

# FUNAI ELECTRIC CO., LTD.

## Presentation of Operating Results in FY2007 and Future Strategy

**May 13. 2008**

## Outline of FY2007 Operating Results (Consolidated)

- 1 Unification of Accounting Period among group Companies
- 2 Summary of Operating Results
- 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
- 12 Forecast of Operating Results in FY2008(Ending March 2009)

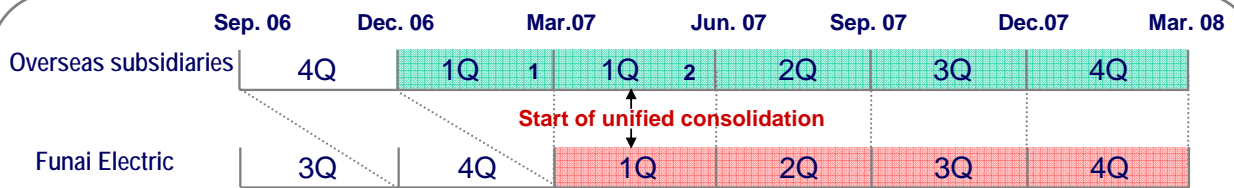
# 1

## 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.



1Q of overseas subsidiaries

1. The operating results of Jan. to March period of 2007(1Q before unification) is not reflected in the consolidated income statement and posted in the consolidated statement changes in shareholders equity etc. in April to June period of 2007.

2. Unified consolidation starts from April to June period of 2007.

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

FY2006 of overseas subsidiaries was from January to December.

For comparison purpose the operating results in FY2006 is revised by using the figures of overseas subsidiaries in April, 2006 to March, 2007.



3

## 2 Summary of Operating Results

(100 million yen)

	FY2006 Results	FY2006 Results (after unification)	FY2007 Results	Changes from Previous FY2006	Changes from Previous FY2006 (after unification)
Net Sales	3,967	3,958	2,771	30.1%	30.0%
Operating Income	207	187	24	—	—
Margin	(5.2%)	(4.7%)	( 0.9%)	+24 ( 1)	
Ordinary Income	265	246	0	—	—
Margin	(6.7%)	(6.2%)	( 0.0%)		
Net Income (Before subsidiary dividend)	36	48	1	—	—
Margin	( 0.9%)	( 1.2%)	(0.1%)	53 ( 2)	
Net Income After Tax	36	48	53	—	—
Margin	( 0.9%)	( 1.2%)	( 1.9%)		
Average USD-JPY Exchange Rate	JPY116. <sup>95</sup>	JPY116. <sup>95</sup>	JPY113. <sup>80</sup>		

( 1) Interest receivables +52, Forex loss 20, Others 8

( 2) Profit on sales of investment securities +56, Tax on dividend receivables from overseas subsidiaries 55,

Reversal of deferred tax assets on overseas subsidiaries 22,

Extraordinary loss from dissolution of a consolidated subsidiary, Funai Electric (Malaysia) SDN BHD in August, 2007 12, Others 20

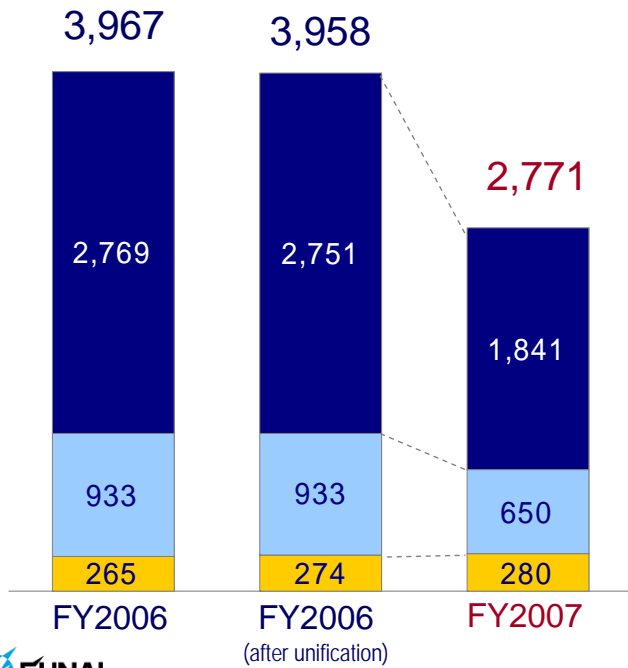


4

### 3 Breakdown of Sales by Equipment



(100 million yen)

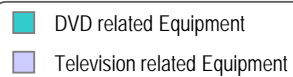


(100 million yen)

