

FUNAI ELECTRIC CO., LTD.

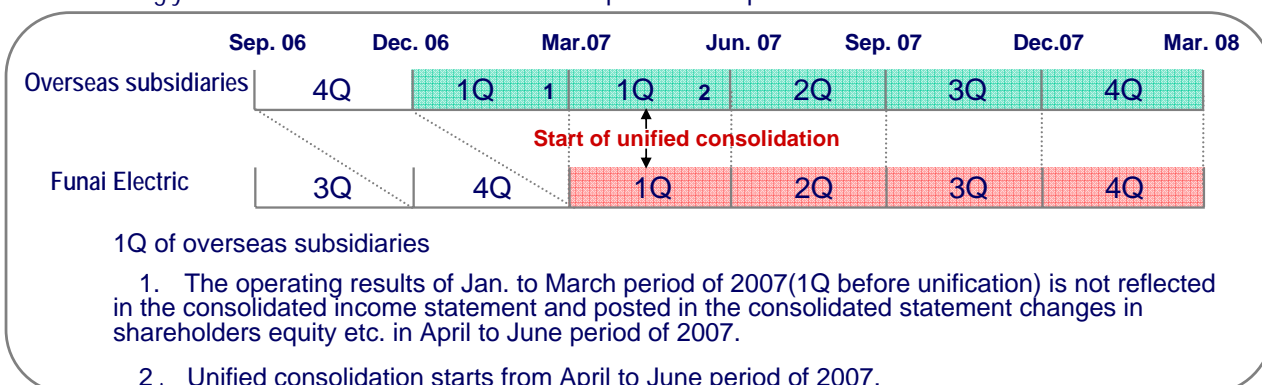
Presentation of Operating Results in First Half of FY2007 (Apr.-Sep.) and Future Strategy

Outline of First Half (Apr.-Sep.) of FY2007 Operating Results (Consolidated)

- 1 Unification of Accounting Period among Group Companies
- 2 Summary of Operating Results (Apr.-Sep.)
- 3 Summary of Operating Results (After Unification of Group Companies)
- 4 Adverse Factors for Unrealized Projection
- 5 Breakdown of Sales by Equipment
- 6 Sales of Audio and Visual Equipment
- 7 Sales of DVD Related Equipment
- 8 Sales of Television Related Equipment
- 9 Sales of Information Equipment
- 10 Geographic Breakdown of Sales
- 11 Financial Conditions
- 12 Changes of Inventories
- 13 Capital Expenditures, Depreciation Expense and R&D Expenditures

(1) Unification of fiscal year end among the group companies.

From 1Q (April-June) of FY2007 the primary overseas consolidated subsidiaries are changed their fiscal year end from December 31 to March 31 in order to match the fiscal year end of the parent company. Accordingly unified consolidation started from April to June period of 2007.



(2) Recalculation of 1H FY2006 for comparison to 1H FY2007 after Unification

1H FY2006 of overseas subsidiaries was from January to June.

For comparison purpose the operating results in 1H (Jan.-June) FY2006 is revised by using the figures of overseas subsidiaries in April to September period in 2006.



(100 million yen)

	Previous 1H	Projection	Current 1H	Changes from Previous 1H	Changes from Projection
Net Sales	1,631	2,008	1,563	4.2%	22.2%
Operating Income	103	108	20	80.0%	81.5%
Margin	(6.4%)	(5.4%)	(1.3%)	+30 (1)	
Ordinary Income	123	130	50	58.9%	61.5%
Margin	(7.5%)	(6.5%)	(3.2%)		
Net Income (Before subsidiary dividend)	69	102	20	70.7%	80.4%
Margin	(4.3%)	(5.1%)	(1.3%)	92 (2)	
Net Income After Tax	69 ^a	61	42	- %	- %
Margin	(4.3%)	(3.0%)	(2.7%)		
Average USD-JPY Exchange Rate	JPY115. ³²	JPY115. ⁰⁰	JPY119. ¹⁹		

(1) Interest receivables +29, Forex gain +5, Others 4

(2) Extraordinary loss from dissolution of a consolidated subsidiary, Funai Electric (Malaysia) SDN BHD in August, 2007 9, Tax on dividend receivables from overseas subsidiaries 63, Others 20



3 Summary of Operating Results (After Unification of Group Companies)

(100 million yen)

	Previous 1H (after unification)	Current 1H	Changes from Previous 1H
Net Sales	2,155	1,563	27.5%
Operating Income	174	20	88.5%
Margin	(8.1%)	(1.3%)	
Ordinary Income	195	50	74.4%
Margin	(9.0%)	(3.2%)	
Net Income (Before subsidiary dividend)	135	20	85.2%
Margin	(6.3%)	(1.3%)	
Net Income After Tax	135	42	- %
Margin	(6.3%)	(2.7%)	

4 Adverse Factors for Unrealized Projection

<Sales>

Procurement Shortage of panels for LCD TV

Without fully utilization of existing strategic alliance with a Taiwan panel supplier, pricewise focused on another supplier having historical relationship which has experienced management difficulties. As a result, expanded to procure panels from several suppliers in tighter supply demand situation and could not obtain enough panels to respond to strong inquiries on LCD TV from the market.

Larger than projected reduction in the CRT TV market

Price mark-up for mandated built in digital tuner for all TVs in US from March 2007. Accelerating price-down of LCD TVs in the US market.

Slow-down of DVD related products in line with market shrinkage

High saturation in the US market and consumer's wait and see stance in advance of commercial rise in the market of next generation DVDs.

Slight decline in information equipment

<Operating Income>

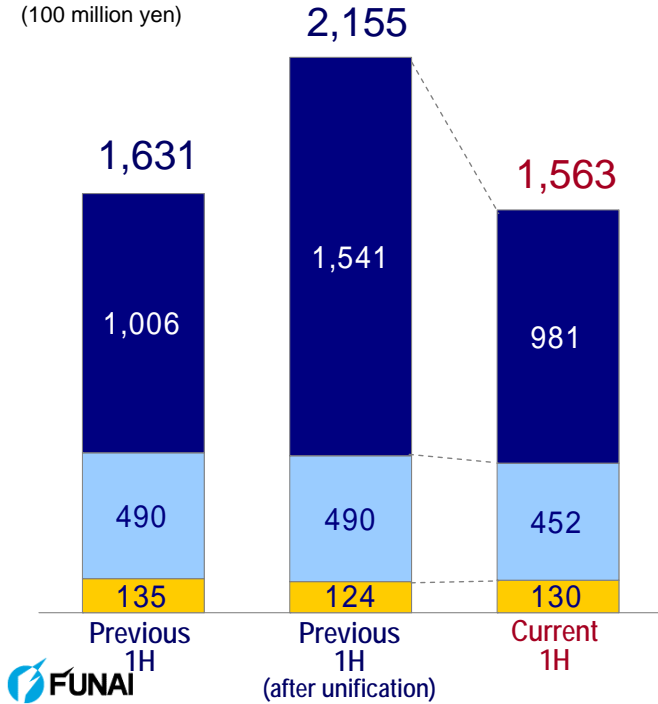
In line with sales decline

LCD TV fell into deficit due to ongoing ASP decline, panel price hike and increase in design cost for several panels from different sources.

