



## FUNAI ELECTRIC CO., LTD.

### Financial Statement Presentation First Half of FY2006 (April-September 2006)

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### Outline of First Half (Apr.-Sep.) of FY2006 Financial Results (Consolidated)

- 1 Summary of Operating Results
- 2 Brief Summary of Business Conditions (April-September2006)
- 3 Breakdown of Sales by Equipment
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- 9 Comparison of Sales by Area and Equipment to Previous 1H
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- 12 Capital Expenditures, Depreciation Expenses and R&D Expenditures
- 13 Forecast of Operation Results in FY 2006 Ending March 2007

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## 1 Summary of Operating Results

(100 million yen)

|                      | Previous 1H | Projection | Current 1H | Changes from Previous 1H | Changes From Projection |
|----------------------|-------------|------------|------------|--------------------------|-------------------------|
| Net Sales            | 1,695       | 1,655      | 1,631      | 3.8%                     | 1.4%                    |
| Operation Income     | 152         | 102        | 103        | 32.1%                    | +1.6%                   |
| Margin               | (9.0%)      | (6.2%)     | (6.4%)     |                          |                         |
| Ordinary Income      | 176         | 110        | 123        | 30.4%                    | +11.8%                  |
| Margin               | (10.4%)     | (6.6%)     | (7.5%)     |                          |                         |
| Net Income after Tax | 115         | 79         | 69         | 39.5 %                   | 11.5%                   |
| Margin               | (6.8%)      | (4.8%)     | (4.3%)     |                          |                         |

| Average USD JPY Exchange Rate | JPY 110. <sup>35</sup> | JPY 113. <sup>00</sup> | JPY 115. <sup>32</sup> |
|-------------------------------|------------------------|------------------------|------------------------|
|-------------------------------|------------------------|------------------------|------------------------|



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## 2 Brief Summary of Business Conditions (Apr.-Sep.,2006)

### Business Environments

- ASP of LCD TV continued to decline mainly due to the emergence of non-brand producers or excess supply of LCD panel.
- Private consumption in US has been adversely affected by the energy price hike and falling housing market, on the other hand demand for digital consumer electronics products has continued to expand.
- Special demand for FPD TV in Europe for FIFA World Cup was not brisk as much as expected.

### Sales Conditions By Devices (Comparison to Previous 1H)

#### Audio and Visual Equipment

- Aggregate sales amount inched up.
- DVD Player related were down, but DVD Recorder related expanded.
- LCD TV has been substantially growing.
- CRT TV and Video have been falling respectively.

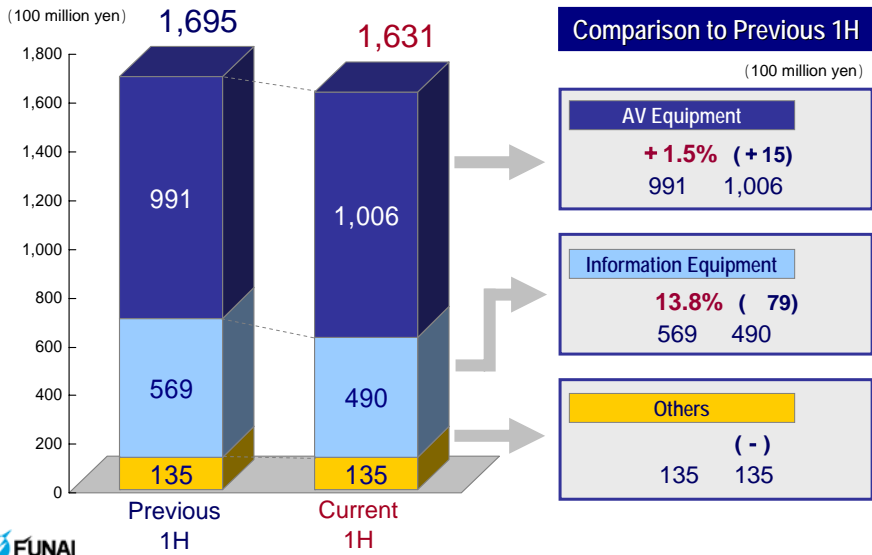
#### Information Equipment

- Both of Printer and DSC have been falling due to increasingly fierce competition.



