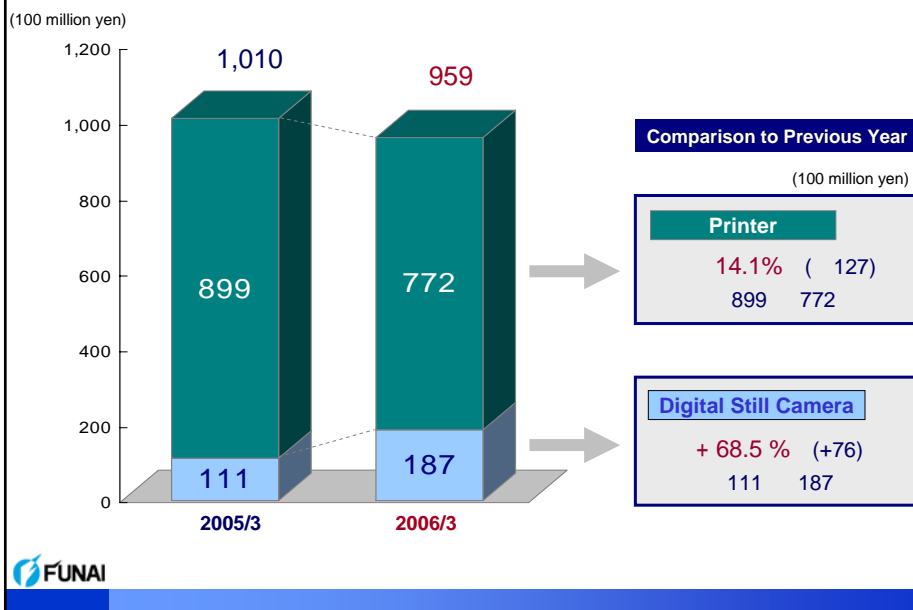


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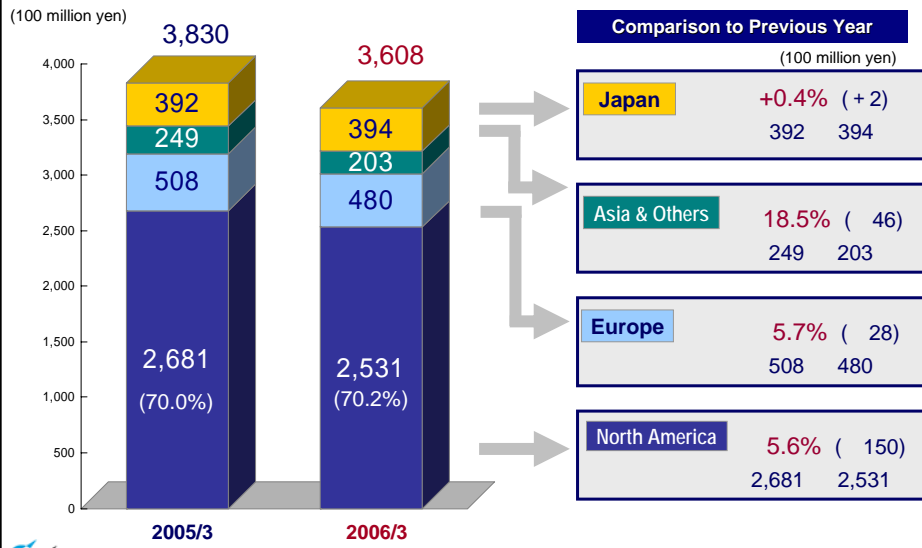
5 Sales of Digital Equipment