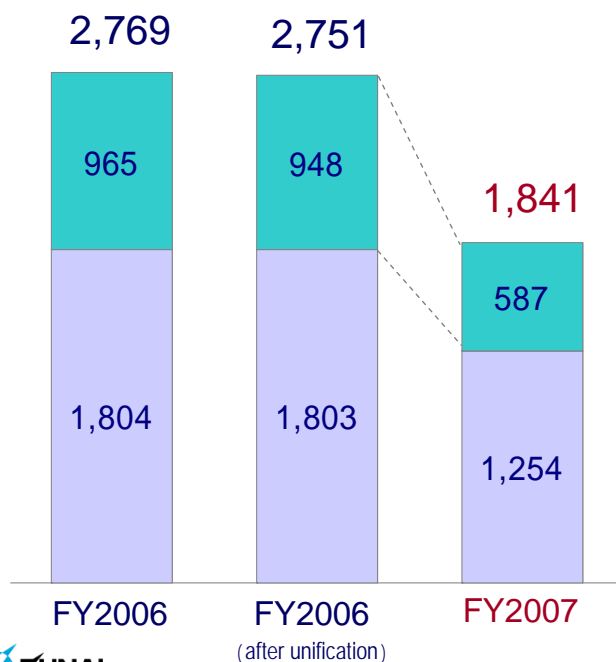
#### Comparison to Previous Year

AV Equipment	:	910	(	33.1%
Information Equipment	:	283	(	30.3%
Others	:	+6	(	+2.2%
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Total	:	1,187	(	30.0%

### 4 Sales of Audio and Visual Equipment



(100 million yen)



(100 million yen)

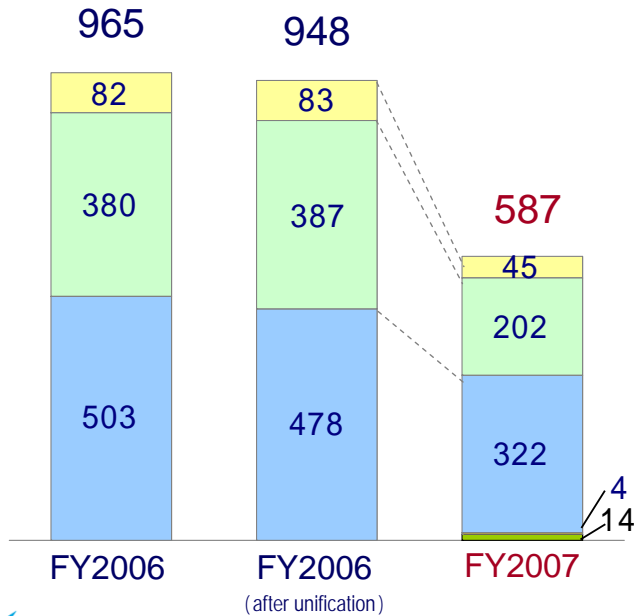
#### Comparison to Previous Year

DVD related Equipment	:	361	(	38.1%
Television related Equipment	:	549	(	30.4%
<hr/>				
Total	:	910	(	33.1%

## 5 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

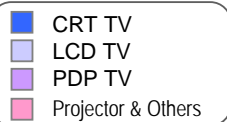
· Further slow down of market growth in the main market of US

(100 million yen)

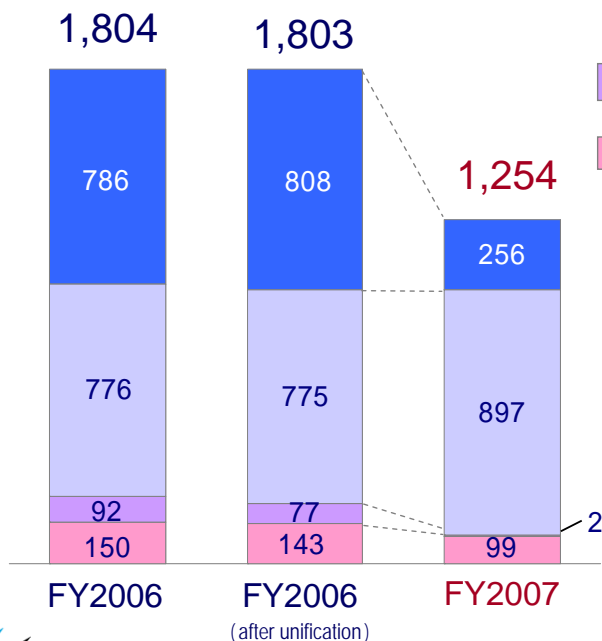
### Comparison to Previous Year

Video	:	38	(	45.8%
DVD Recorder related Equipment	:	185	(	47.8%
DVD Player related Equipment	:	156	(	32.6%
Blu-ray Player	:	+ 4	(	-
Digital STB	:	+ 14	(	-
<b>Total</b>	:	<b>361</b>	(	<b>38.1%</b>

## 6 Sales of Television related Equipment



(100 million yen)



### CRT TV

· Large decline in line with market shrinkage

### LCD TV

· Gained in line with market growth, in particular combination of TV and DVD player contributed

### PDP TV

· Exit from the market

### Projector & Others

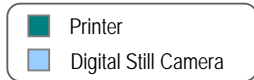
· Slump of sales in an OEM client

(100 million yen)

