

# FUNAI ELECTRIC CO., LTD.

Presentation of Operating Results  
in 1<sup>st</sup> to 3<sup>rd</sup> Quarter of FY2007(Apr.-Dec.) and Future Strategy

February 5, 2008

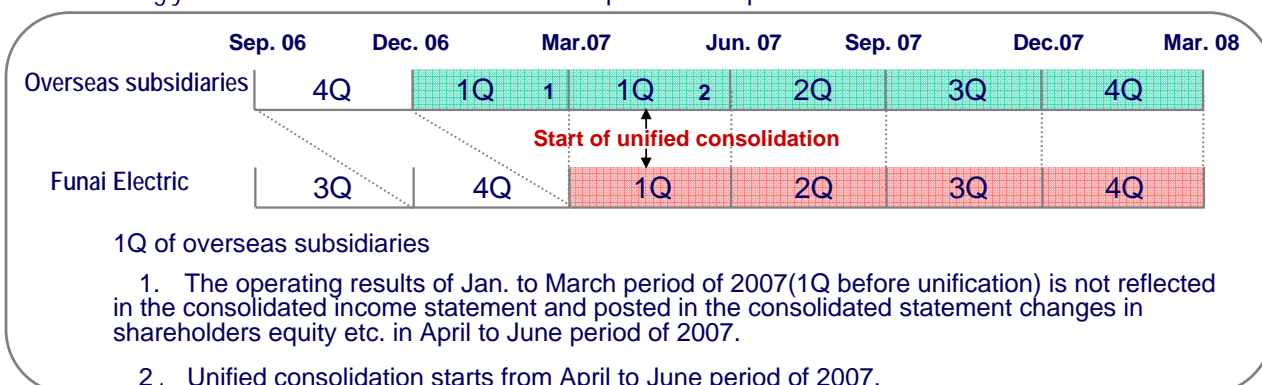
## Outline of 1<sup>st</sup> to 3<sup>rd</sup> Quarter (Apr.-Dec.) of FY2007 Operating Results (Consolidated)

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

# 1 Unification of Accounting Period among Group Companies

## (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 3Qs FY2006 for comparison to 3Qs FY2007 after Unification

3Qs FY2006 of overseas subsidiaries was from January to September.

For comparison purpose the operating results in 3Qs (Jan.-Sep.) FY2006 is revised by using the figures of overseas subsidiaries in April to December period in 2006.



3

# 2 Summary of Operating Results

(100 million yen)

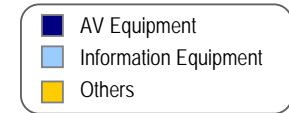
	Previous 3Qs	Previous 3Qs (after unification)	Current 3Qs	Changes from Previous 3Qs	Changes from Previous 3Qs (after unification)
Net Sales	2,830	3,295	2,258	20.2%	31.5%
Operating Income	190	211	12	93.3%	94.3%
Margin	(6.7%)	(6.4%)	(0.6%)	+45 ( 1)	
Ordinary Income	232	253	57	75.1%	77.5%
Margin	(8.2%)	(7.7%)	(2.6%)		
Net Income (Before subsidiary dividend)	158	163	32	79.7%	80.4%
Margin	(5.6%)	(4.9%)	(1.4%)	87 ( 2)	
Net Income After Tax	158	163	30	-	-
Margin	(5.6%)	(4.9%)	( 1.3%)		

- ( 1) Interest receivables +40, Forex gain +9, Others 4  
 ( 2) Tax on dividend receivables from overseas subsidiaries 62,  
 Extraordinary loss from dissolution of a consolidated subsidiary, Funai Electric (Malaysia) SDN BHD in August, 2007 6,  
 Others 19

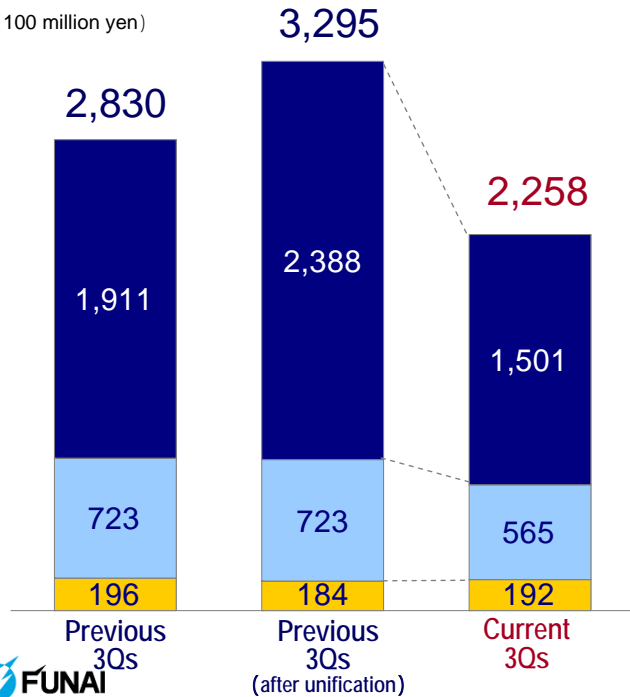


4

### 3 Breakdown of Sales by Equipment



(100 million yen)



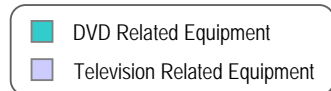
(100 million yen)