6 Sales of Information Equipment

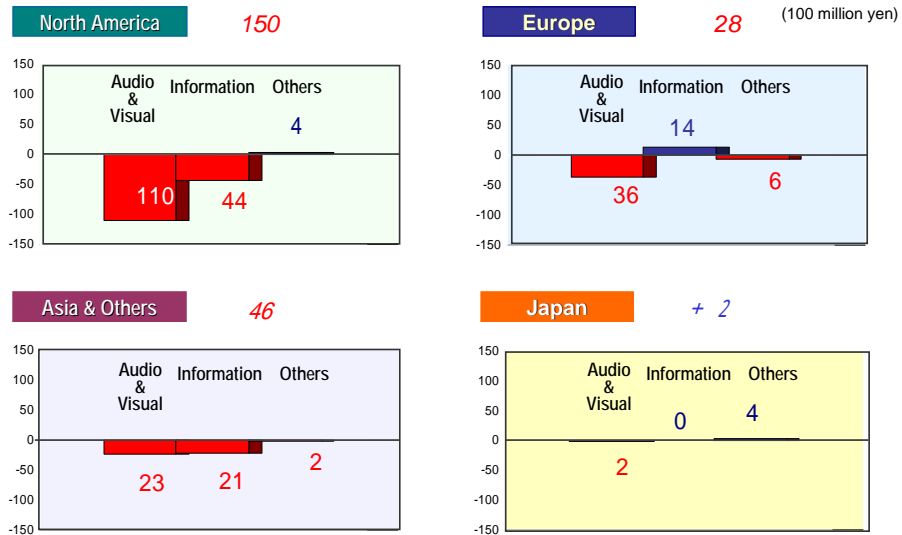


7 Geographic Breakdown of Sales



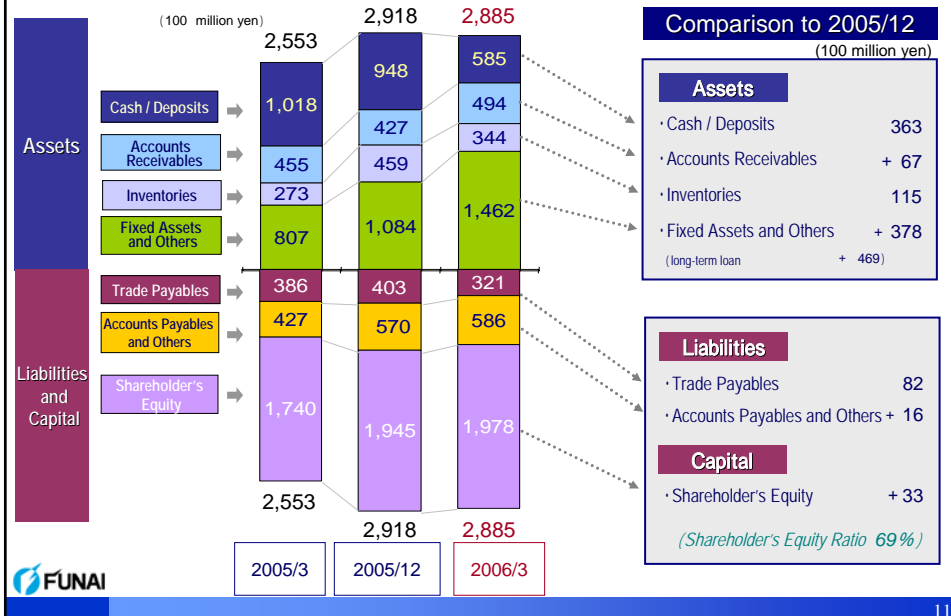
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8 Comparison of Sales by Area and Equipment



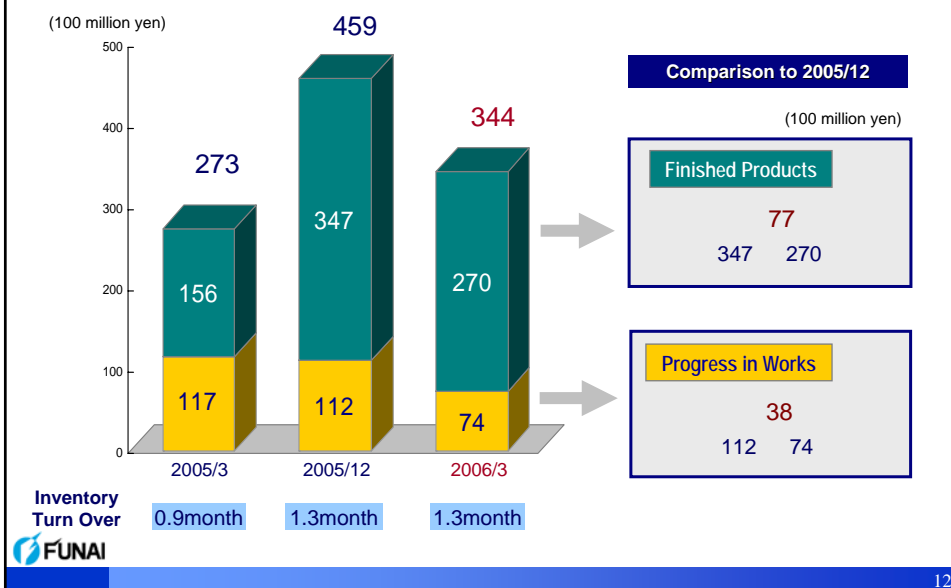
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9 Financial Conditions



