

1st to 3rd Quarter (9months in cumulative) Consolidated Operating Summary for the Period Ending in March 2006

February 2, 2006

(Million yen)

	Current Year 9 months 〔 From April 1, 2005 to December 31, 2005 〕		Previous Year 9 months 〔 From April 1, 2004 to December 31, 2004 〕		Rate of increase or decrease
	Amount	%	Amount	%	
Net Sales	280,099	100.0	288,223	100.0	2.8
Operating Income	22,486	8.0	26,885	9.3	16.4
Ordinary Income	26,727	9.5	28,166	9.8	5.1
Net Income before Taxes and Other Adjustments	28,718	10.3	27,135	9.4	5.8
Net Income After Tax	20,383	7.3	19,835	6.9	2.8
Net Income Per Share(yen)	582.80		554.21		/
Fully Diluted Net Income Per Share(yen)	581.89		551.77		/

Note 1. The Company has 12 consolidated subsidiaries and 2 equity-method affiliated companies.

Note 2. The figures above have not been audited or reviewed by a corporate auditor.



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Listed Company Name: Funai Electric Co., Ltd. (Securities Code: 6839 Tokyo Stock Exchange and Osaka Securities Exchange, First Section)
 (U R L http://www.funai.jp/)

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1. Items Pertaining to the Preparation of the Quarterly Financial Report

Adoption of simple method for accounting treatment : No

Changes from accounting method used in most recent consolidated fiscal year : No

Change in scope of consolidation and equity method (Details) : Yes

Consolidated (New): 0, (Excluded) 1
 Equity method: (New): 0, (Excluded) 0

2. Summary of 1st to 3rd Quarter Results for the Ending March 2006 Period (April 1, 2005-December 31, 2005)

(1) Operating Results (Consolidated)

(Figures are rounded down to the nearest million yen)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1 st /3 rd Quarter FY 2005	280,099	-2.8	22,486	-16.4	26,727	-5.1	20,383	2.8
1 st /3 rd Quarter FY 2004	288,223	16.6	26,885	-5.2	28,166	6.9	19,835	7.4
(Reference) Full-year Results for FY 2004	383,034	12.0	33,348	-8.7	36,616	5.6	25,722	-2.1

	Earnings Per Share	Fully Diluted Earnings Per Share
	Yen	Yen
1 st /3 rd Quarter FY 2005	582.80	581.89
1 st /3 rd Quarter FY 2004	554.21	551.77
(Reference) Full-year Results for FY 2004	719.61	716.95

Note: The percentage figures for net sales, operating income, etc. are a comparison against results from the same period of the previous consolidated fiscal year.

[Qualitative Information Pertaining to Consolidated Operating Results]

The global economy expanded in the 1st to 3rd quarter (April 1, 2005 – December 31, 2005) due to bullish personal consumption and capital investment in the United States. The Asian market continued to expand as well, particularly in China.

In Japan, the economy has slowly recovered due to increases in capital investment accompanied by improved corporate earnings and an increase in personal consumption.

Demand for digital-related products, primarily LCD televisions and plasma televisions, in the electronics industry expanded. However, the business environment remained difficult due to the drop in prices of manufactured goods accompanying more intensive competition caused by the emergence of Chinese and other Asian manufacturers and entrants from outside the digital home appliance industry, such as IT firms. This was in addition to a rise in the price of raw materials caused by a steep increase in the price of crude oil.

Under these conditions, 1st to 3rd quarter consolidated net sales for the Funai group fell by 2.8% from the same period last year to 280,099 million yen.

On a by-product basis, a shrinking of the analog video market led to falling sales of VCRs and VCR-TV units in the audiovisual equipment category. Although sales of LCD televisions grew as expected, net sales of digital-related products fell by 6.4% compared to the previous year, to 175,465 million yen, due to a rapid drop in the prices of DVD-related products and the effects of diminishing demand for DVD recorders in the North American market.

In the information equipment category, sales of printers fell slightly due to the effects of increased competition. However, sales of digital still cameras have grown as expected since Funai's entry into that market last year. Net sales of digital still cameras grew by 5.4% compared to the previous year, to 83,101 million yen.

Net sales of receivers and other related electronic devices fell by 1.4% compared to previous year, to 21,531 million yen.

Operating income fell by 16.4% from the previous year, to 22,486 million yen, and ordinary income fell by 5.1%, to 26,727 million yen. However, net income for 1st to 3rd quarter rose by 2.8% compared to the previous year, to 20,383 million yen, due to the appropriation of gains from the return of pension assets to the government.