5 Breakdown of Sales by Equipment

- AV Equipment
- Information Equipment
- Others

(100 million yen)



(100 million yen)

Comparison to Previous 1H

AV Equipment : 560 (36.3%)

Information Equipment : 38 (7.7%)

Others : +6 (+4.8%)

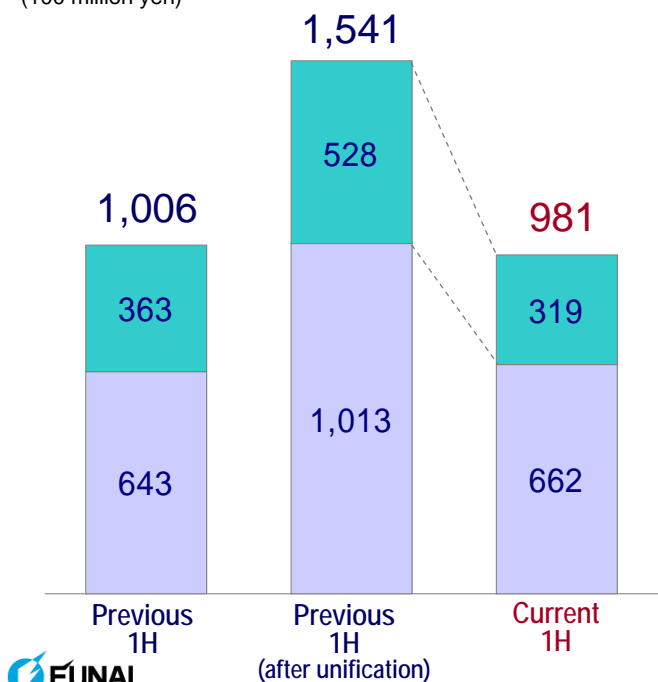
Total : 592 (27.5%)

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6 Sales of Audio and Visual Equipment

- DVD Related Equipment
- Television Related Equipment

(100 million yen)



(100 million yen)

Comparison to Previous 1H

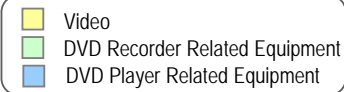
DVD Related Equipment : 209 (39.6%)

Television Related Equipment : 351 (34.6%)

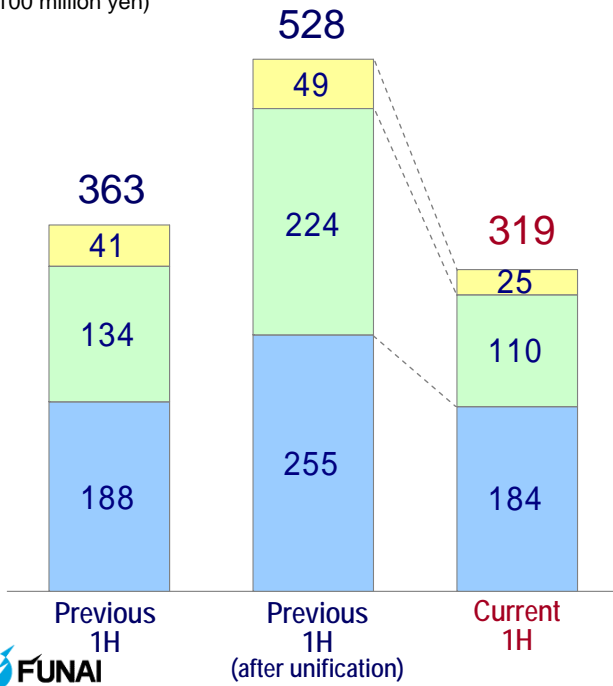
Total : 560 (36.3%)

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7 Sales of DVD Related Equipment



(100 million yen)



Video

· Tracking a path of deceleration in the market

DVD Player Related Equipment

DVD Recorder Related Equipment

· Further slow down of market growth in US

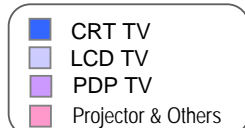
(100 million yen)

Comparison to Previous 1H

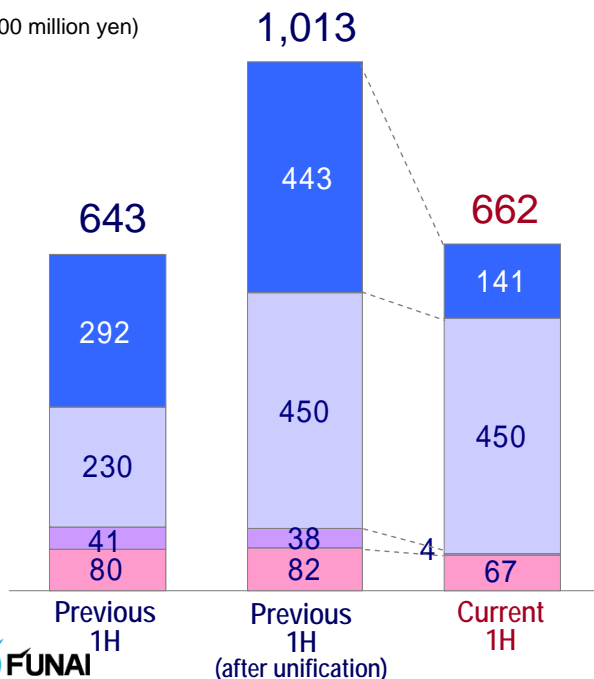
Video	:	24	(49.0%)
DVD Recorder Related Equipment	:	114	(50.9%)
DVD Player Related Equipment	:	71	(27.8%)
Total	:	209	(39.6%)



8 Sales of Television Related Equipment



(100 million yen)



CRT TV

· Larger than projected reduction in the US market due to ASP up for mandated built-in digital tuners

LCD TV

· Flattening in revenue coupled with ASP decline and panel price hike as well despite of unit increase

PDP TV

· Withdrew from the market

Projector & Others

· Slump of an OEM client in the US market

(100 million yen)