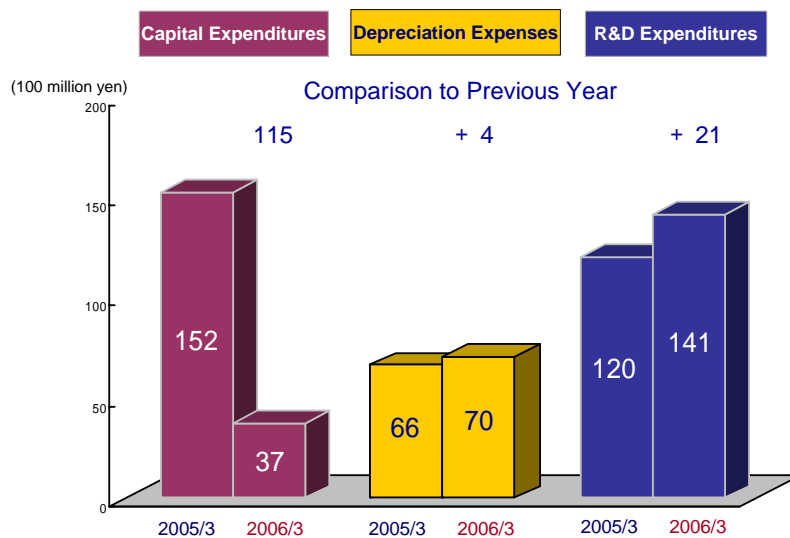
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10 Changes of Inventories



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11 Capital Expenditures, Depreciation Expenses and R&D Expenditures



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12 Forecast of Operating Results in FY 2006 (Ending March 2007)

(100 million yen)

	Results of FY2005			Forecast of FY2006			Changes from Previous Year
	1st Half	2nd Half	Full Year	1st Half	2nd Half	Full Year	
Net Sales	1,695	1,913	3,608	1,655	2,345	4,000	+10.8%
Operating Income	152	81	233	102	178	280	+20.1%
Margin	(9.0%)	(4.2%)	(6.5%)	(6.2%)	(7.6%)	(7.0%)	
Ordinary Income	176	98	274	110	186	296	+7.8%
Margin	(10.4%)	(5.1%)	(7.6%)	(6.6%)	(7.9%)	(7.4%)	
Net Income	115	100	215	79	145	224	+3.7%
Margin	(6.8%)	(5.2%)	(6.0%)	(4.8%)	(6.2%)	(5.6%)	

Average USD-JPY Exchange Rate	110.35¥	117.50¥	113.92¥	113.00¥
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(Reference)
Sales Breakdown
by Equipment

(100 million yen)

		FY2004	FY2005(P)	Changes
Audio & Visual	Digital	1,601	2,316	44.7%
	Analog	753	483	35.9%
	Sub Total	2,354	2,799	18.9%
Information		959	887	7.5%
Others		295	314	6.4%
Total		3,608	4,000	10.9%