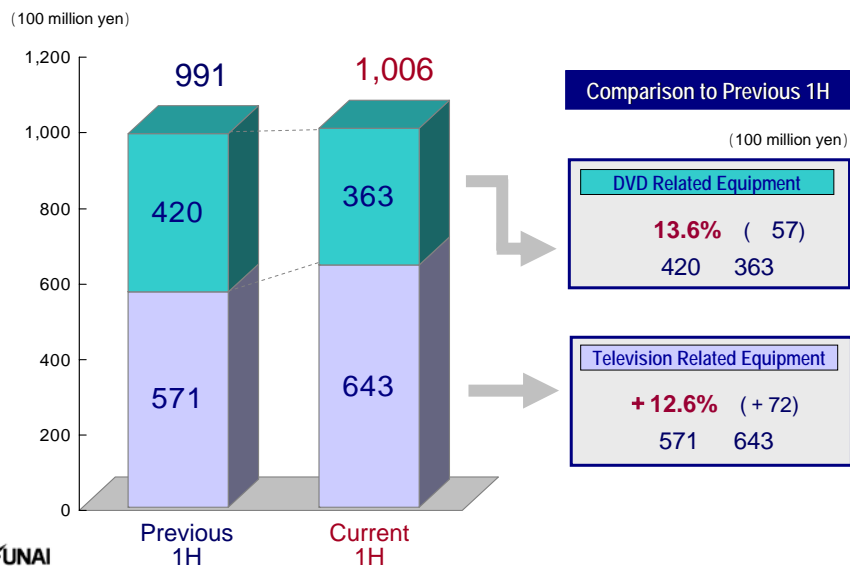
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### 3 Breakdown of Sale by Equipment



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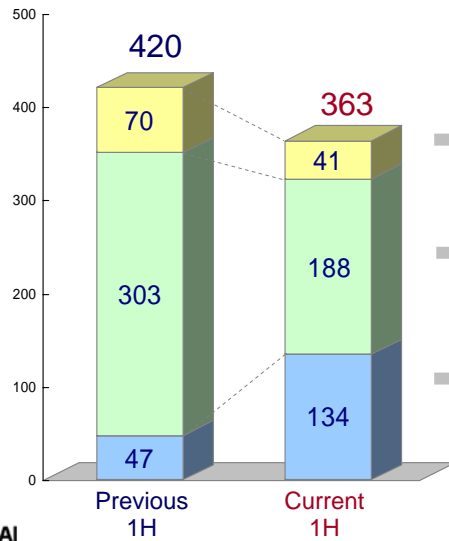
### 4 Sales of Audio and Visual Equipment



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## 5 Sales of DVD Related Equipment

(100 million yen)



### Comparison to Previous 1H

(100 million yen)

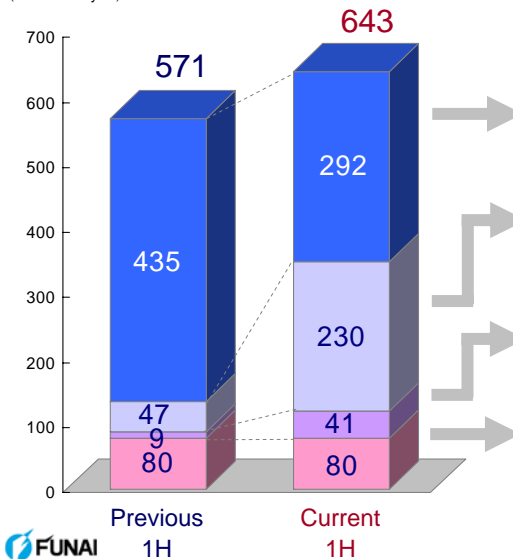
| Category                      | Change (%) | Change (Value) |
|-------------------------------|------------|----------------|
| Video                         | 41.4%      | ( 29)          |
| DVD Player Related Products   | 38.0%      | ( 115)         |
| DVD Recorder Related Products | +185.1%    | (+ 87)         |