#### Comparison to Previous 3Qs

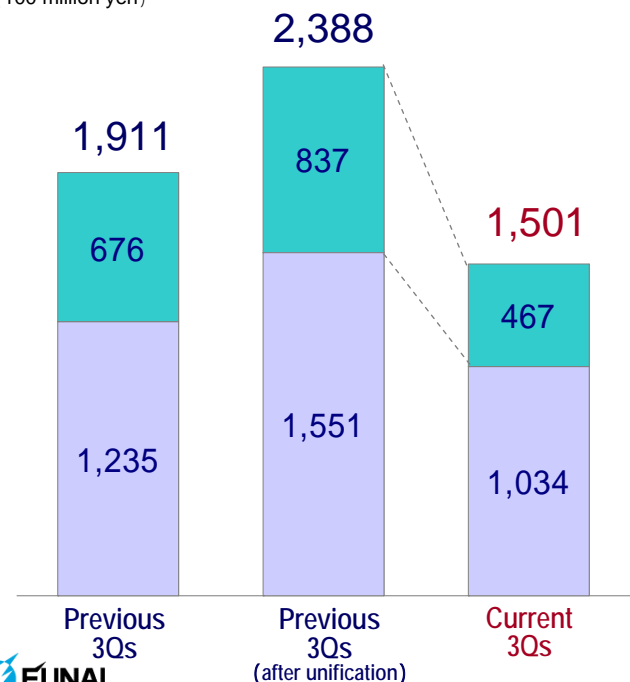
AV Equipment	:	887	(	37.1%	)
Information Equipment	:	158	(	21.9%	)
Others	:	+ 8	(	+ 4.3%	)
<b>Total</b>	:	<b>1,037</b>	(	<b>31.5%</b>	)



### 4 Sales of Audio and Visual Equipment



(100 million yen)



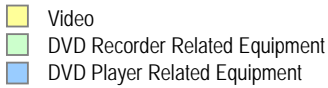
(100 million yen)

#### Comparison to Previous 3Qs

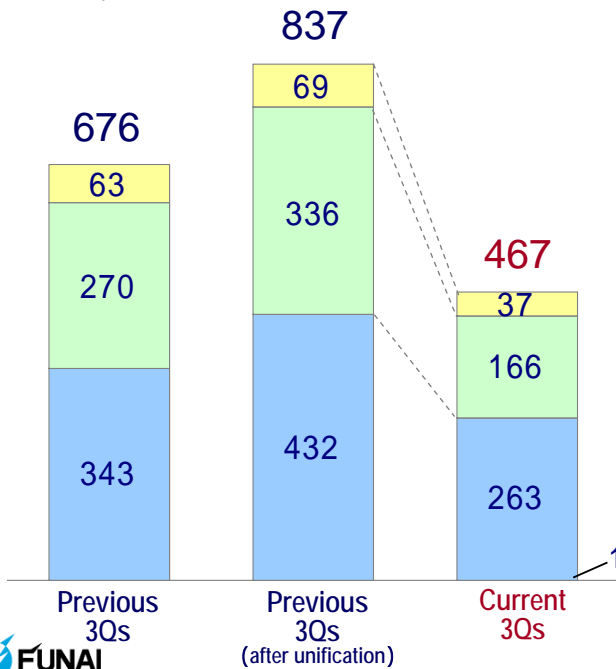
DVD Related Equipment	:	370	(	44.2%	)
Television Related Equipment	:	517	(	33.3%	)
<b>Total</b>	:	<b>887</b>	(	<b>37.1%</b>	)



## 5 Sales of DVD Related Equipment



(100 million yen)



FUNAI

### Video

· Tracking a path of deceleration in the market

### DVD Player Related Equipment

### DVD Recorder Related Equipment

· Further slow down of market growth in the main market of US

(100 million yen)

### Comparison to Previous 3Qs

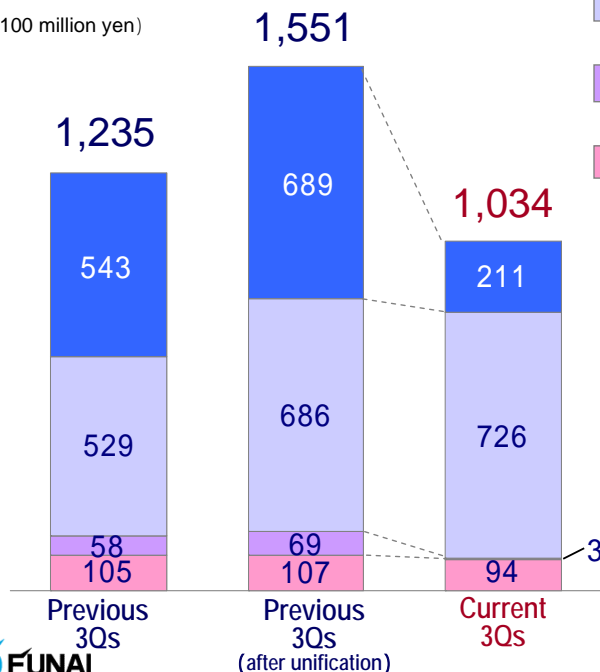
Video	:	32	( 46.4%)
DVD Recorder Related Equipment	:	170	( 50.6%)
DVD Player Related Equipment	:	169	( 39.1%)
Blu-ray Player	:	+1	( - )
<b>Total</b>	:	<b>370</b>	<b>( 44.2%)</b>

7

## 6 Sales of Television Related Equipment



(100 million yen)



FUNAI

### CRT TV

· Tracking a path of deceleration in the market

### LCD TV

· Combination with DVD player contributed to the sales

### PDP TV

· Withdrew from the market

### Projector & Others

· Slump of an OEM client in the US market

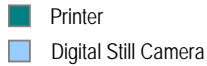
(100 million yen)