Comparison to Previous 1H

CRT TV	:	302	(68.2%)
LCD TV	:	+ 0	(+ 0%)
PDP TV	:	34	(89.5%)
Projector & Others	:	15	(18.3%)
Total	:	351	(34.6%)

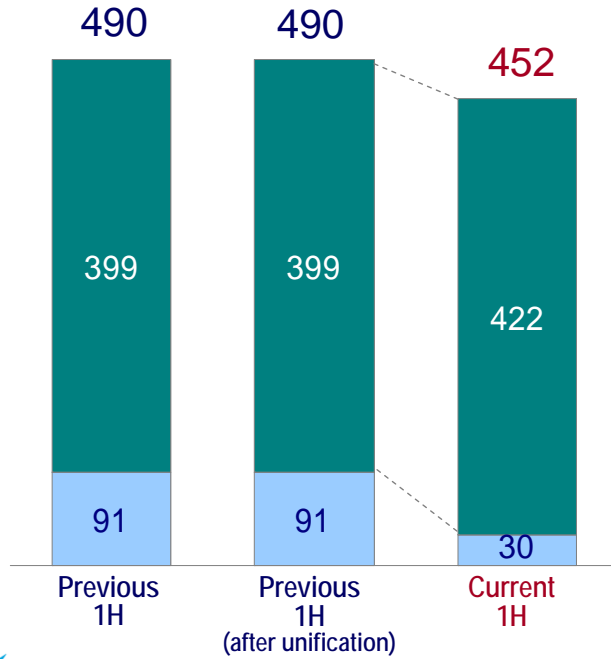


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Sales of Information Equipment



(100 million yen)



Printer

- Small gain in high competition not only in the market but also in an OEM client

Digital Still Camera

- Substantial decline due to change of the main OEM vendor in an OEM client

(100 million yen)

Comparison to Previous 1H

Printer : + 23 (+ 5.8%)

Digital Still Camera : - 61 (- 67.0%)

Total : - 38 (- 7.7%)

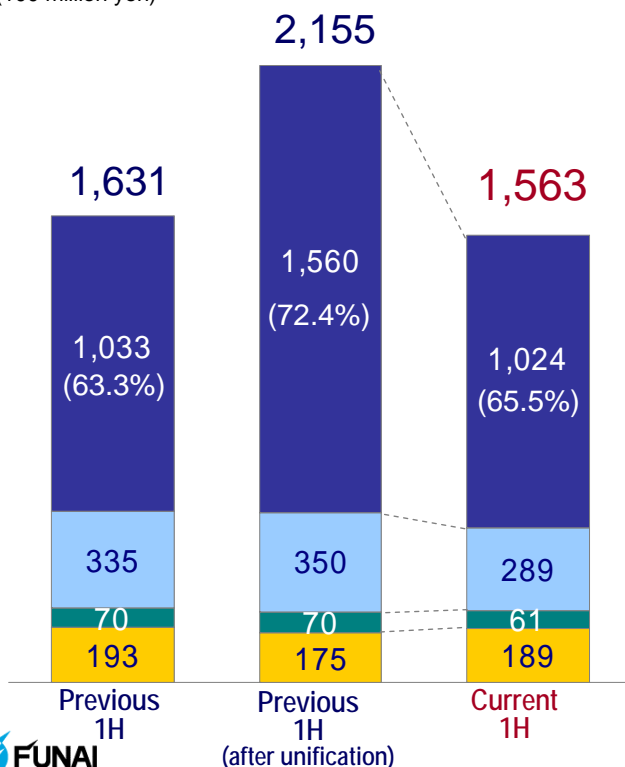


There is no adjustment for accounting period unification due to booking as the sales of parent company.

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Geographic Breakdown of Sales

(100 million yen)



North America

- Decline of CRT TV and DVD related products in line with market shrinkage

Europe

- More focus on profitability than market expansion

(100 million yen)

Comparison to Previous 1H

North America : 536 (34.4%)

Europe : 61 (17.4%)

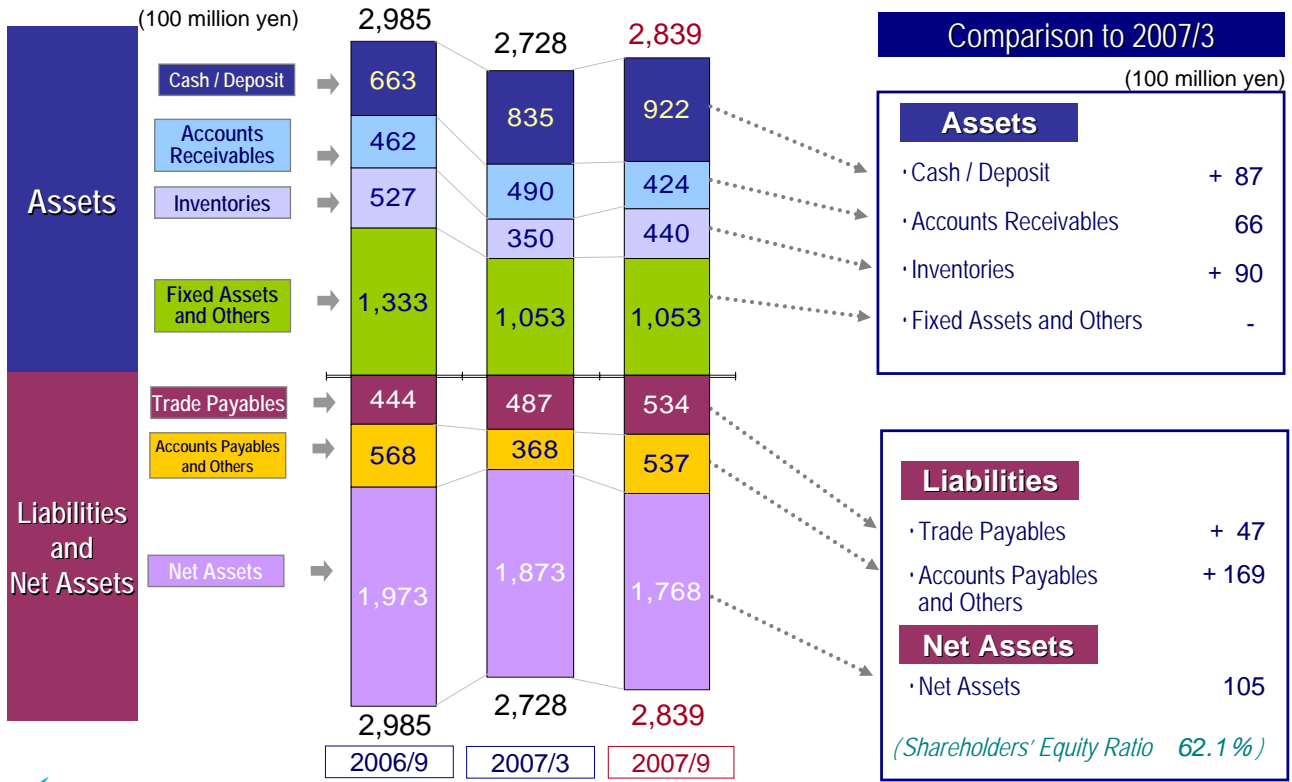
Asia & Others : 9 (19.5%)