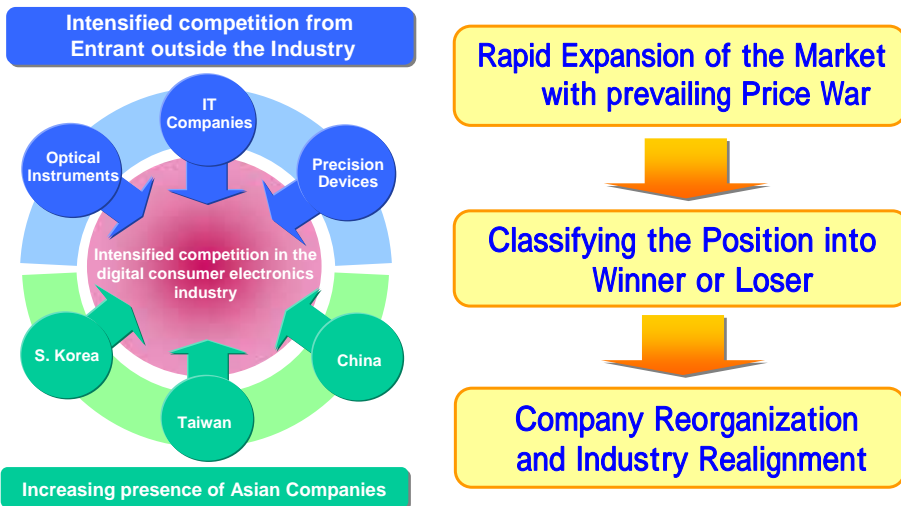


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Funai's Future Business Strategy

- 1 Business Environment
- 2 Strengths of Funai Electric
- 3 Market Potential
- 4 Strategy of Flat Panel TVs
- 5 Strategy of Flat Panel TVs
- 6 Strategy of Flat Panel TVs
- 7 Strategy of DVD Related Products
- 8 Strategy of Information Equipment
- 9 Market Strategy
- 10 Building a Strong Foundation for the Next Growth Stage

1 Business Environment



Shift to Digital and Networked Home

Strengths

1

Lean Business Structure

2

FPS (Funai Production System)

+

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Speedy Management = Quick Response to Changes
Promotion of Strategic Alliances

Quick Response to Changes in the
Digital Business Fields

DVD
related
product

Demand in US for DVD player related product running the course, full scaled demand for next generation DVD related product is expected to be after next year.

Rapid fall in price and exponential market expansion.

Flat
Panel
Display
TV

DSC

Some competitors withdrawing in the progress of market saturating.

“Flat Panel Display TV” is the banner product over a couple of years in the digital consumer electronics products.

Funai attacking the Flat Panel Display TV market with original strategy.

4 Core Product Strategy – Flat Panel TV

1 Enhance Stable Panel Procurement

- Alliance with Chi-Mei Optical Group

2 Expand Product Line Up

- Upgrade size variations
- Introduce combination type products



3 Differentiation by Better Picture Quality and Add Value of One More Feature (ex. Wireless, IP TV)

4 Reinforce the Presence in Europe and Japan Market in addition to US Market

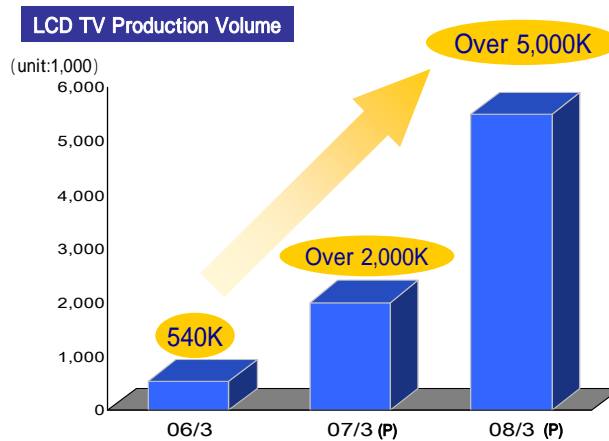
- Promotion of FUNAI Branded Products
- More Competitive edge in Europe via Local Production



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5 Core Product Strategy – Flat Panel TV