### Comparison to Previous 3Qs

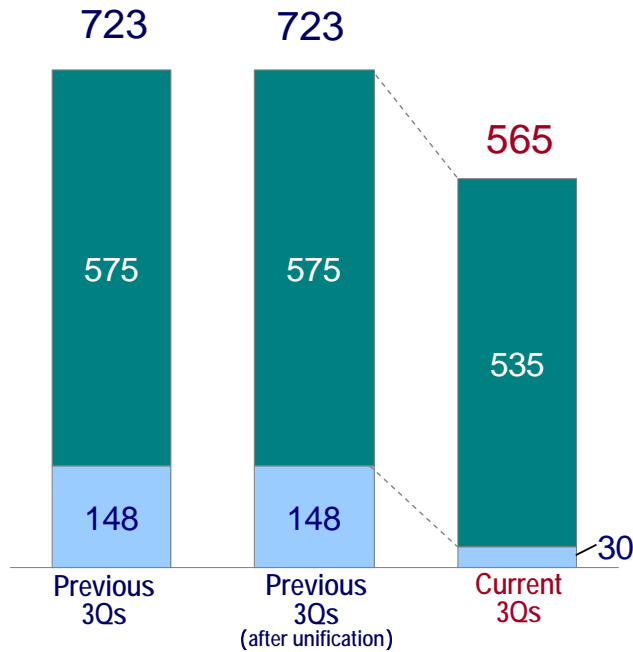
CRT TV	:	478	( 69.4%)
LCD TV	:	+40	( +5.8%)
PDP TV	:	66	( 95.7%)
Projector & Others	:	13	( 12.1%)
<b>Total</b>	:	<b>517</b>	<b>( 33.3%)</b>

8

## 7 Sales of Information Equipment



(100 million yen)



### Printer

- Adversely affected by the strategic change of product mix in an OEM client

### Digital Still Camera

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

(100 million yen)

#### Comparison to Previous 3Qs

Printer : 40 ( 7.0%)

Digital Still Camera : 118 ( 79.7%)

Total : 158 ( 21.9%)

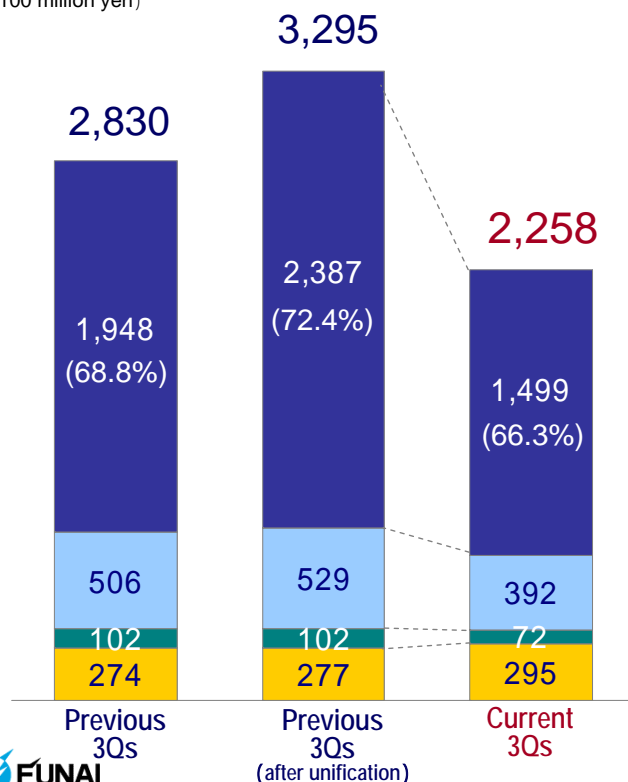


There is no adjustment for accounting period unification due to booking as a the sales of parent company.

9

## 8 Geographic Breakdown of Sales

(100 million yen)



### North America

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

### Europe

- Focused on profitability than the market expansion

(100 million yen)

#### Comparison to Previous 3Qs

North America : 888 ( 37.2%)

Europe : 137 ( 25.9%)

Asia & Others : 30 ( 29.4%)