Japan : + 14 (+ 7.8%)

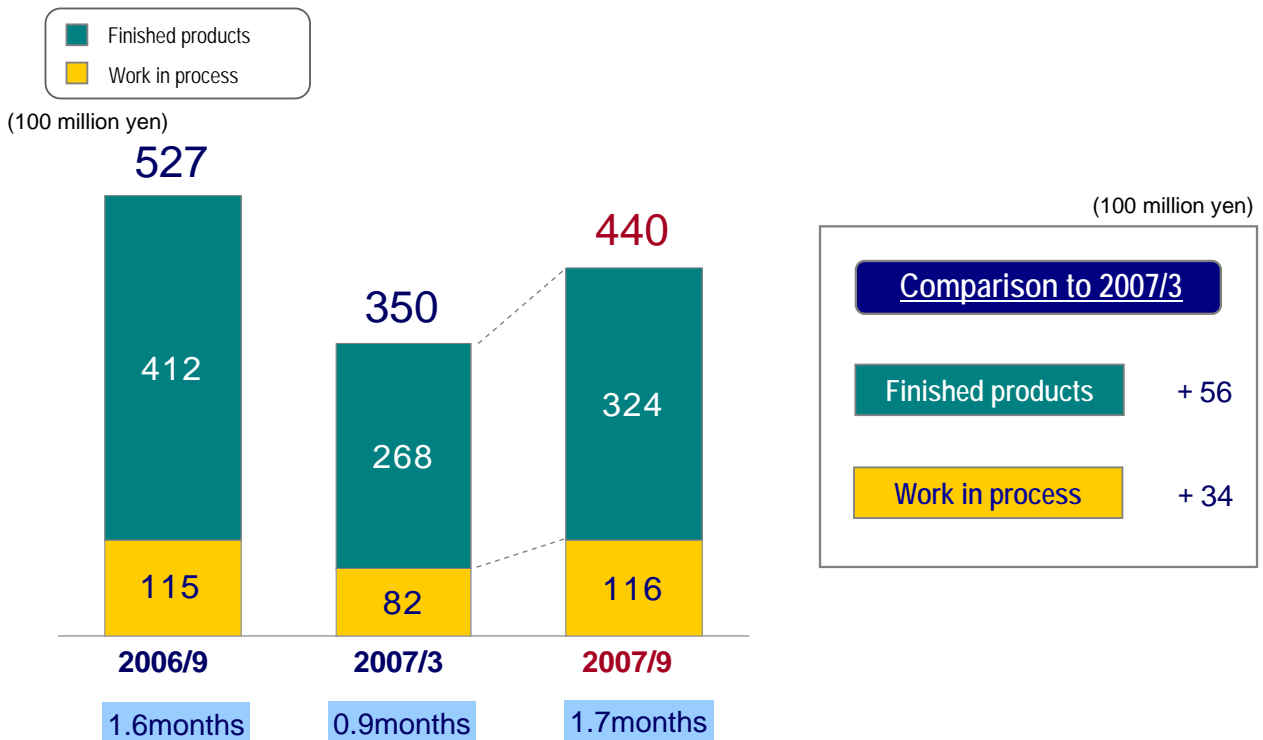
Total : 592 (27.5%)



11 Financial Conditions



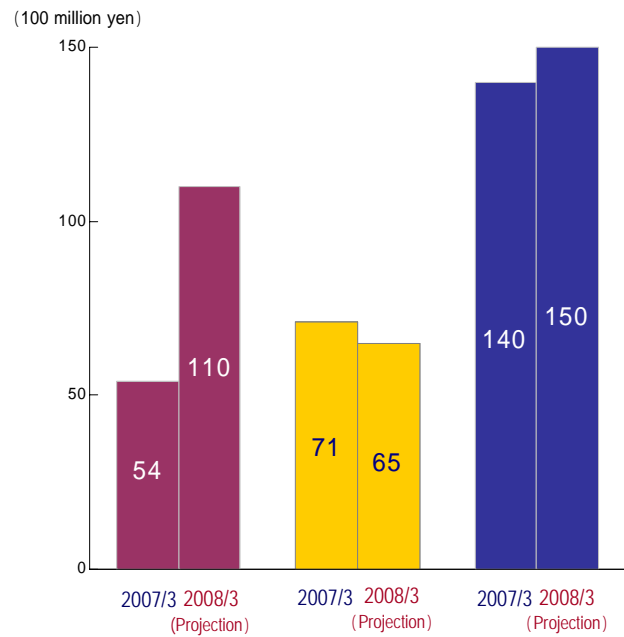
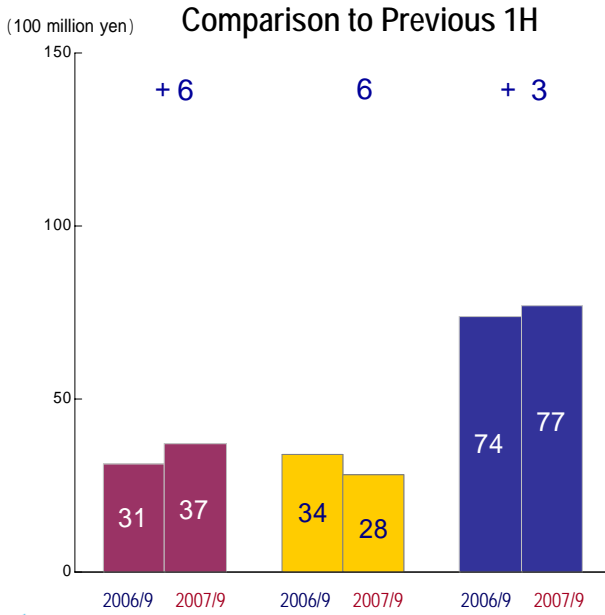
12 Changes of Inventories