LCD TV : Target of Worldwide Market Share of 10% over 3 years

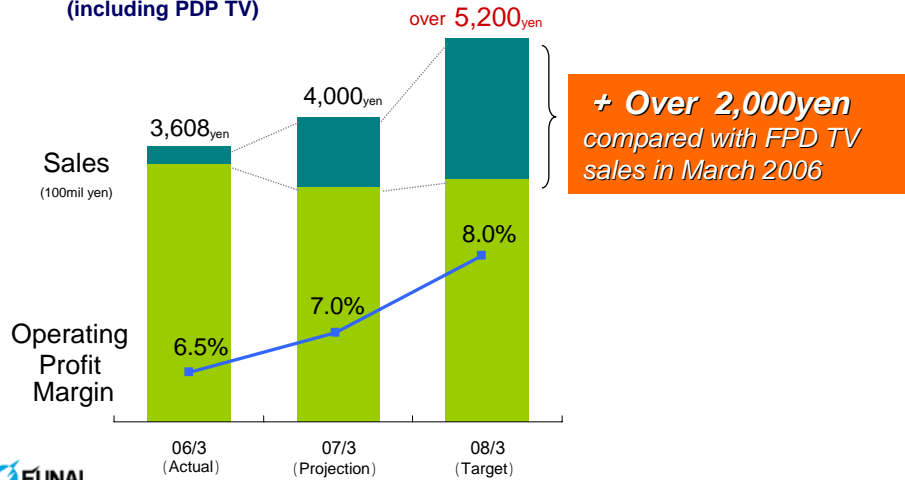


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6 Core Product Strategy—Flat Panel TV

Future Growth Image on Flat Panel Display TV

(including PDP TV)



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7 Core Product Strategy—DVD Related Product

Enrichment of DVD Recorder related product and Expansion of Sales Channels

1 Enrichment of DVD Recorder related product

Development of recorder with digital tuner
Sales expansion of combination product such as HDD attached (3in1,2in1)

2 Development of Next Generation DVDs

To be scheduled to launch the product in FY2007

3 Expansion in US of Market Share and Aggressive Development in Europe



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8 Core Product Strategy—Information Equipment

Strategy of Printer

- 1 Further Market Share Expansion via Reinforcement of Alliance with OEM Partner
- 2 Promotion of Cost Cutting
- 3 Launching Sublimed Type Photo Printer (Synergy with DSC)



Strategy of D S C

- 1 Reinforcement of Alliance with OEM Partner
- 2 Sales Expansion via Enrichment of Line-up



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9 Geographic Strategy

More Balanced Geographic Sales less depending on US Market

Stressing Importance on Europe and Japan Market

Reinforcement of Competitiveness via
Local Production in Europe
Cultivation of New Sales Channels



Promotion of FUNAI Brand

Cultivation of Emerging (Russia, India) Market

Entering the market with CRT TV, DVD related
product
Launching LCD TV



Promotion of FUNAI Brand

Further Reinforcement of US market

Reinforcement of marketing and product planning capability
Cultivation of New Clients

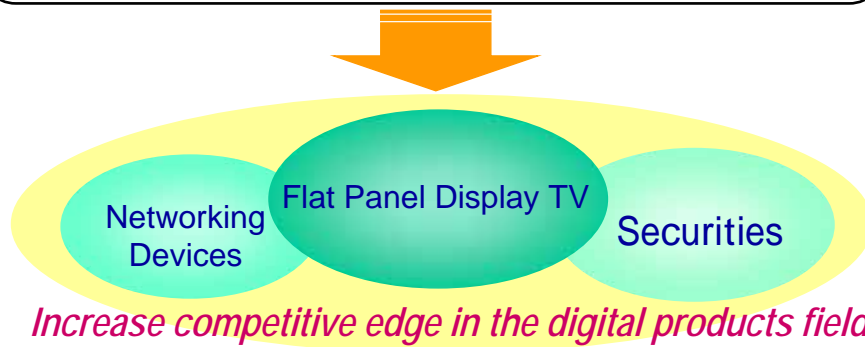


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10 Building a Strong Foundation for the Next Growth Stage