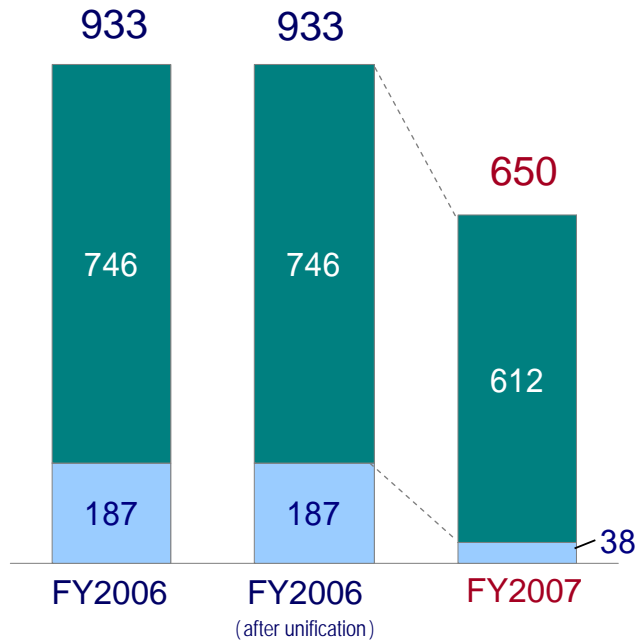
### Comparison to Previous Year

CRT TV	:	552	(	68.3%
LCD TV	:	+ 122	(	+ 15.7%
PDP TV	:	75	(	97.4%
Projector & Others	:	44	(	30.8%
<b>Total</b>	:	<b>549</b>	(	<b>30.4%</b>

## 7 Sales of Information Equipment



(100 million yen)



### Printer

• Decline due to a change of product strategy in an OEM client

### Digital Still Camera

• A large drop due to adoption of main vendor in an OEM client

(100 million yen)

### Comparison to Previous Year

Printer : 134 ( 18.0%)

Digital Still Camera : 149 ( 79.7%)

Total : 283 ( 30.3%)

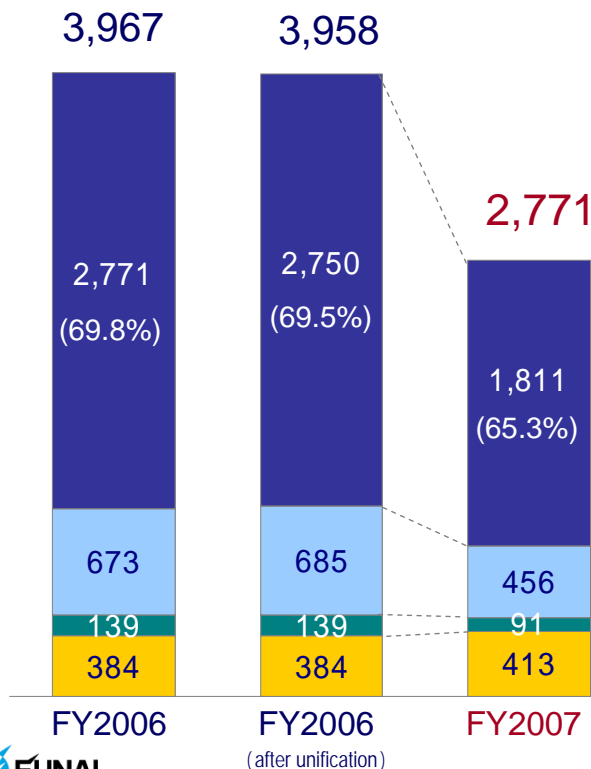


There is no adjustment for accounting period unification due to booking as a the sales of parent company.

9

## 8 Geographic Breakdown of Sales

(100 million yen)



### North America

• Adversely affected by the down sizing market in CRT TV and DVD related equipment

### Europe

• More focused on profitability rather than market share increase

(100 million yen)

### Comparison to Previous Year

North America : 939 ( 34.1%)

Europe : 229 ( 33.4%)

Asia & Others : 48 ( 34.5%)