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## 6 Sales of Television Related Equipment

(100 million yen)



### Comparison to Previous 1H

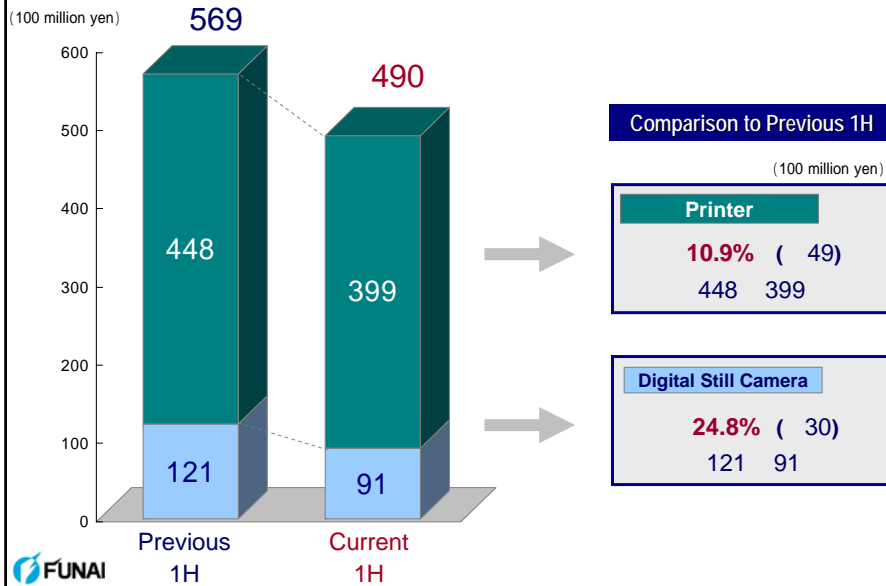
(100 million yen)

| Category            | Change (%) | Change (Value) |
|---------------------|------------|----------------|
| CRT TV              | 32.9%      | ( 143)         |
| LCD TV              | +389.4%    | (+ 183)        |
| PDP TV              | +355.6%    | (+ 32)         |
| Projectors & Others | -          | ( - )          |

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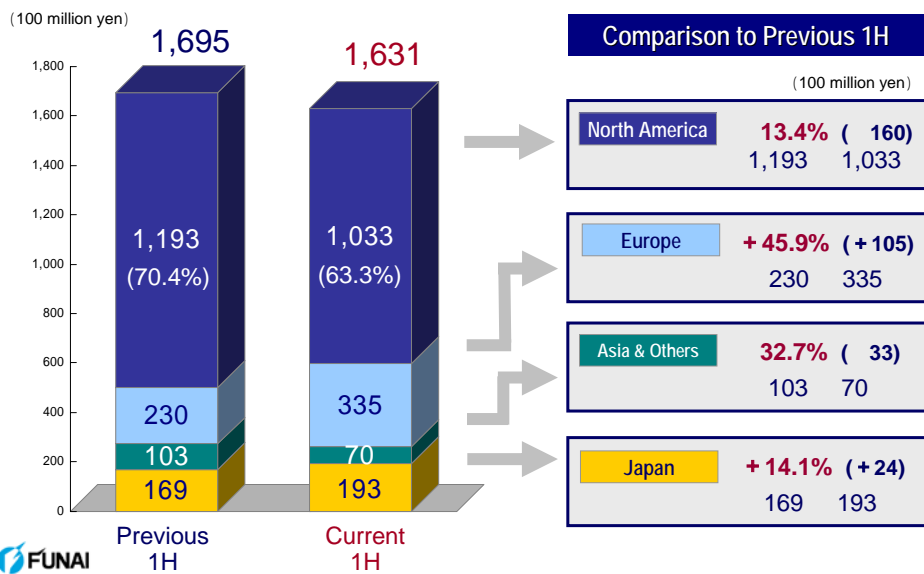
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## 7 Sales of Information Equipment