Growth Strategy

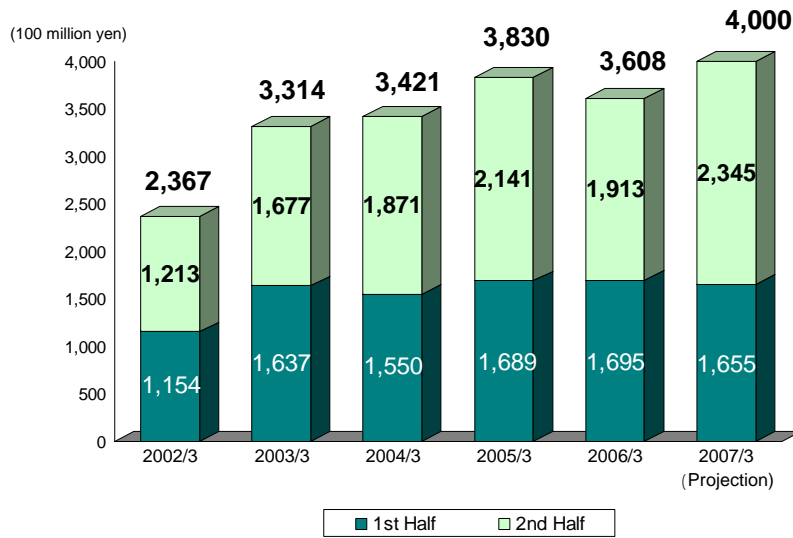
Cultivate and Strengthen Alliance
Investment (Alliance, M&A) into Growth Areas
Collaboration with Out-sources
(Soft/Design Houses or Academic Institutes)



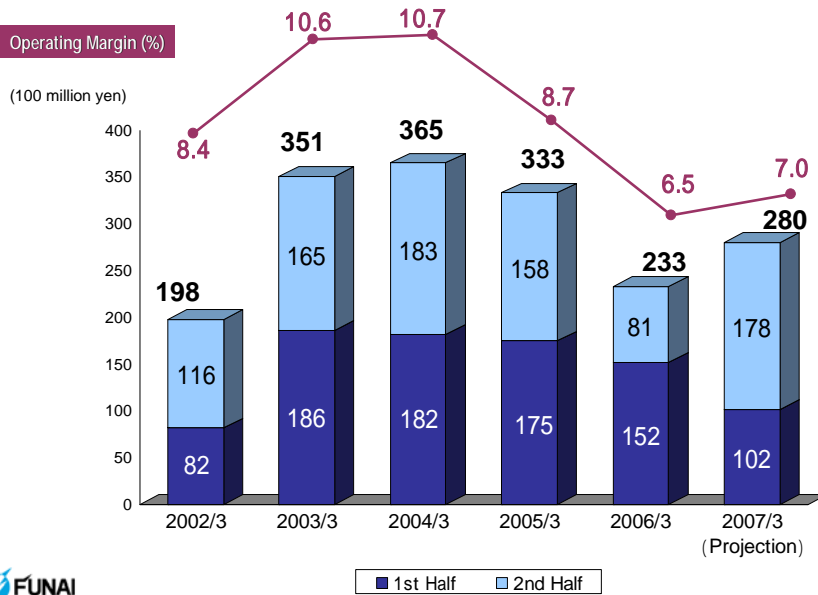
Supplemental Data

- 1 Changes of Sales Amount
- 2 Changes of Operating Income
- 3 Changes of Sales Amount by Equipment
- 4 Changes of Geographic Sales Amount