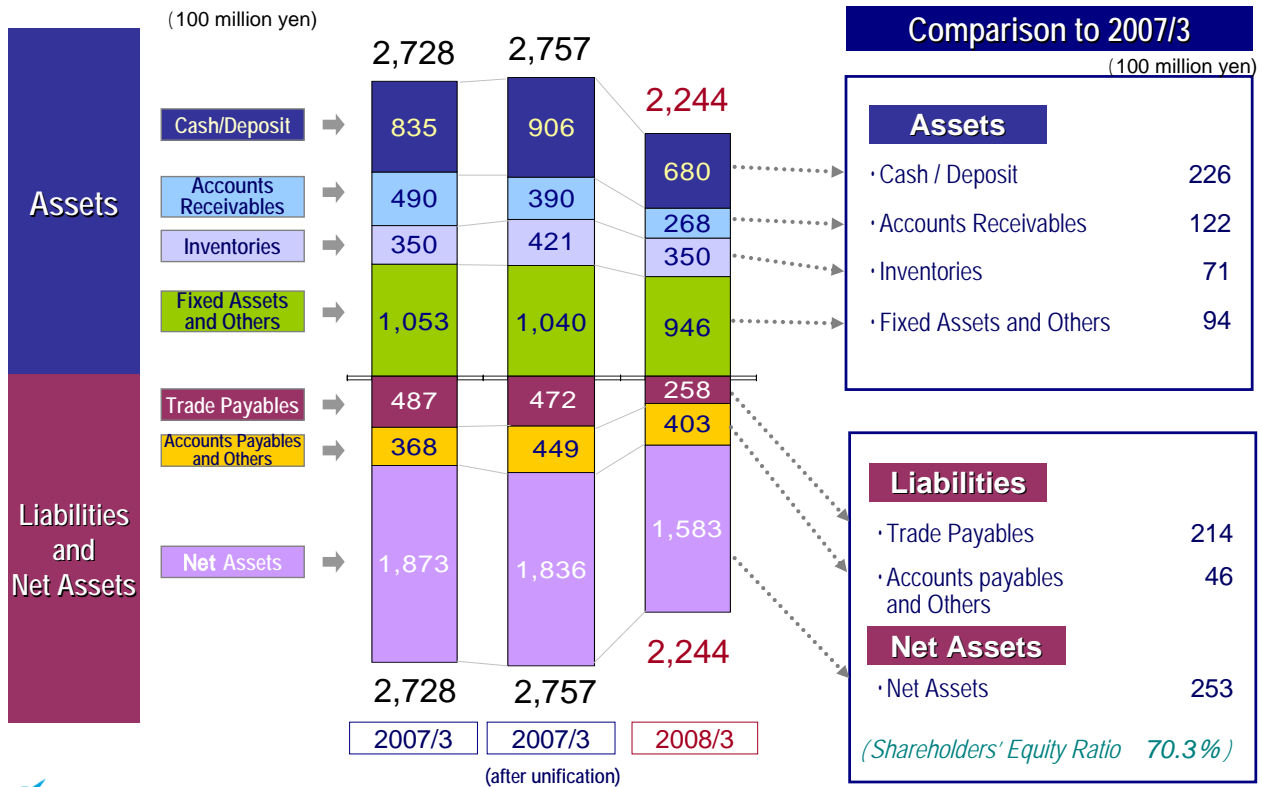
Japan : + 29 ( + 7.6%)

Total : 1,187 ( 30.0%)