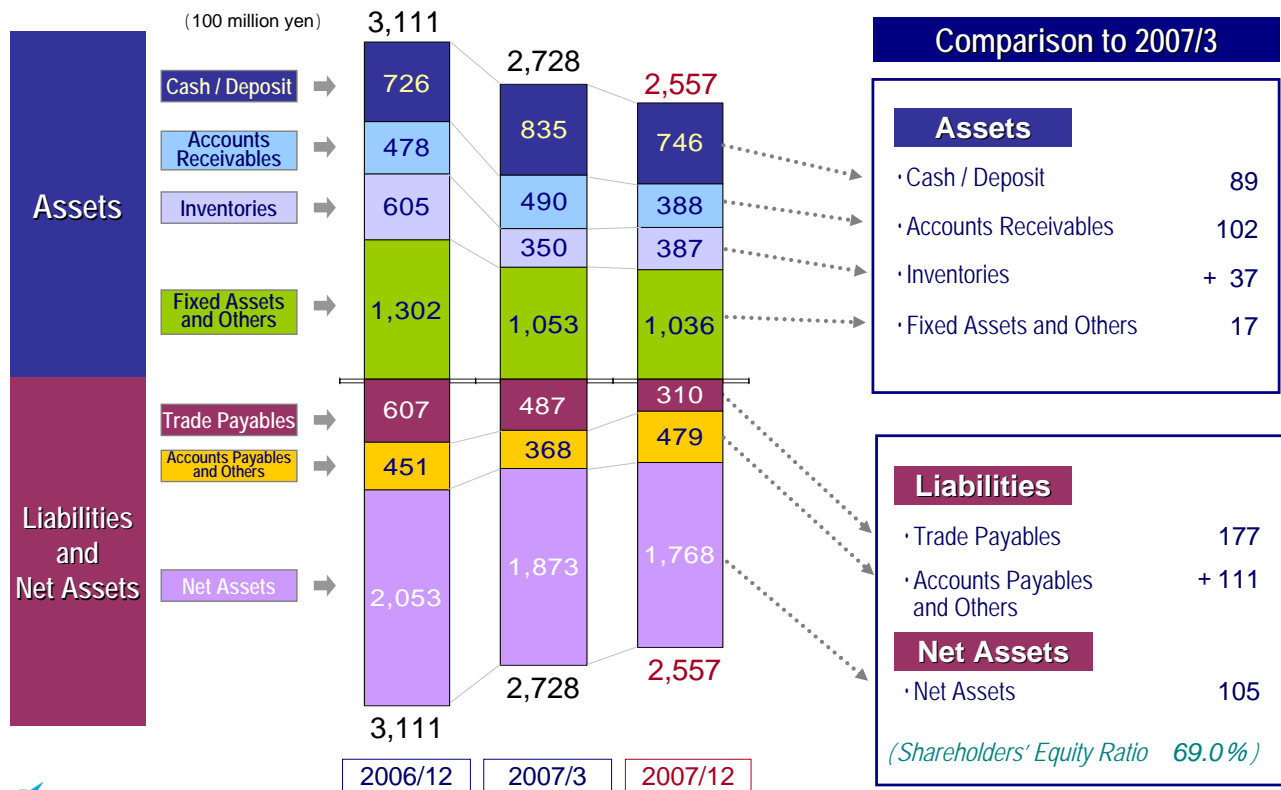
Japan : + 18 ( + 6.5%)

Total : 1,037 ( 31.5%)

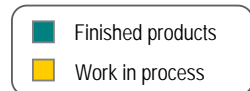


10

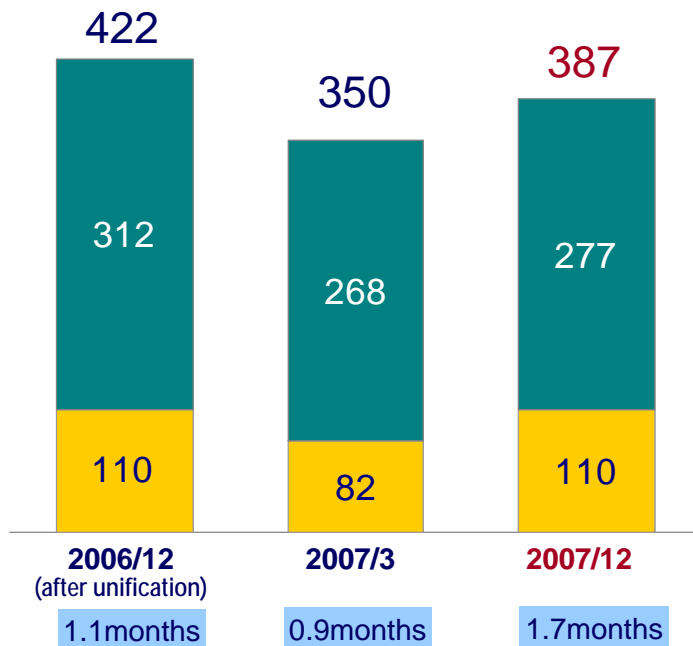
# 9 Financial Conditions



# 10 Changes of inventories



(100 million yen)



(100 million yen)



Inventories Turnover

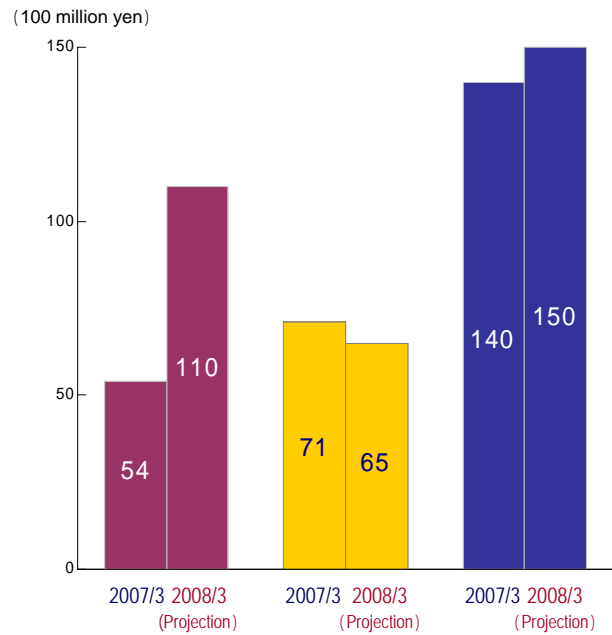
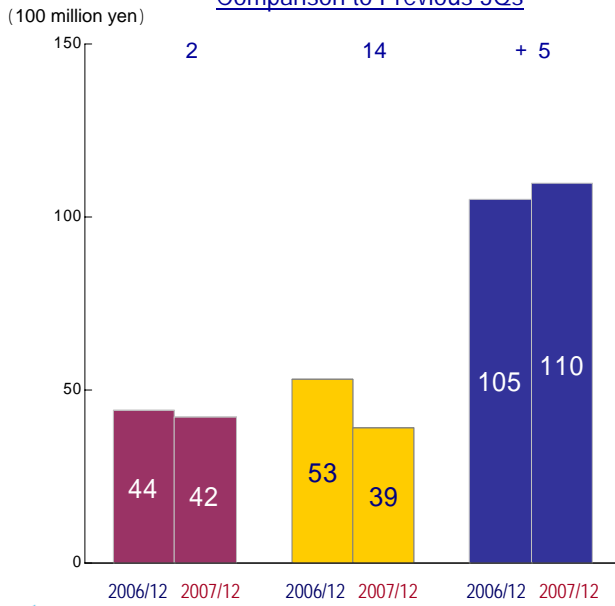
## 3 Q s