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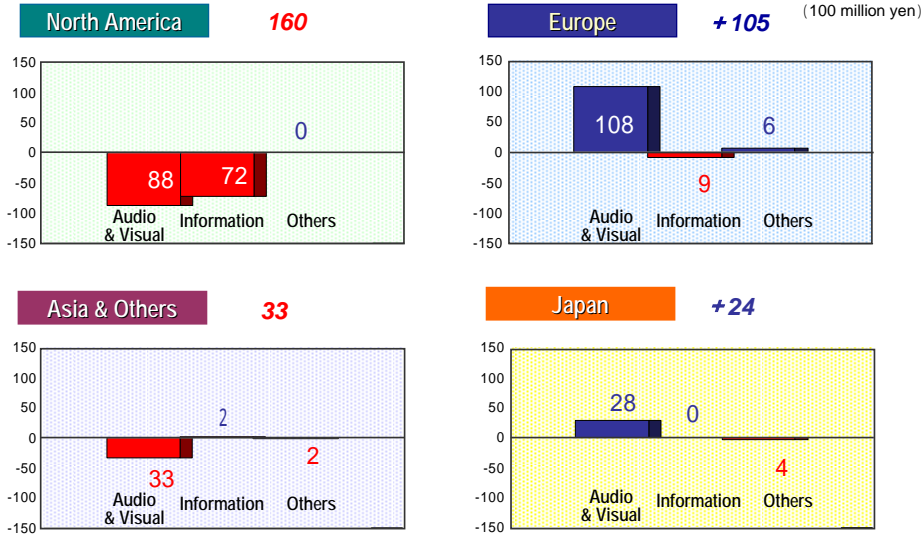
## 8 Geographic Breakdown of Sales



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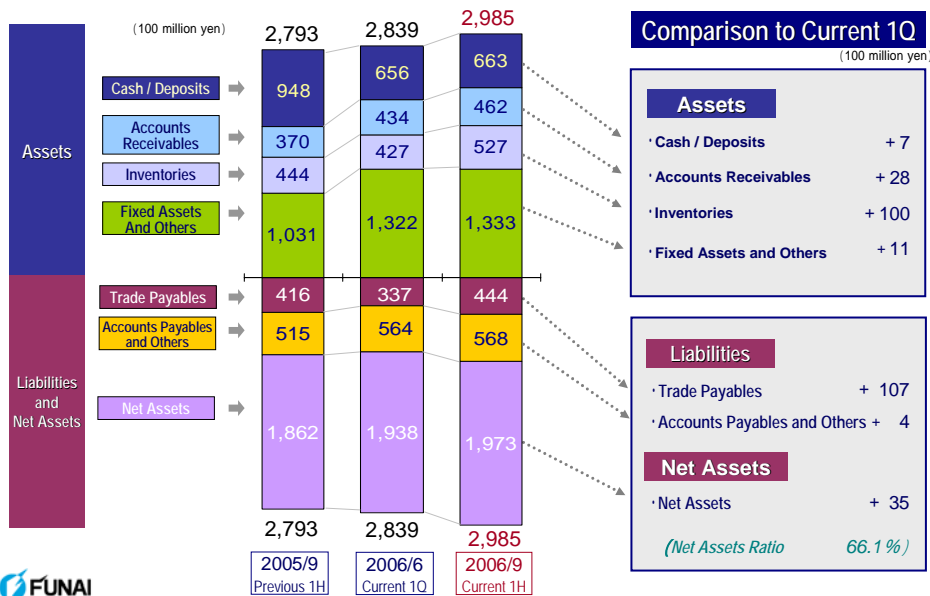
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Comparison of Sales by Area and Equipment to Previous 1H