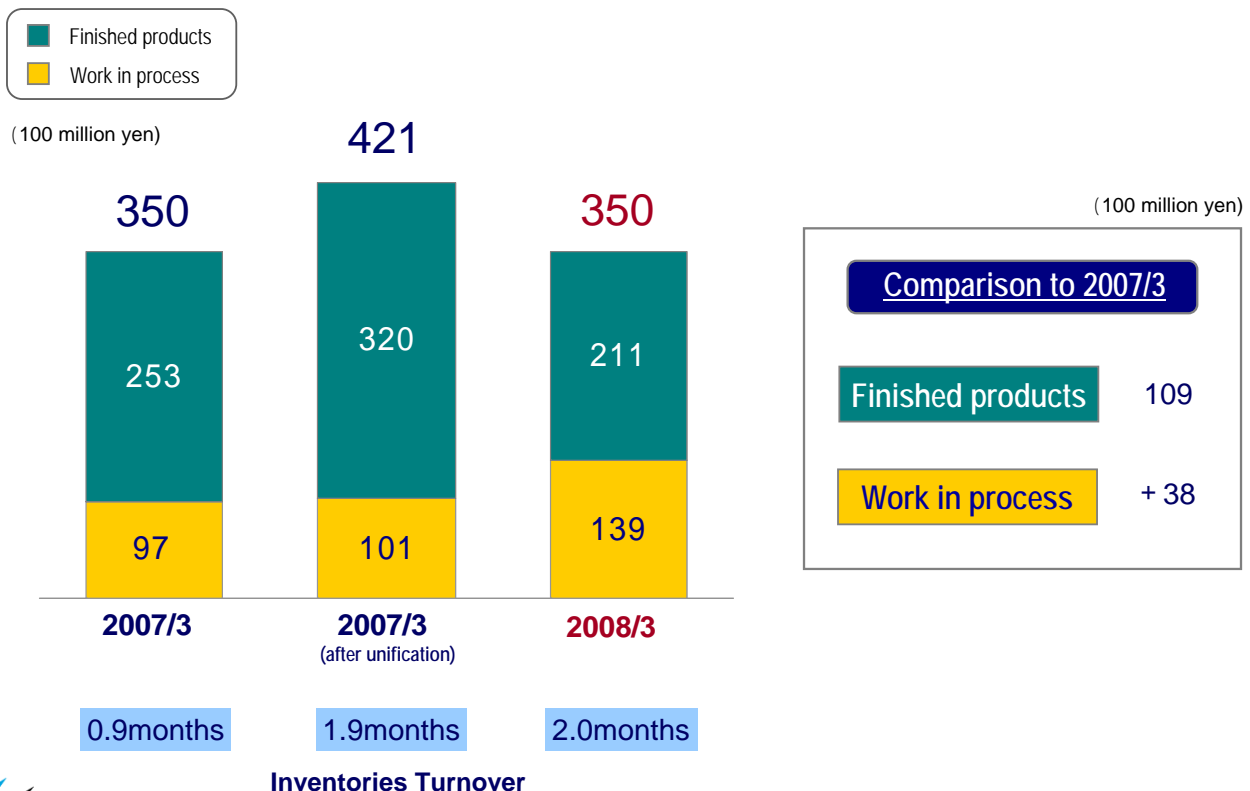


10

# 9 Financial Conditions

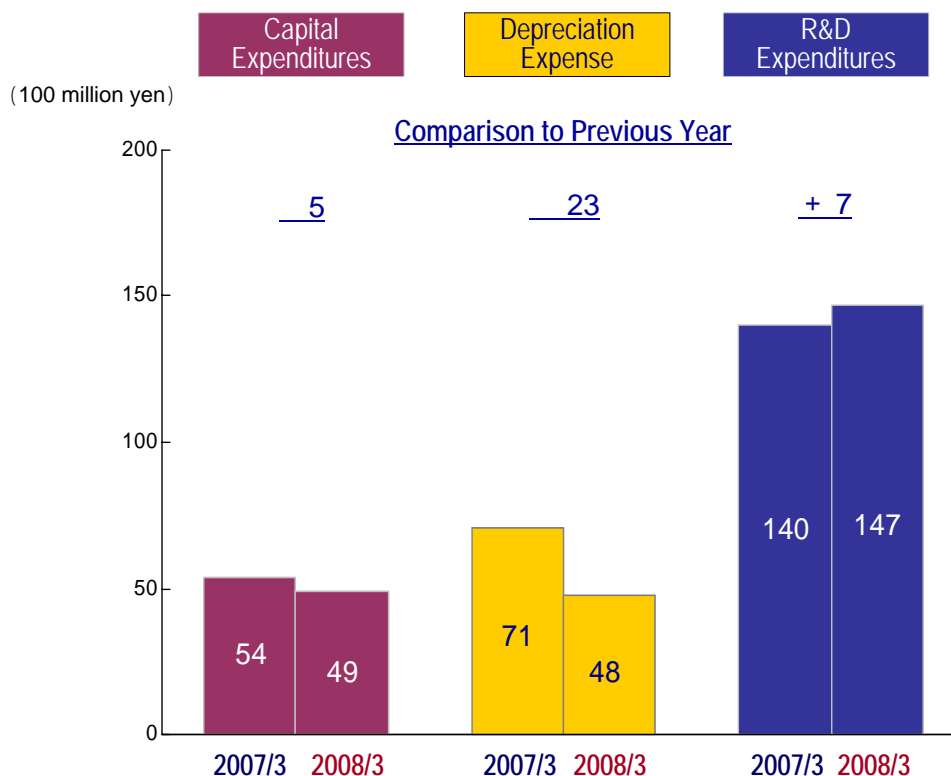


# 10 Changes of Inventories



## 11

## Capital Expenditures, Depreciation Expense and R&amp;D Expenditures



## 12

## Forecast of Operating Results in FY2008 (Ending March 2009)

(100 million yen)

	Results of FY2007			Forecast of FY2008			Changes from Previous Year
	1st Half	2nd Half	Full Year	1st Half	2nd Half	Full Year	
Net Sales	1,563	1,208	2,771	1,440	1,960	3,400	+22.7%
Operating Income	20	44	24	33	27	60	-
Margin	(1.3%)	( 3.6%)	( 0.9%)	(2.3%)	(1.4%)	(1.8%)	
Ordinary Income	50	50	0	43	37	80	-
Margin	(3.2%)	( 4.1%)	( 0.0%)	(3.0%)	(1.9%)	(2.4%)	
Net Income After Tax	42	11	53	33	25	58	-
Margin	( 2.7%)	( 0.9%)	( 1.9%)	(2.3%)	(1.3%)	(1.7%)	
Average USD-JPY Exchange Rate	JPY119. <sup>19</sup>	JPY108. <sup>40</sup>	JPY113. <sup>80</sup>	JPY100. <sup>00</sup>			

## (Reference) Sales Breakdown by Equipment (100 million yen)

	Results of FY2007	Forecast of FY2008	Changes
Audio & Visual	1,841	2,549	+708
Information	650	562	88
Others	280	289	+9
Total	2,771	3,400	+629