## Full Year



### Comparison to Previous 3Qs



## Full Year Forecast

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

## 1

Forecast of Operating Results in FY2007  
Ending March 2008

(100 million yen)

	Results of FY2006	Previous Forecast of Y2007 (Release in Oct.07)	Revised Forecast of FY2007	Changes from FY2006	Changes from Previous Forecast
Net Sales	3,967	3,200	2,790	29.7%	12.8%
Operating Income	207	47	21	—	—
Margin	(5.2%)	(1.5%)	( 0.8%)	+44 ( 1)	
Ordinary Income	265	97	23	91.4%	76.3%
Margin	(6.7%)	(3.0%)	(0.8%)		
Net Income (Before subsidiary dividend)	36	78	19	—	—
Margin	( 0.9%)	(2.4%)	( 0.7%)	97 ( 2)	
Net Income After Tax	36 <sup>a</sup>	5	74	—	—
Margin	( 0.9%)	(0.2%)	( 2.7%)		
Average USD-JPY Exchange Rate	JPY116. <sup>95</sup>	JPY115. <sup>00</sup>	JPY115. <sup>00</sup>		

( 1) Interest receivables +51, Forex gain +4, Others 11

( 2) Tax on dividend receivables from overseas subsidiaries 55, Reversal of deferred tax asset from overseas subsidiaries 18,

Extraordinary loss from dissolution of a consolidated subsidiary, Funai Electric (Malaysia) SDN BHD in August, 2007 6,

Others 18



15

## 2

## Reason of Revised Forecast

## &lt;Sales&gt;

## Procurement shortage of LCD TV panel

Less fully leveraged strategic alliance with a Taiwan panel maker, and a tighter supply demand situation of panel caused procurement shortage

## Decline of incoming order of printer

Strategic change of product mix in an OEM client in the latter half of 2007

## &lt;Operating Income&gt;

## A deficit in LCD TV due to deteriorated profit margin

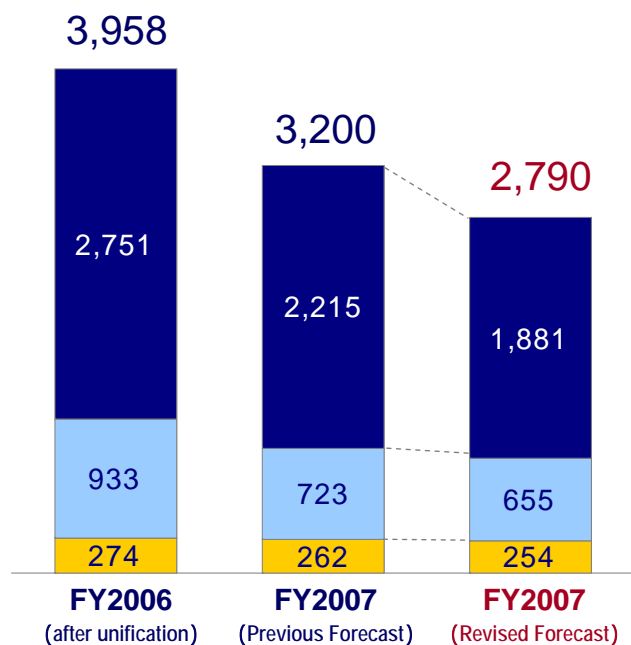
Sales decline in printer, deteriorated profit margin in CRT TV and DVDs in line with the market shrinkage



16

### 3 Breakdown of Sales by Equipment

■ AV Equipment  
■ Information Equipment  
■ Others  
 (100 million yen)



(100 million yen)

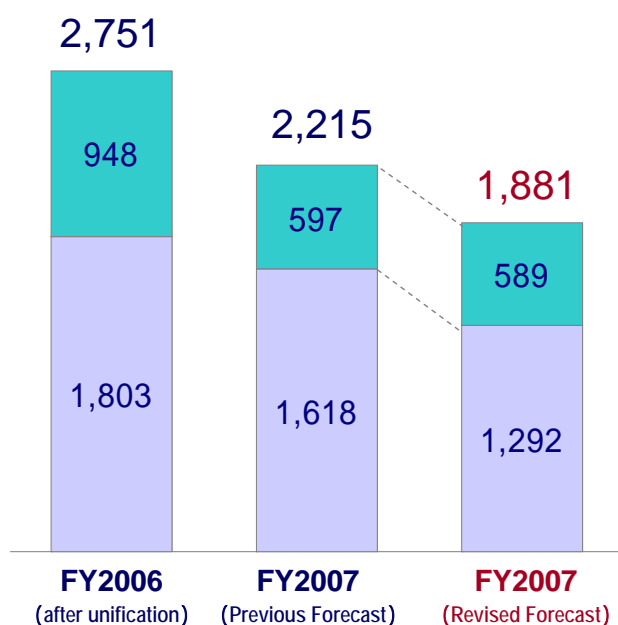
#### Comparison to Previous Forecast

AV Equipment	:	334	(	15.1%
Information Equipment	:	68	(	9.4%
Others	:	8	(	3.1%
<b>Total</b>	:	<b>410</b>	(	<b>12.8%</b>