(2) Shifts in Consolidated Financial Position

	T o t a l A s s e t s	S h a r e h o l d e r s ' E q u i t y	Shareholders' Equity Ratio	Shareholders' Equity Per Share
	Million yen	Million yen	%	Yen
As of December 31, 2005	291,800	194,501	66.7	5,656.21
As of December 31, 2004	283,588	171,729	60.6	4,857.76
(Reference) Full-year Results for FY2004	255,326	174,043	68.2	4,919.43

Consolidated Cash Flows

	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Cash and Cash Equivalents at End of Period
	Million yen	Million yen	Million yen	Million yen
1 st /3 rd Quarter FY 2005	16,197	676	3,734	94,127
1 st /3 rd Quarter FY 2004	16,277	11,200	3,522	125,587
(Reference) Full-year Results for FY2004	22,018	32,508	419	101,156

[Qualitative Information Pertaining to Shifts in Consolidated Financial Position]

The financial position of Funai Electric Co., Ltd. at the end of the third quarter is discussed below.

Total assets increased by 36,474 million yen compared to the end of the previous consolidated fiscal year. The primary factors for this rise were increases of 18,679 million yen in inventories and 19,184 million yen in long-term provisional taxes.

Liabilities increased by 15,938 million yen compared to the end of the previous consolidated fiscal year. The primary factor for this rise was an increase of 18,920 million yen in short-term borrowings.

Shareholders' equity increased by 20,457 million yen compared to the end of the previous consolidated fiscal year.

Funai Electric Co., Ltd. received a rectification notice from the Osaka Regional Taxation Bureau on June 28, 2005. The Bureau determined that Funai Electric Co., Ltd.'s Hong Kong (consolidated) subsidiary does not meet the requirements for exclusion under the anti-tax haven system and the Hong Kong subsidiary's income for the three fiscal years from March 2002 through March, 2004 will be considered, and taxed as, Funai Electric Co., Ltd.'s income. The additional tax of 16.6 billion yen (19.1 billion yen when including incidental taxes) includes corporate, enterprise and residence taxes. However, Funai Electric Co., Ltd. believes that the tax penalties are improper, resulting from a misunderstanding of the facts by the Taxation Bureau and filed an appeal with the Taxation Bureau on August 24, 2005. Funai Electric Co., Ltd. also believes that its tax handling will be clearly identified as proper during the hearings, and these additional taxes have been appropriated on the Balance Sheet under "Investments and Other Assets".

For reference purposes, the effect from taxation of Funai Electric Co., Ltd.'s Hong Kong subsidiary's income for the period ended March, 2005, the consolidated fiscal year following the year subject to investigation, is estimated at approximately 4.2 billion yen, including corporate, enterprise and residence taxes. For the reason described above, these taxation effects have not been accounted for at the present time.

[Reference]

1 . Consolidated Financial Forecast for the Period Ending March 2006 (April 1, 2005 - March 31, 2006)

	Net Sales	Ordinary Income	Net Income
	Million yen	Million yen	Million yen
Full-Year	364,000	27,400	21,300

(Reference) Forecasted net income per share (full-year): 619.42 yen

2 . Non-consolidated Financial Forecast for the Period Ending March 2006 (April 1, 2005 – March 31, 2006)

	Net Sales	Ordinary Income	Net Income	Annual Dividends Per Share	
				Period-End	
	Million yen	Million yen	Million yen	Yen	Yen
Full-Year	309,000	16,200	10,300	50.00	50.00

(Reference) Forecasted net income per share (full-year): 299.53 yen

(Note) The forecasted net income per share is calculated according to the number of shares issued (after deducting the number of shares of treasury stock) at the end of the third quarter under review.

[Qualitative Information Pertaining to Financial Forecasts]

Results of Operating forecasts for the Funai group anticipate favorable transition among LCD televisions and digital still cameras. However, in addition to a shrinking market for analog products, stagnated demand for DVD recorders in the North American market is expected to continue, and even the environment for printers is anticipated to be severe as competition grows fierce.

Consolidated and individual financial forecasts for the full year have been revised as above as a result of comprehensive investigations of these factors. For details, please refer to the “Announcement Regarding Revised Full Year Results Forecasts”, also published on February 2, 2006.

However, taxes resulting from the application of the anti-tax haven system on Funai Electric Co. Ltd’s Hong Kong subsidiary have not been included in the outlook for the full year. For reference purposes, please see page 3 for more information regarding these taxes.

NOTE: The aforementioned estimates are forward-looking statements about the future performance of Funai Electric Co., Ltd. and are based on management’s assumptions and beliefs in light of information currently available, and involve known and unknown risks and uncertainties. Various factors such as a change in economic conditions overseas (especially changes in the main US market) and severe price fluctuations may cause actual events and results to differ materially from those anticipated in these statements.