## Future Business Strategy

- 1 Management Policy
- 2 Management Policy
- 3 March 2009 Period ; Prospect and Measures
- 4 March 2009 Period ; Prospect and Measures
- 5 Medium-term Target and Policy
- 6 Medium-term Target and Policy
- 7 Medium-term Target and Policy

## 1 Management Policy

### *Above Water !*

Question  
in FY2007

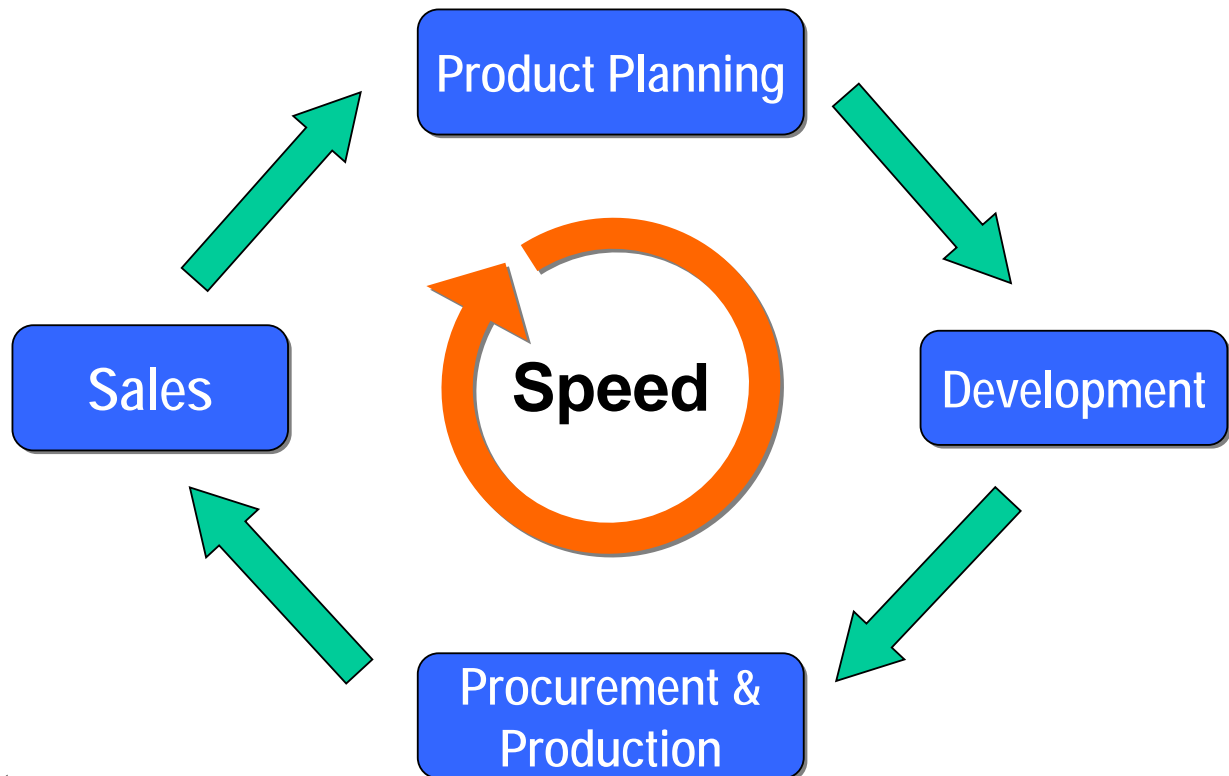
Deficit in TV Business

Policy

More Focus on Development of Salable Products

- Optimal allocation of management resources  
( manpower, asset, capital)
- Keep emphasis on core competence and aware of  
speedy management

## 2 Management Policy



## 3 March 2009 Period ; Prospect and Measures

*A crucial year to gain foothold for next breakthrough*

Create new growth engine and value add

### 1 Start and Expand Alliance

- Exclusive marketing of Philips and Magnavox brand in North America; Enrich LCD TV line-up and reinforce sales forces
- Reinforcement of collaboration with JVC via production sharing and joint development of LCD TV
- Commencement of new OEM in printer