### 4 Sales of Audio and Visual Equipment

■ DVD Related Equipment  
■ Television Related Equipment  
 (100 million yen)



(100 million yen)

#### Comparison to Previous Forecast

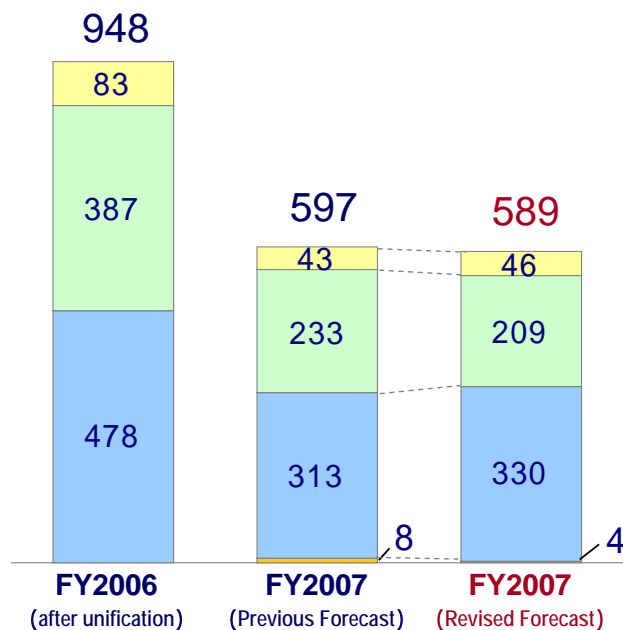
DVD Related Equipment	:	8	(	1.3%
Television Related Equipment	:	326	(	20.1%
<b>Total</b>	:	<b>334</b>	(	<b>15.1%</b>



## 5 Sales of DVD Related Equipment

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

(100 million yen)



(100 million yen)

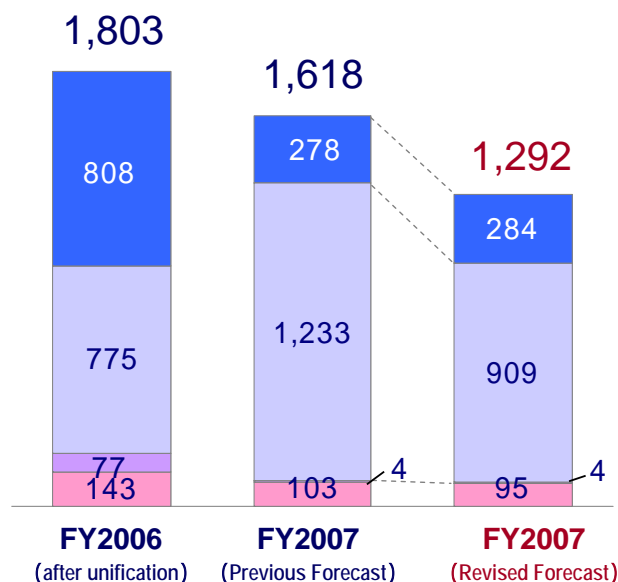
### Comparison to Previous Forecast

Video	: + 3 ( + 7.0%)
DVD Recorder Related Equipment	: 24 ( 10.3%)
DVD Player Related Equipment	: + 17 ( + 5.4%)
Blu-ray Player	: 4 ( 50.0%)
<b>Total</b>	<b>: 8 ( 1.3%)</b>

## 6 Sales of Television Related Equipment

- CRT TV
- LCD TV
- PDP TV
- Projector & Others

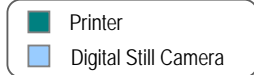
(100 million yen)



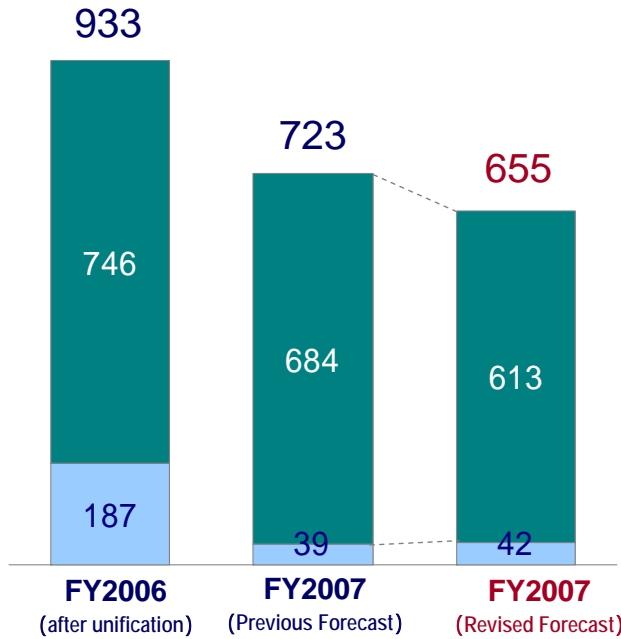
(100 million yen)

### Comparison to Previous Forecast

CRT TV	: + 6 ( + 2.2%)
LCD TV	: 324 ( 26.3%)
PDP TV	: + 0 ( 0%)
Projector & Others	: 8 ( 7.8%)
<b>Total</b>	<b>: 326 ( 20.1%)</b>



(100 million yen)



(100 million yen)

## Comparison to Previous Forecast

Printer : 71 ( 10.4%)

Digital Still Camera : +3 ( +7.7%)