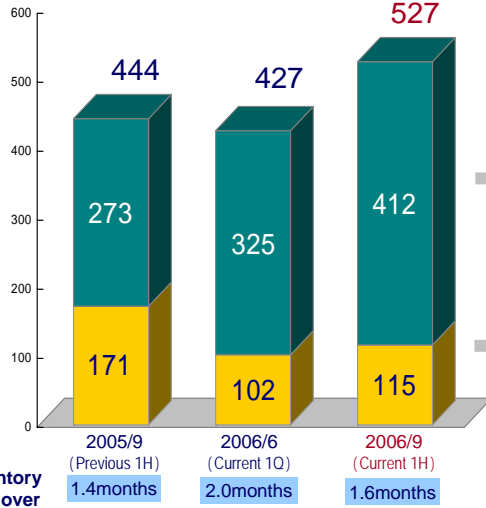
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Financial Conditions



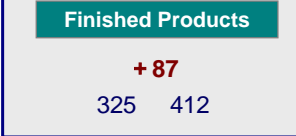
## 11 Changes of Inventories

(100 million yen)



### Comparison to Current 1Q

(100 million yen)



Inventory Turnover

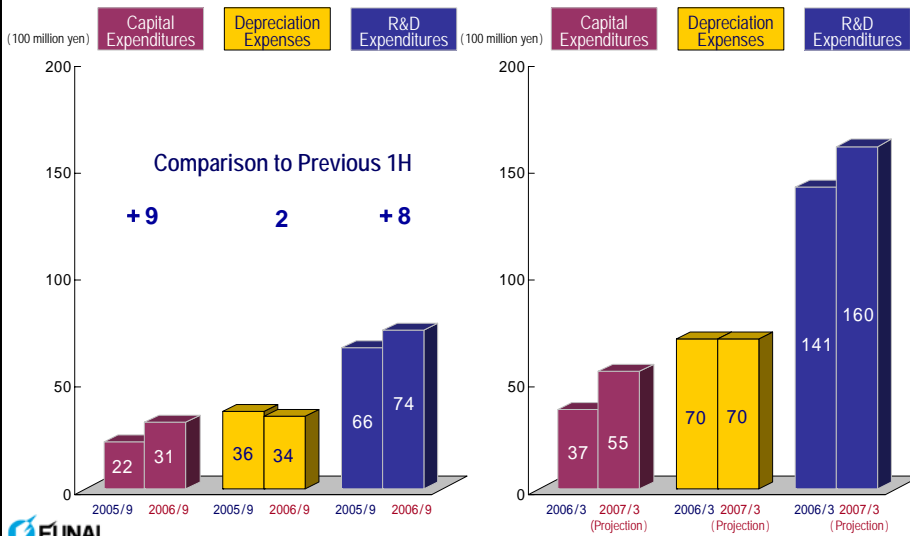


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## 12 Capital Expenditures, Depreciation Expenses and R&D Expenditures

1H

Full Year



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## 13 Forecast of Operating Results in FY 2006 Ending March 2007

(100 million yen)

|                                  | Results of<br>FY2005   | Previous<br>Forecast of<br>FY2006 | Revised<br>Forecast of<br>FY2006 | Changes<br>From<br>FY2005 | Changes<br>from<br>Previous<br>Forecast |
|----------------------------------|------------------------|-----------------------------------|----------------------------------|---------------------------|---|
| Net Sales                        | 3,608                  | 4,000                             | 4,000                            | +10.9%                    | 0%                                      |
| Operating Income                 | 233                    | 280                               | 260                              | +11.6%                    | 7.1%                                    |
| Margin                           | (6.5%)                 | (7.0%)                            | (6.5%)                           |                           |   |
| Ordinary Income                  | 274                    | 296                               | 292                              | +6.3%                     | 1.4%                                    |
| Margin                           | (7.6%)                 | (7.4%)                            | (7.3%)                           |                           |   |
| Net Income after Tax             | 215                    | 224                               | 201                              | 6.9%                      | 10.3%                                   |
| Margin                           | (6.0%)                 | (5.6%)                            | (5.0%)                           |                           |   |
| Average USD JPY<br>Exchange Rate | JPY 113. <sup>92</sup> | JPY 113. <sup>00</sup>            | JPY114. <sup>16</sup>            |                           |   |