1 H



Full Year



Full Year Forecast

- 1 Forecast of Operating Results in FY2007 ending March 2008
- 2 Breakdown of Sales by Equipment
- 3 Sales of Audio and Visual Equipment
- 4 Sales of DVD Related Equipment
- 5 Sales of Television Related Equipment
- 6 Sales of Information Equipment

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Forecast of Operating Results in FY2007 ending March 2008

(100 million yen)

	Results of FY2006	Previous Forecast of FY2007	Revised Forecast of FY2007	Changes from FY2006	Changes from Previous Forecast
Net Sales	3,967	4,200	3,200	19.3%	23.8%
Operating Income	207	220	47	77.4%	78.6%
Margin	(5.2%)	(5.2%)	(1.5%)	+50 (1)	
Ordinary Income	265	265	97	63.5%	63.5%
Margin	(6.5%)	(6.3%)	(3.0%)		
Net Income (Before subsidiary dividend)	36	201	78	- %	61.2%
Margin	(0.9%)	(4.8%)	(2.4%)	92 (2)	
Net Income After Tax	36 ^a	160	5	- %	96.9%
Margin	(0.9%)	(3.8%)	(0.2%)		
Average USD-JPY Exchange Rate					
	JPY116. ⁹⁵	JPY115. ⁰⁰	JPY115. ⁰⁰		

(1) Interest receivables +54, Forex gain +5, Others 9

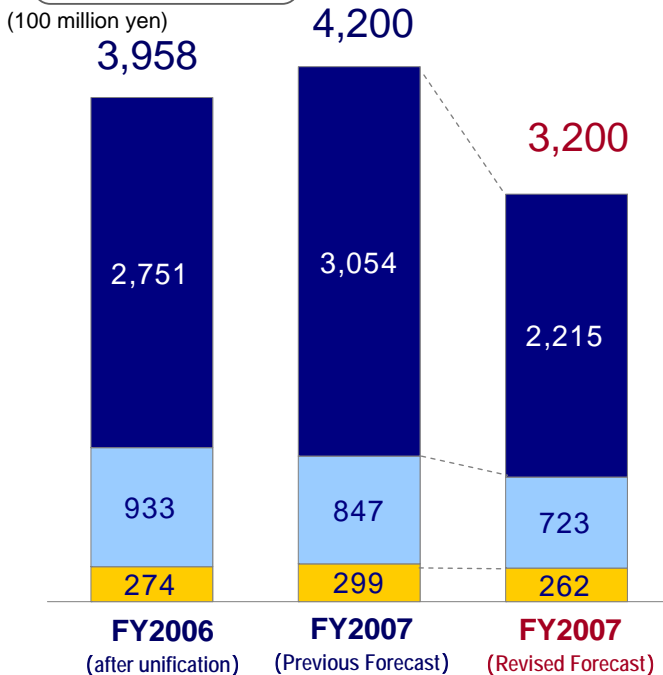
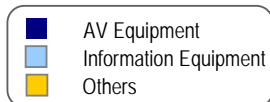
(2) Extraordinary loss from dissolution of a consolidated subsidiary, Funai Electric (Malaysia) SDN BHD in August, 2007 9, Tax on dividend receivables from overseas subsidiaries 73, Others 10



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Breakdown of Sales by Equipment



(100 million yen)

Comparison to Previous Forecast

AV Equipment	:	839 (27.5%)
Information Equipment	:	124 (14.6%)
Others	:	37 (12.4%)
Total	:	1,000 (23.8%)

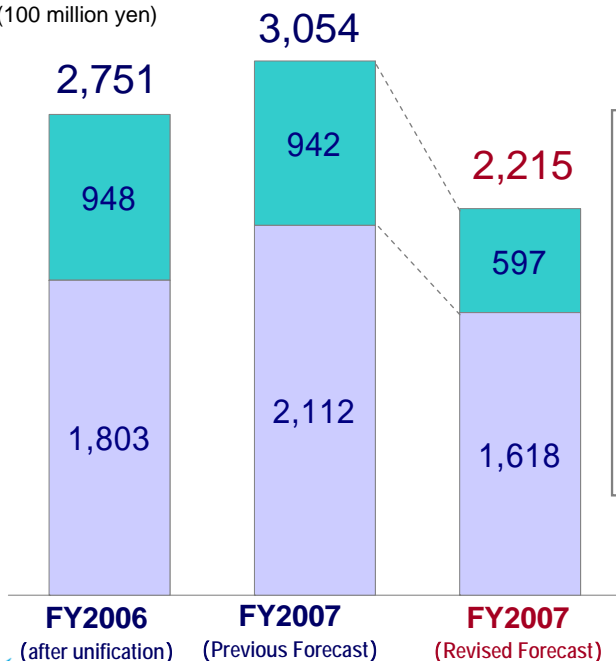


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3 Sales of Audio and Visual Equipment

- DVD Related Equipment
- Television Related Equipment

(100 million yen)



(100 million yen)

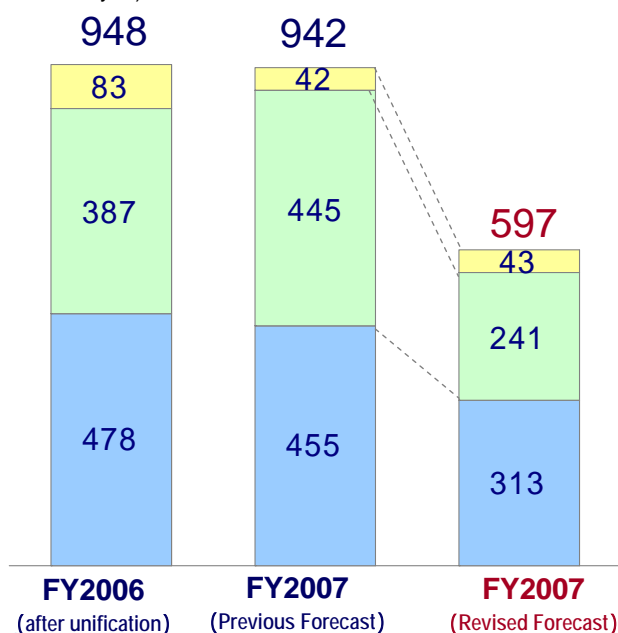
Comparison to Previous Forecast

DVD Related Equipment	:	345	(	36.6%)
Television Related Equipment	:	494	(	23.4%)
Total	:	839	(	27.5%)

4 Sales of DVD Related Equipment

- Video
- DVD Recorder Related Equipment
- DVD Player Related Equipment

(100 million yen)

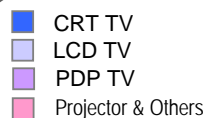


(100 million yen)