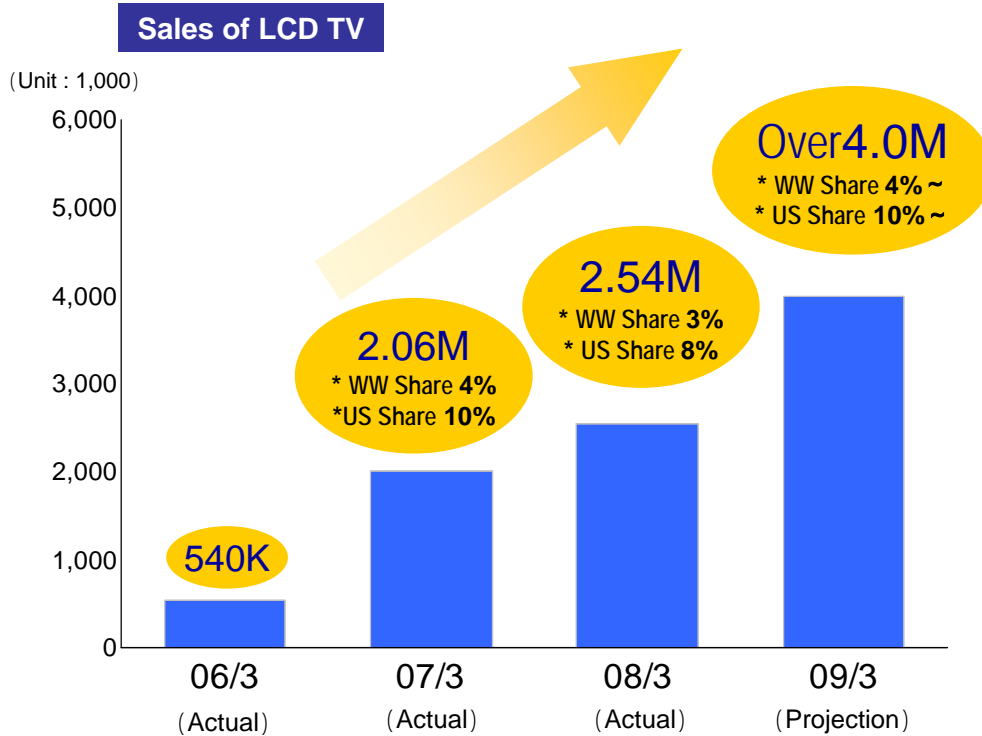
### 2 Emerging of a prospective product and proactive action

- Sales expansion of Blu-ray disc related products

### 3 Foster plan of talented personnel

- To play an active role in global business development
- To support in a high level in advanced technology (in particular, soft-ware)

## 4 March 2009 Period ; Prospect and Measures



## 5 Medium-term Target and Policy

### 1 Target of March 2011

Consolidated Sales : **500billion yen**  
Consolidated Operating Profit : **25billion yen** (Margin **5%**)

### 2 Promotion, Expansion, Cultivation of Alliance

To maximize synergy effect of alliance with Philips or JVC

### 3 Enlargement of Blu-ray disc related products line-up

BD-Player, BD-Recorder, Combination Products with Display

## 6 Medium-term Target and Policy

### 4 Cultivate New Clients and Develop New Business Opportunities

To gain new OEM clients and new sales channel

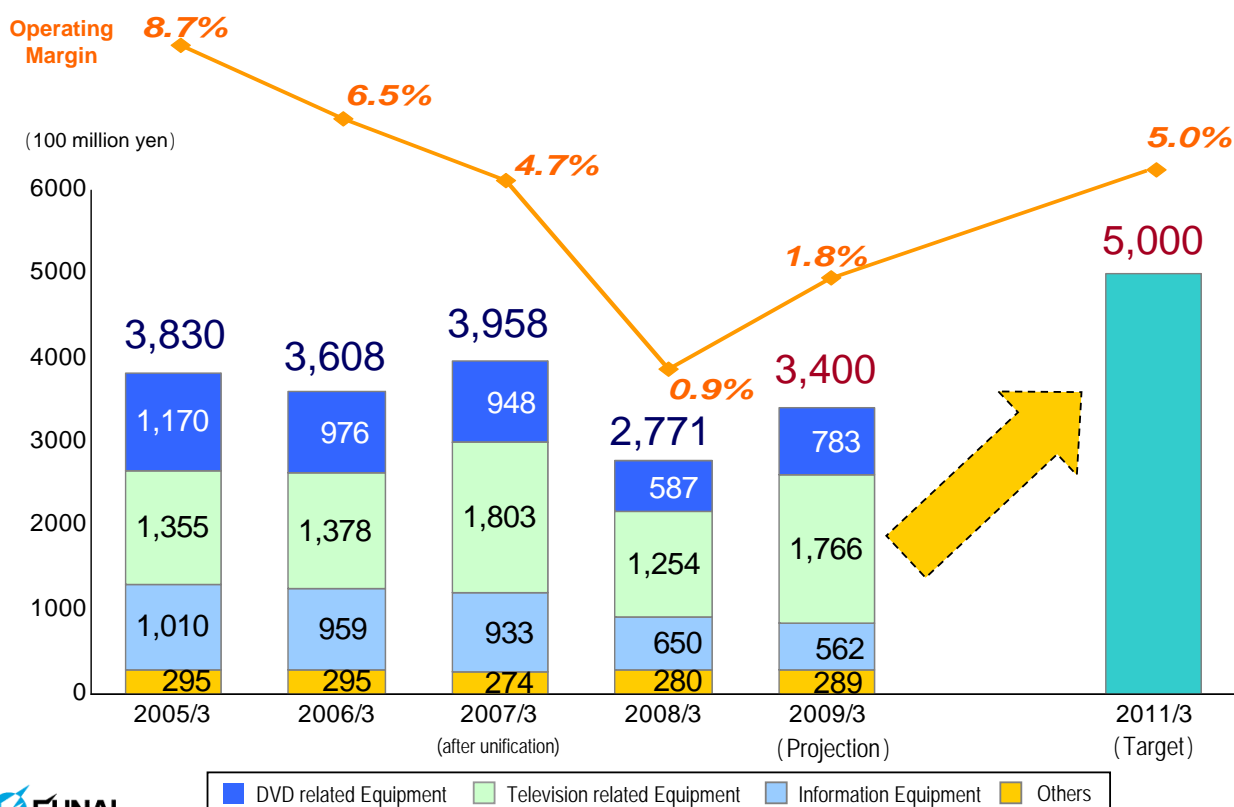
To develop and commercially launch net-work related products