(100 million yen)

(Reference)  
Sales Breakdown  
by Equipment

|                       | Previous Forecast | Revised Forecast | Changes |
|-----------------------|-------------------|------------------|---------|
| AV Equipment          | 2,799             | 2,799            | 0       |
| Information Equipment | 887               | 887              | 0       |
| Others                | 314               | 314              | 0       |
| Total                 | 4,000             | 4,000            | 0       |



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## Strategies for the Future

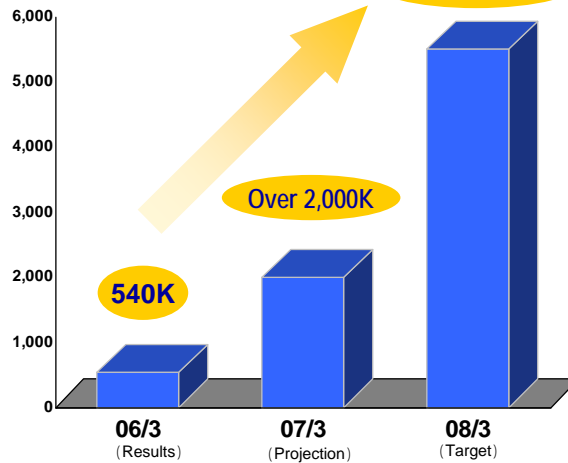
- 1 Core Product Strategy LCD TV
- 2 Core Product Strategy LCD TV
- 3 Core Product Strategy LCD TV
- 4 Core Product Strategy DVD Related Products

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## 1 Core Product Strategy – LCD TV

LCD TV Sales Volume

(Units: 1,000)



## 2 Core Product Strategy – LCD TV

### 1 For more cost competitiveness

Differentiation through purchase of panels in the form of cell and in-house module processing  
Promotion of in-house production of materials  
Target sales of models available in economy of scale  
Stable procurement of panels via selective vendors

### 2 Enhancing added value through addition of feature

### 3 High picture and sound resolution and competitive design

### 3 Core Product Strategy – LCD TV

#### Commencement of local production for European market in summer 2007 in Poland

##### Advantageous points :

Shorter lead time, reduction of inventory level in finished goods, lesser adverse affection from panel price fluctuation

Lower import tariff, investment tax benefit

Improvement of productivity via FPS in the plant

##### Outline of Subsidiary

###### • Company name ;

FUNAI ELECTRIC(POLSKA) Sp. zo. o.

###### • Location ;

City of Nowa Sol, Lubusz Voivodeship, Poland

##### Outline of Plant

• Plottage : 85,000 M2

• Building Site : 21,000 M2(by 2<sup>nd</sup> Phase)

• Start of Production : Summer, 2007

• Total Investment : 7 billion yen (by 2<sup>nd</sup> Phase)

• Production Capacity : 200k/month(by 2<sup>nd</sup> Phase)



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### 4 Core Product Strategy – DVD Related Products

#### World wide top manufacturer in 2006!



##### 1 Further expansion of world wide market share and aggressive marketing in Europe

DVD Player - Most Likely market share of 60% in US, 15% in World wide

DVD Recorder - Most Likely market share of 50% in US, 15% in World wide

##### 2 Enrichment of DVD Recorder related product

Launching recorder with digital tuner

Sales expansion of combination product such as HDD attached ( 3in1, 2in1 )

##### 3 Development of Next Generation DVDs

To be scheduled to launch the product after next year ( FY2007 )



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## Supplementary Data

- 1 Summary of Operating Results (Jul.-Sep.)
- 2 Changes of Sales Amount
- 3 Changes of Operating Income
- 4 Changes of Sales Amount by Equipment
- 5 Changes of Geographic Sales Amount

## 1 Summary of Operating Results (Jul.-Sep.)

(100 million yen)