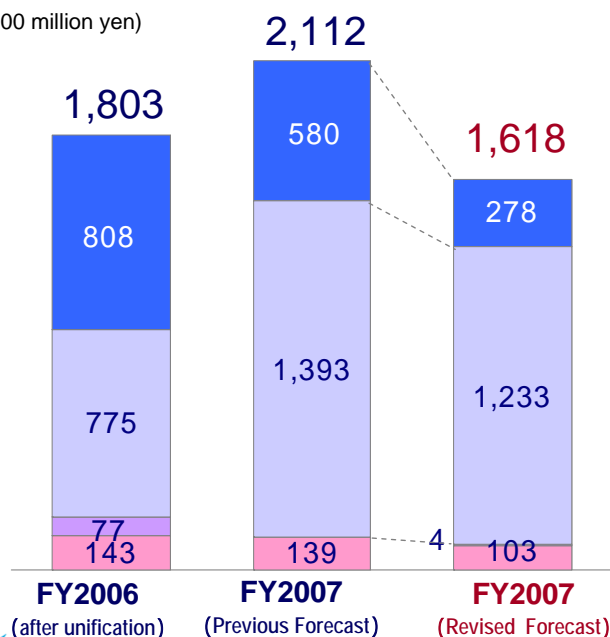
Comparison to Previous Forecast

Video	:	+ 1	(	+ 2.4%)
DVD Recorder Related Equipment	:	204	(	45.8%)
DVD Player Related Equipment	:	142	(	31.2%)
Total	:	345	(	36.6%)

5 Sales of Television Related Equipment



(100 million yen)



(100 million yen)

Comparison to Previous Forecast

CRT TV	:	302	(52.1%
LCD TV	:	160	(11.5%
PDP TV	:	+ 4	(- %
Projector & Others	:	36	(25.9%
Total	:	494	(23.4%

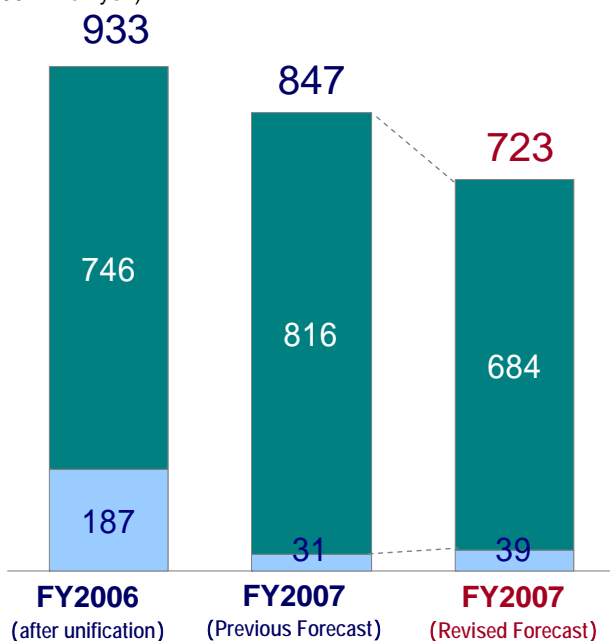


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6 Sales of Information Equipment



(100 million yen)



(100 million yen)

Comparison to Previous Forecast

Printer	:	132	(	16.2%
Digital Still Camera	:	+ 8	(	+ 25.8%
Total	:	124	(	14.6%



There is no adjustment for accounting period unification due to booking as the sales of parent company.

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Future Business Strategy

- 1 Business strategy for Operating Results Recovery
- 2 Implemented Action in the US Market
- 3 Sales Target of LCD TV
- 4 Sales Target of FY 2008

1 Business Strategy for Operating Results Recovery

1

Expansion and Enrichment of LCD TV and Pursuit for Profit

Establishment of stable procurement of LCD panels (Further strengthen with an existing major partner)

Further pursuit for product specification and design improvement

Sales channel expansion and additional OEM contracts

2

New Development of DVDs

Penetration into the European market (HDD DVD recorder)

Start of full fledged commercial launching of blu-ray player

3

Enrichment of printer business

Targeting new OEM clients capitalized by strong cost competitiveness

2 Implemented Action in the US Market

1

Establishment of a new service company

(Sprit off the service division of Funai Corp. in US as a subsidiary of the parent company)

Full coverage of the whole US market supported by 650 reps.

Further enrichment of customer service and client satisfaction

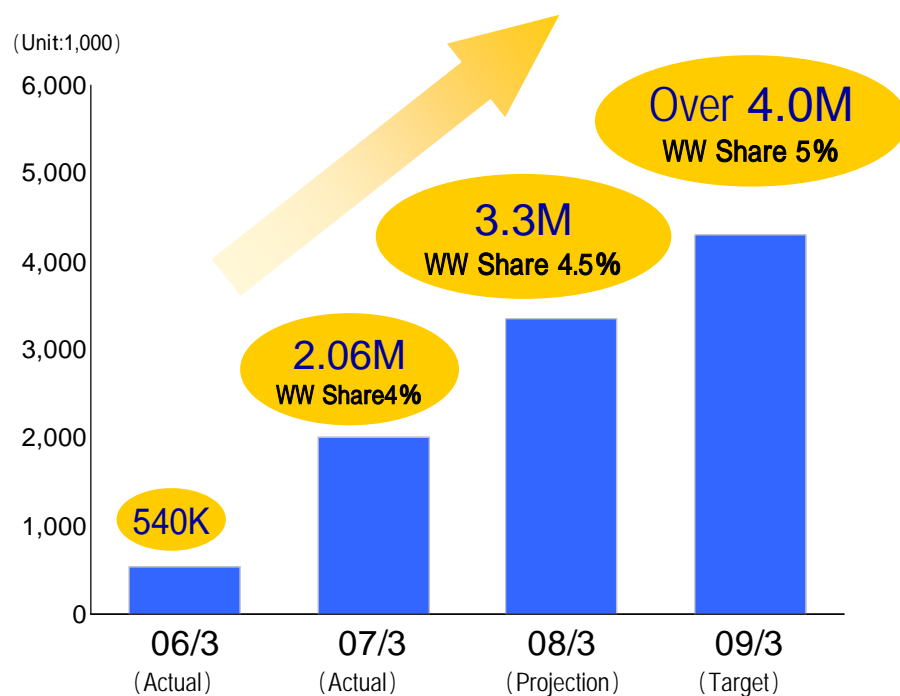
2

Filing complaint with ITC (October 2007)

For remedies for infringement of digital TV patents against 14 manufacturers and importers