### 5 Review Market and Production Base Diversification

More sales growth in European and BRICs market

To study geographical optimal production base

## 7 Medium-term Target and Policy



## Supplemental Data

- 1 Operating Summary of 4Q(Jan.-Mar.), FY2007
- 2 Changes of Sales Amount by Equipment (after unification)

### 1 Operating Summary of 4Q(Jan.-Mar.), FY2007

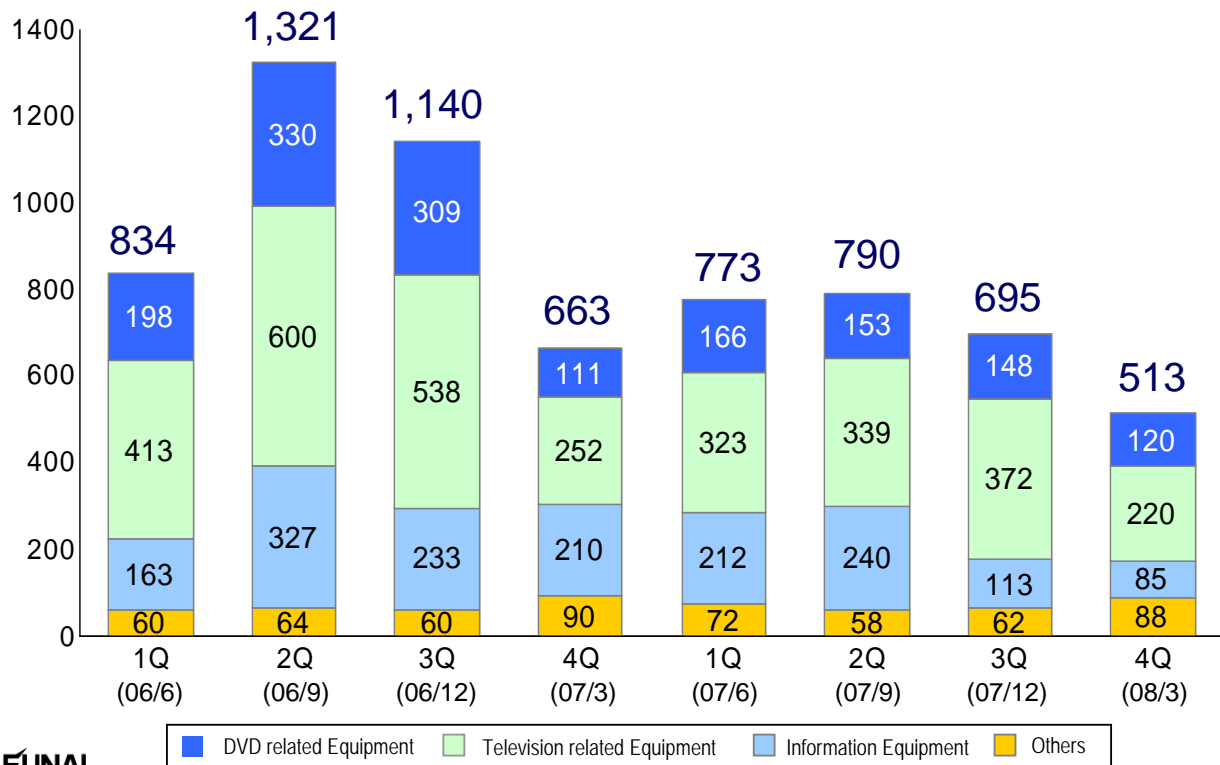
(100 million yen)

	Previous 4Q	Previous 4Q (after unification)	Current 4Q	Changes from Previous 4Q (after unification)
Net Sales	1,137	663	513	22.6%
Operating Income	16	24	36	— %
<b>Margin</b>	(1.5%)	( 3.6%)	( 7.0%)	
Ordinary Income	33	7	58	— %
<b>Margin</b>	(2.9%)	( 1.1%)	( 11.3%)	
Net Income After Tax	195	211	23	— %
<b>Margin</b>	( 17.2%)	( 31.8%)	( 4.5%)	

## 2

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

(100 million yen)



■ DVD related Equipment
 ■ Television related Equipment
 ■ Information Equipment
 ■ Others

25

## 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.



26