Total : 68 ( 9.4%)



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



## Future Management Strategy

- 1 Management Policy for Solid Ground
- 2 Management Policy for Solid Ground
- 3 Management Policy for Solid Ground
- 4 Reconsideration of Positioning in Industrial Realignment
- 5 Target of LCD TV Sales
- 6 Target of FY2008 Sales

## 1 Management Policy for Solid Ground

**Reinforcement of Cost Competitiveness**

(Procurement, Design, Productivity)

**Future Streamline of Corporate Constitution**

**Company-wide Development of Speedy Management**

**Proactive Appointment of Talented Younger Generation**

## 2 Management Policy for Solid Ground

### Expansion and Profit-Making of TV Business

- ▶ Stable Procurement of Panel (Strengthen Relationship with Major Partner)
- ▶ Mounting High Function Leveraged by Cost Advantage (Ultra Thin Type, Wscan, Widecolor etc.)
- ▶ Strategic Development of Combination Products with DVD Player (incl. BD)
- ▶ Value Chain Expansion and Plan of Large-size Line up via Strategic Alliance with New OEM Clients

### 3 Management Policy for Solid Ground

#### 1 New Development of DVD Business

Scheduled Commencement of DVD Recorder Production in Poland Factory in 2008

Full-fledged commercial launching of BD Player

New development of digital STB in the US Market (Terrestrial Digital STB and Digital Cable STB)

#### 2 Expansion of Information Equipment Business

Start of Printer production for new OEM client

Expansion of DSC Models

### 4 Reconsideration of Positioning in Industrial Realignment

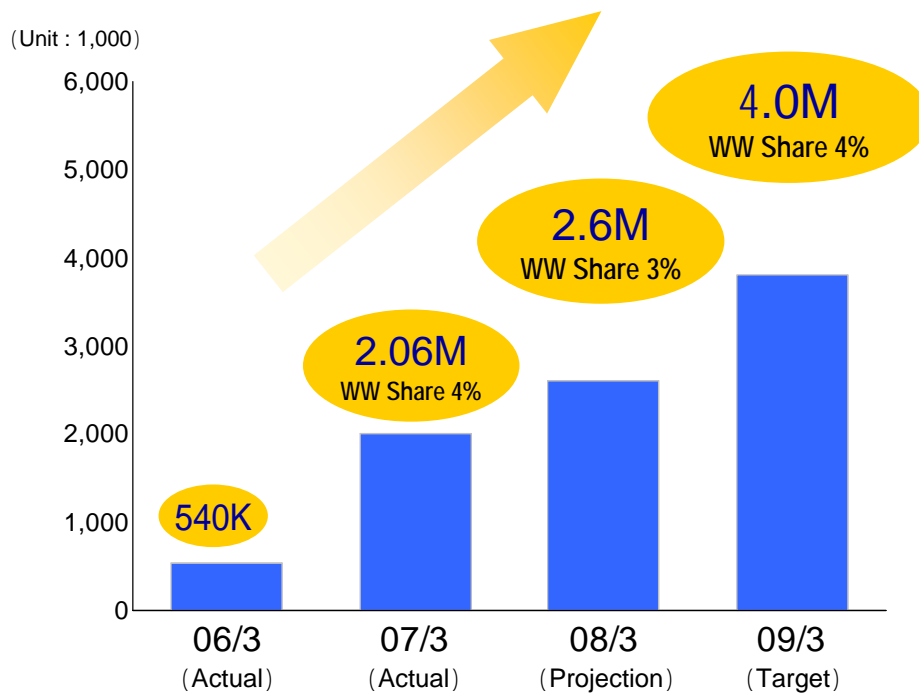
#### Promotion of Business Alliance with Synergy Effect

Basic Agreement with Victor Company of Japan (JVC) (January 30, 2008)

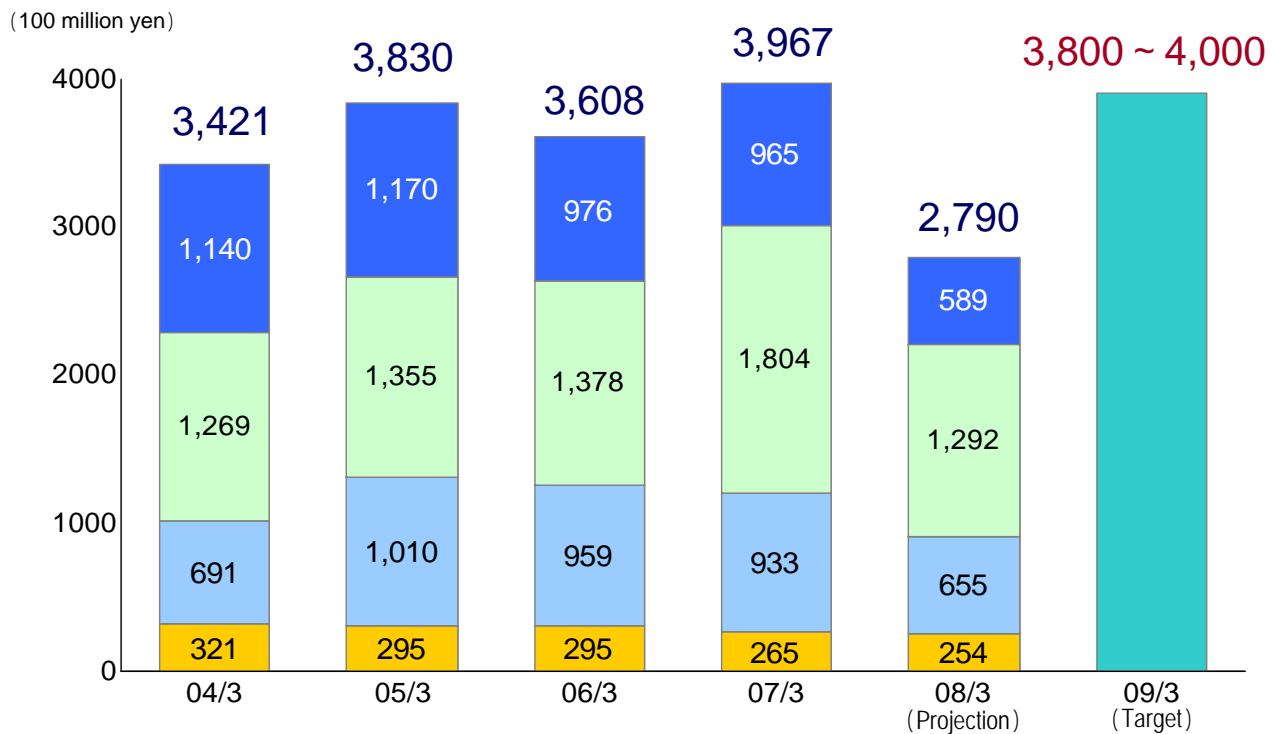
Joint Development and Mutually Contracted Production of Display Equipment and Multifunction Video Equipment Business