(注) ITC: International Trade Commission

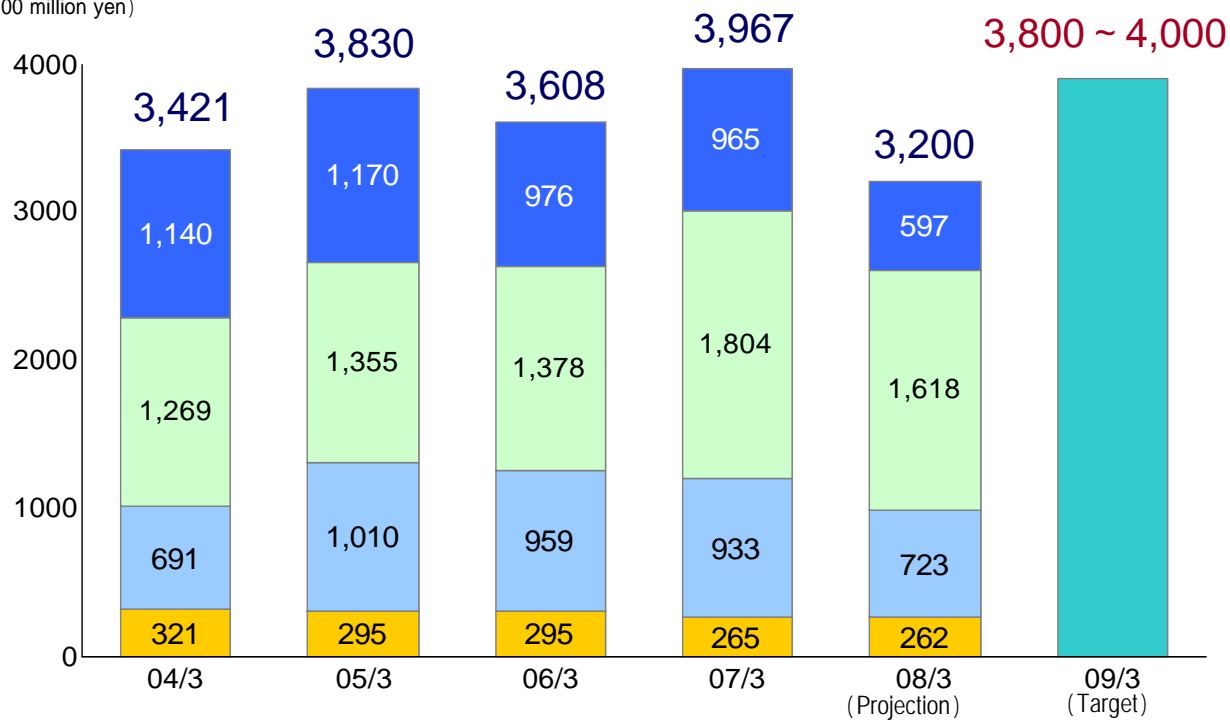
3 Sales Target of LCD TV



(Source: DisplaySearch)

4 Sales Target of FY2008

(100 million yen)



■ DVD Related Equipment
 ■ Television Related Equipment
 ■ Information Equipment
 ■ Others

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Supplemental Data

- 1 Operating Summary of 2Q (July-Sept.), FY2007
- 2 Changes of Sales Amount (after unification)
- 3 Changes of Operating Income (after unification)
- 4 Changes of Sales Amount by Equipment (after unification)

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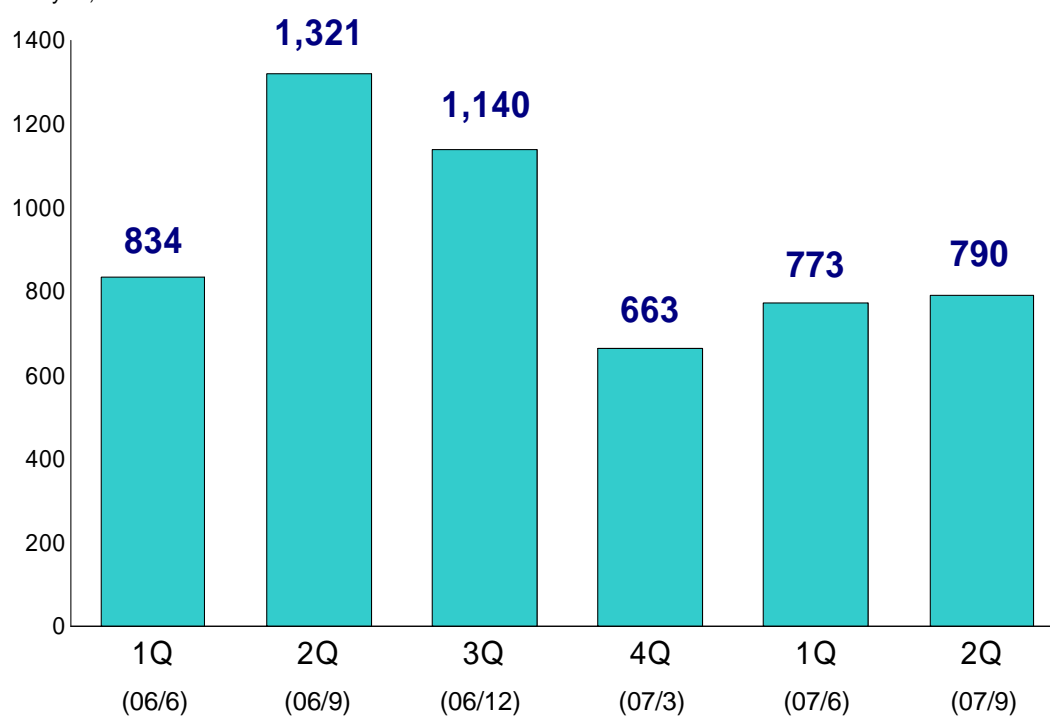
1 Operating Summary of 2Q (July-Sept.), FY2007

(100 million yen)