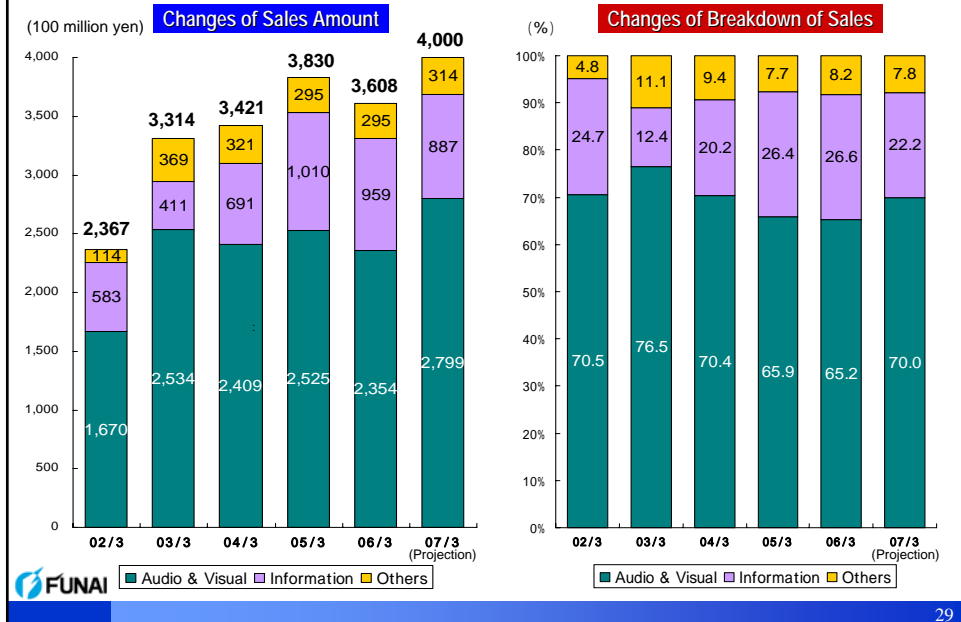
1 Changes of Sales Amount



2 Changes of Operating Income

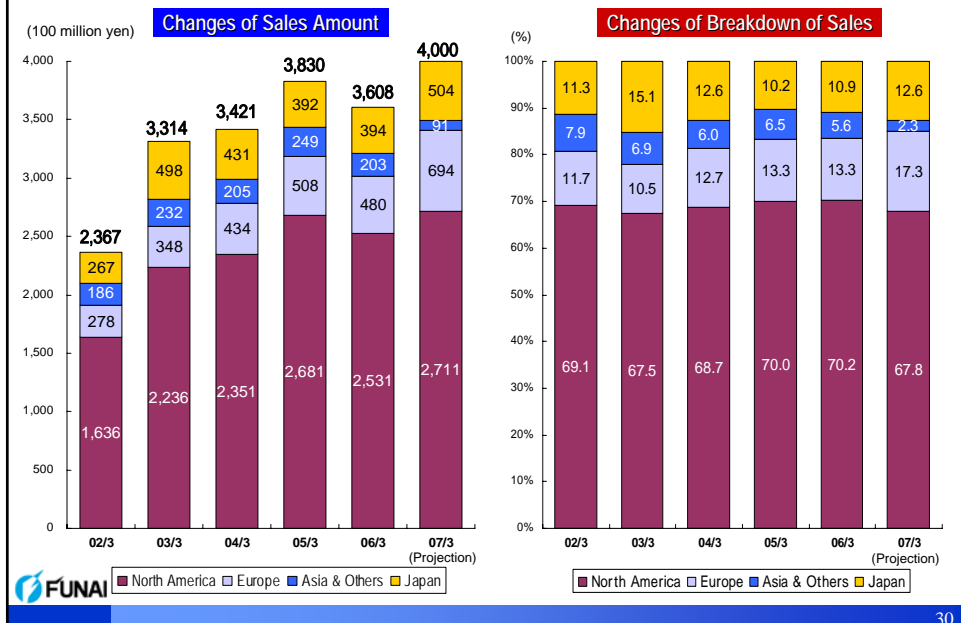


3 Changes of Sales Amount by Equipment



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4 Changes of Geographic Sales Amount



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Disclaimer

- This document contains forward-looking statements and projections regarding business performance which are not historical facts. Please note that these statements are based on information relating to factors that may impact future business performance that was available for analysis at the time this document was printed. These factors include industry trends relating to the business areas of Funai Electric Co., Ltd. or the Funai Group, such as audio-visual devices and information communication equipment, the economic conditions of both domestic and international markets, and fluctuations in currency exchange rates. Actual performance may greatly differ from projections included in this document because of the impacts of uncertainty in such areas as the competitive conditions of the electronics industry, market trends, currency exchange rate, introduction and success of new products, and various other global conditions that may affect the tax system and other systems.