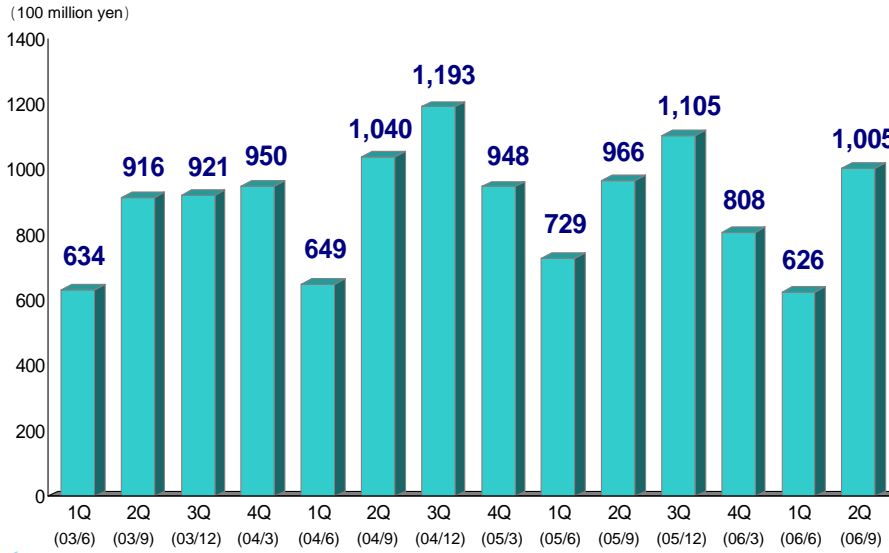
|                      | Previous 2Q<br>(3 months) | Current 2Q<br>(3 months) | Changes from<br>previous 2Q |
|----------------------|---------------------------|--------------------------|-----------------------------|
| Net Sales            | 965                       | 1,005                    | + 4.1%                      |
| Operating Income     | 104                       | 79                       | 24.0%                       |
| <b>Margin</b>        | (10.8%)                   | (7.9%)                   |                             |
| Ordinary Income      | 117                       | 80                       | 31.6%                       |
| <b>Margin</b>        | (12.2%)                   | (8.0%)                   |                             |
| Net Income after Tax | 71                        | 45                       | 36.6%                       |
| <b>Margin</b>        | (7.5%)                    | (4.5%)                   |                             |