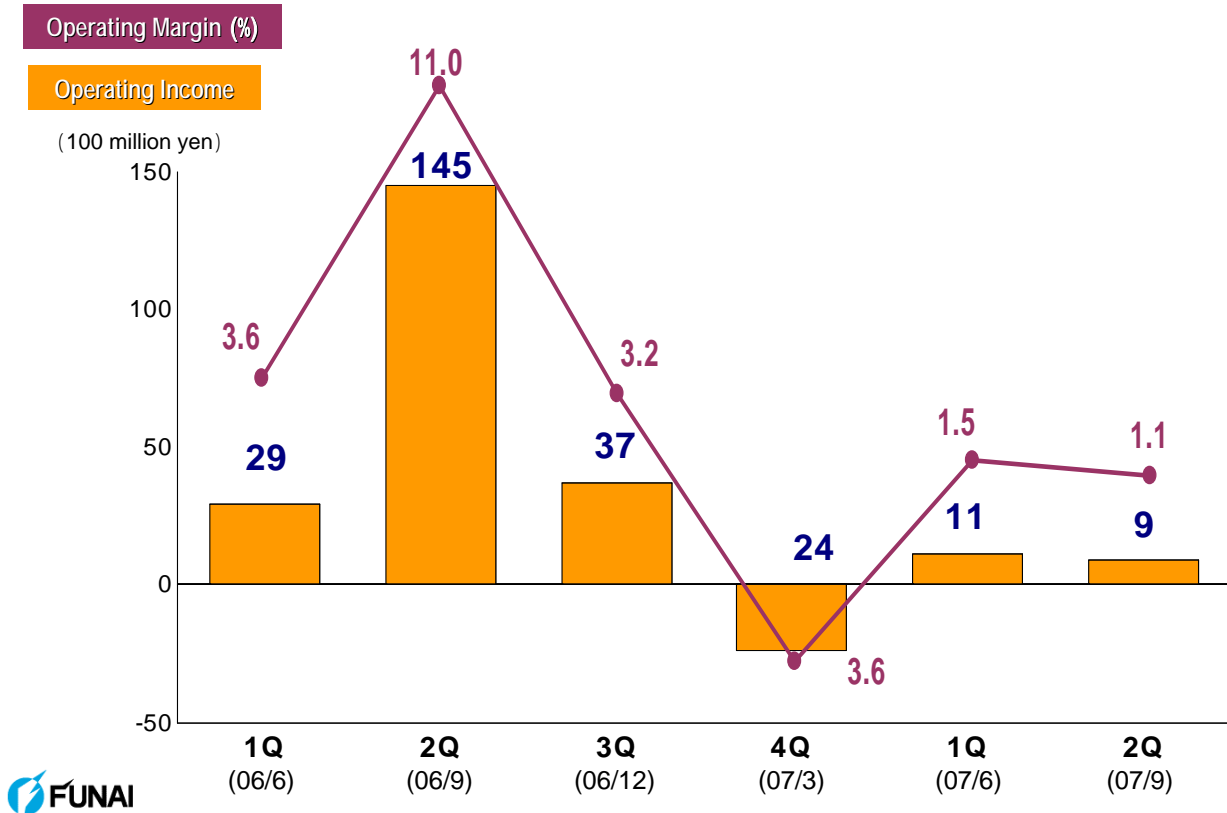
	Previous 2Q	Previous 2Q (after unification)	Current 2Q	Changes from Previous 2Q
Net Sales	1,005	1,321	790	40.2%
Operating Income	79	145	9	93.8%
Margin	(7.9%)	(11.0%)	(1.1%)	
Ordinary Income	95	156	6	96.2%
Margin	(9.5%)	(11.8%)	(0.8%)	
Net Income After Tax	45	104	56	- %
Margin	(4.5%)	(7.9%)	(7.1%)	

2 Changes of Sales Amount (after unification)

(100 million yen)

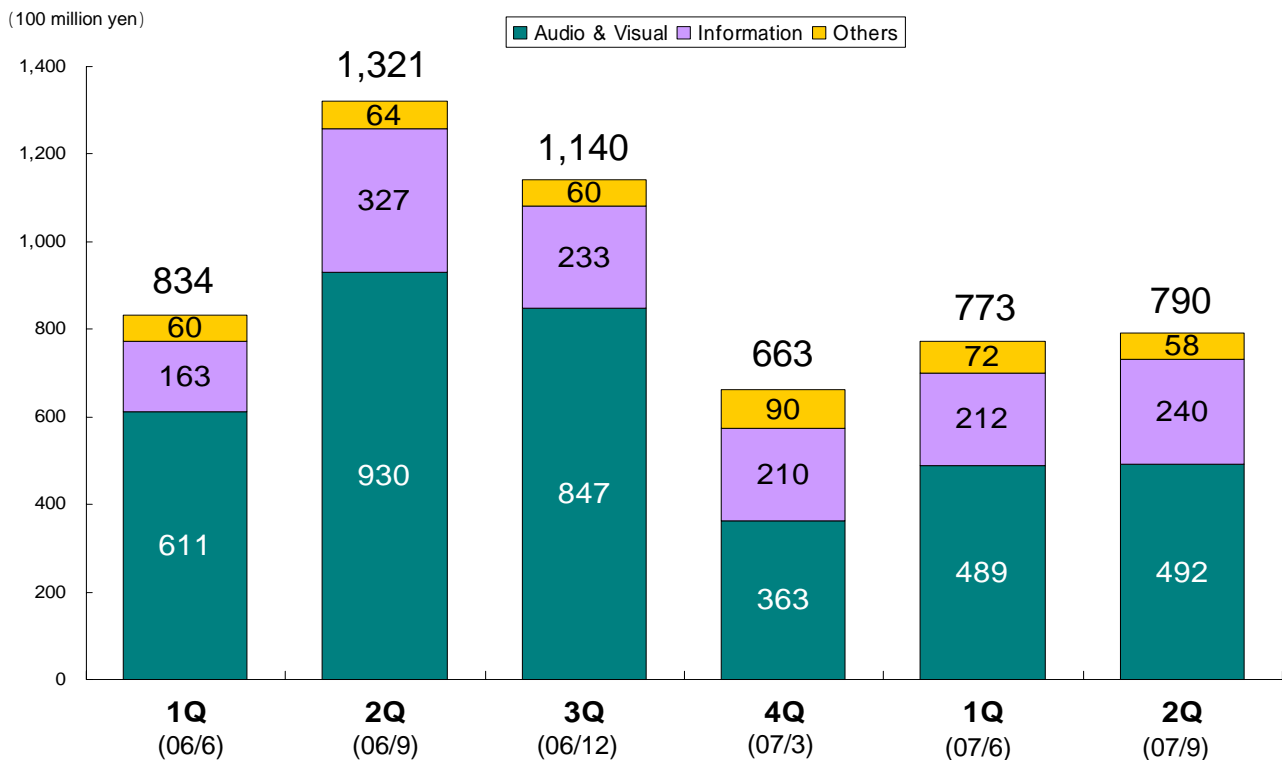


3 Changes of Operating Income (after unification)



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4 Changes of Sales Amount by Equipment (after unification)



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- 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.