- ▶ Mutual Utilization of Funai's Poland Factory and JVC's Mexico Factory

## 5 Target of LCD TV Sales



## 6 Target of FY2008 sales



## Supplemental Data

- 1 Operating Summary of 3Q (Oct.-Dec.), FY2007
- 2 Changes of Sales Amount by Equipment (after unification)

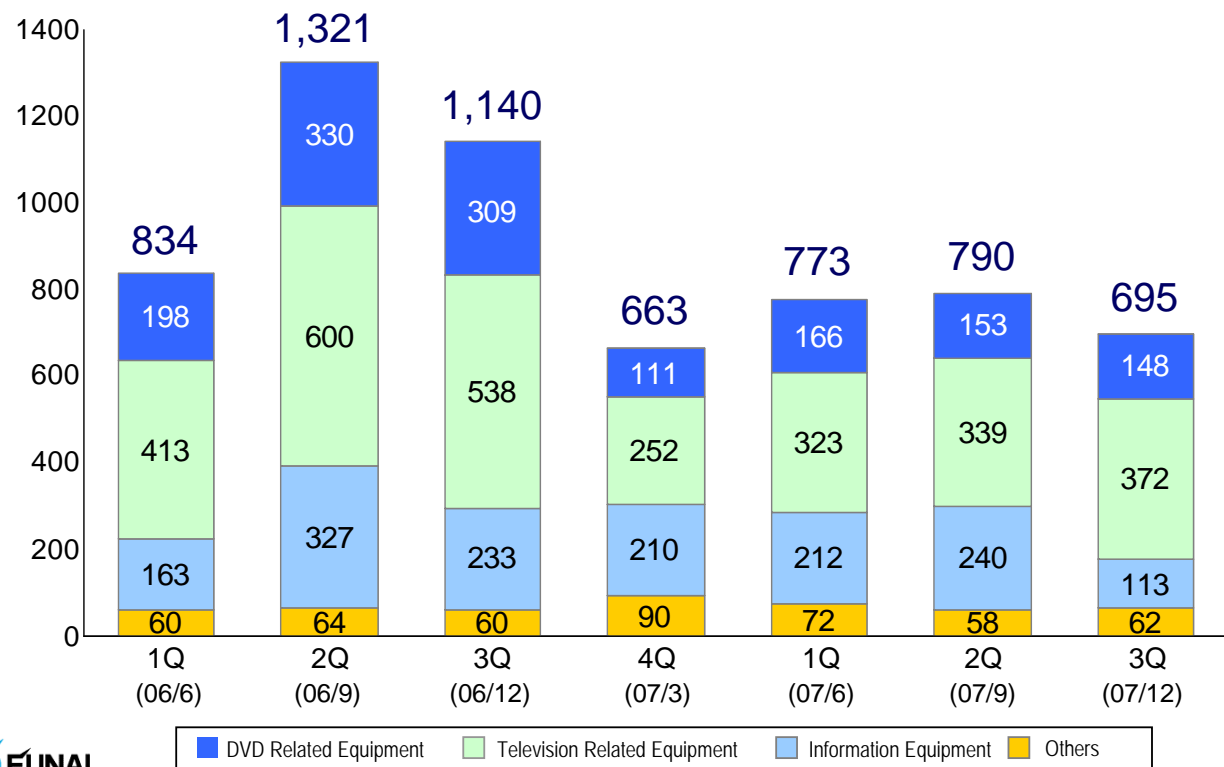
### 1 Operating Summary of 3Q (Oct.-Dec.), FY2007

(100 million yen)

	Previous 3Q	Previous 3Q (after unification)	Current 3Q	Changes from Previous 3Q (after unification)
Net Sales	1,199	1,140	695	39.0%
Operating Income	87	37	7	— %
<b>Margin</b>	(7.3%)	(3.2%)	( 1.1%)	
Ordinary Income	109	58	7	87.9%
<b>Margin</b>	(9.1%)	(5.1%)	(1.1%)	
Net Income After Tax	88	28	12	57.1%
<b>Margin</b>	(7.4%)	(2.5%)	(1.8%)	

## 2 Changes of Sales Amount by Equipment (after unification)

(100 million yen)



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

31

## 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.



32