Average USD / JPY  
Exchange Rate

JPY 112.<sup>35</sup>

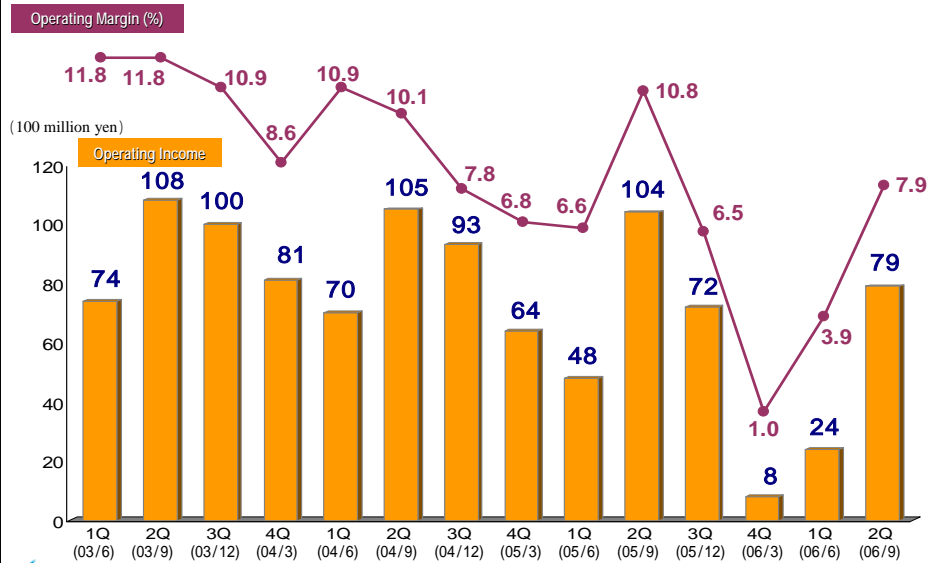
JPY 116.<sup>69</sup>

## 2 Changes of Sales Amount



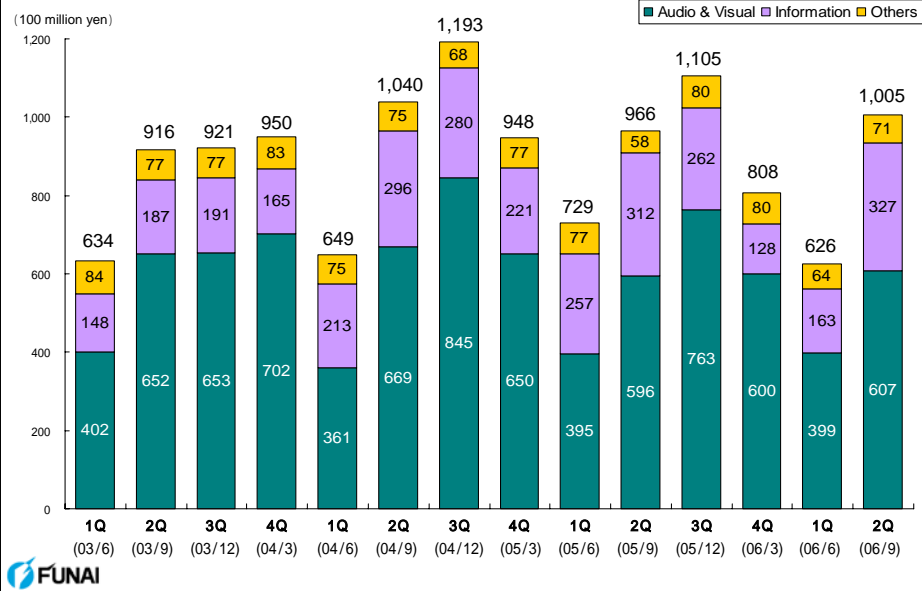
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## 3 Changes of Operating Income



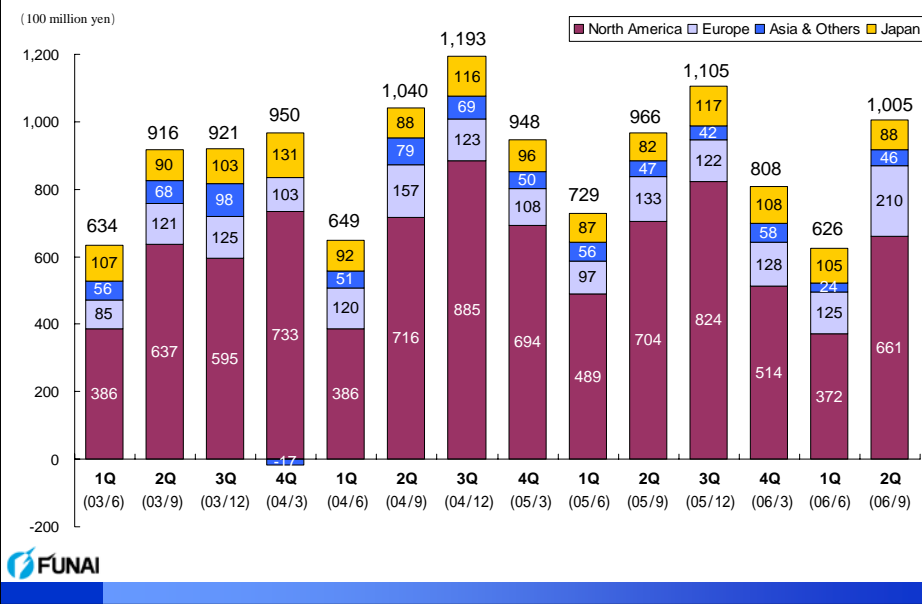
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## 4 Changes of Sales Amount by Equipment



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## 5 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.

