

# FY 2010 SECOND QUARTER IN CUMULATIVE FINANCIAL REPORT

〔 From April 1, 2010  
To September 30, 2010 〕



FUNAI ELECTRIC CO., LTD.

**Second Quarter (April-September) Consolidated Financial Summary**  
**for the Period Ending March 2011**

	Previous Year Second Quarter 〔 From April 1, 2009 To September 30, 2009 〕		Current Year Second Quarter 〔 From April 1, 2010 To September 30, 2010 〕		% increase or decrease from the same period of the previous consolidated fiscal year
	Amount	Percent	Amount	Percent	
	Million yen	%	Million yen	%	%
Net Sales	167,095	100.0	154,084	100.0	7.8
Operating Income	10,068	6.0	4,586	3.0	54.4
Ordinary Income	9,588	5.7	4,776	3.1	50.2
Net Income before Taxes and Other Adjustments	9,560	5.7	4,658	3.0	51.3
Net Income after Tax	7,309	4.4	3,885	2.5	46.8
Net Income per Share	214.41		113.97		

Notes:

Includes 13 consolidated subsidiaries and 1 non-consolidated subsidiary accounted for by the equity method.

## Financial Report for the 6-Month Period ended September 30, 2010

November 8, 2010

Listed company name: Funai Electric Co., Ltd.

Securities Code: 6839 Tokyo Stock Exchange  
and Osaka Securities Exchange, First Sections(URL <http://www.funai.jp/>)

Representative: President and CEO

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Scheduled date of Securities Report to be filed to the Kinki Finance Bureau; November 12, 2010

Scheduled date of Commencement of Annual Dividend Payment –

Quarterly Financial Results Supplementation : Yes

Quarterly Financial Results Seminar : Yes

1. Second Quarter Consolidated Results for the Period Ending March 2011 (April 1, 2010 – September 30, 2010)(1) Consolidated Operating Results

(% denotes year on year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
2 <sup>nd</sup> Quarter FY2010	154,084	7.8	4,586	54.4	4,776	50.2	3,885	46.8
2 <sup>nd</sup> Quarter FY2009	167,095	15.5	10,068	133.0	9,588	60.0	7,309	-

	Net Income Per Share	Net Income Per Share on a Fully Diluted Basis
	Yen	Yen
2 <sup>nd</sup> Quarter FY2010	113.97	113.32
2 <sup>nd</sup> Quarter FY2009	214.41	212.96

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets Per Share
	Million yen	Million yen	%	Yen
2 <sup>nd</sup> Quarter FY2010	213,473	136,608	63.6	3,978.83
Fiscal Year End 2009	204,057	142,779	69.6	4,164.86

(Reference) Shareholders' Equity

2<sup>nd</sup> Quarter FY2010 ended September 30, 2010 135,682 million yen

Fiscal Year 2009 ended March 31, 2010 141,991 million yen

2. Dividends

Corresponding Period	Annual Dividend per Share				
	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	Year end	Annual
	yen	yen	yen	yen	yen
Fiscal Year 2009	-	0.00	-	40.00	40.00
Fiscal Year 2010	-	0.00			
Fiscal Year 2010 (Projection)			-	40.00	40.00

(Note) Revision of Annual Dividends Forecast in this 2<sup>nd</sup> Quarter : No3. Forecast of Consolidated Results for the Full Year (April 1, 2010 - March 31, 2011)

(% denotes year on year)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income Per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full Year	320,000	1.6	9,000	19.3	9,200	21.3	7,100	31.3	208.21

Note:

Revision of Forecast of Consolidated Results for the Six month period or the Full Year in this 2<sup>nd</sup> Quarter : No.

#### 4. Other Information

(1) Changes in Consolidated Subsidiaries (Changes in Scope of Consolidation): No

Note: Refers to movements of specified subsidiaries that have resulted from any changes to the range of consolidated entities during the current quarterly accounting period.

(2) Application of simplified accounting procedure and use of unique accounting procedure for preparation of financial statements covering consolidated accounting in this 2<sup>nd</sup> quarter : Yes

Note: Please refer to “Qualitative Information and Financial Statements”.

(3) Changes in Accounting Practices, Procedures and Presentation Methods for Consolidated Financial Results

(1) Changes arising from revision of accounting standards: Yes

(2) Changes arising from other factors: Yes

Note: Refers to changes to general rules and procedures as well as denotation methods for accounting treatment in relation to the development of current quarter consolidated financial statements as referenced in the section entitled, “Changes to Important Items that Form the Basis of the Development of the Quarterly Consolidated Financial Statements”.

(4) Number of Shares Outstanding (Ordinary Shares)

(1) Number of shares outstanding (including treasury stock) as of September 30, 2010; 36,112,596 shares  
as of March 31, 2010; 36,104,196 shares

(2) Number of shares of treasury stock as of September 30, 2010; 2,011,607 shares  
as of March 31, 2010; 2,011,531 shares

(3) The Average number in the quarter of outstanding shares on September 30, 2010; 34,093,790 shares  
on September 30, 2009; 34,092,798 shares

#### The Recording of Implementation Conditions Regarding Quarterly Review Procedures

This quarterly financial summary does not fall within the scope of the Quarterly Review Procedures referenced in the Financial Instruments and Exchange Act. At the time of disclosure of the quarterly financial summary, the Group was in the process of implementing the quarterly review procedures for its quarterly financial statements.

#### 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.

## 1. Qualitative Information Regarding Quarterly Financial Results

### (1) Qualitative Information Relating to Consolidated Business Performance

During the second quarter of the consolidated fiscal year, the U.S. market, which is one of Funai Electric's key markets, continued to remain flat. In particular, employment figures in the private sector remained weak as long-term unemployment increased. Further, the ending of tax cuts relating to residential house purchases in April of this year has contributed to the fall of the market and has been a barrier to economic recovery. Amid this environment, consumers have become even more cautious when it comes to spending, and are shunning purchases of non-essential goods. At the same time, unit prices for household electronic goods remain on a downward path.

In the household electric appliances industry, demand for LCD televisions (one of Funai Electric's main product lines) continued to increase on a global scale as LED-backlight equipped LCD televisions gained popularity, growth was seen in emerging markets, government-backed measures to boost spending in Japan and China took hold, and FIFA Football World Cup in South Africa drove demand in the European markets. On a negative note, however, demand during the Labor Day holidays in China was not as high as anticipated, and conditions in the North America market remained tough as demand fell on a year-over-year basis.

As a result of the above factors, the Group posted net sales of JPY154,084 million (a fall of 7.8% from the same period last year) for the second quarter of the consolidated fiscal year.

On the profit side, the Group posted operating income of JPY4,586 million (a fall of 54.4% from the same period last year), ordinary income of JPY4,776 million (a fall of 50.2% from the same period last year), and a quarterly net income of JPY3,885 million (a fall of 46.8% from the same period last year).

Segment conditions by location were as follows:

#### i) Japan

In addition to the growth in sales of LCD televisions as a result of the positive effect of the "Eco-Point" program, sales of antennas and related devices increased as a result of the transition to digital terrestrial broadcasting. Moreover, robust sales of Blu-Ray disc recorders introduced by the Group in the third-quarter of the previous fiscal year, and the growth in sales of information equipment such as printers contributed to the Group posting first quarter net sales of JPY76,203 million (a 45.4% increase from the same period last year) and first quarter operating income of JPY5,315 million (a fall of 3.2% from the same period last year) for the Japan market.

#### ii) North America

No sales relating to TV set-top boxes<sup>1</sup> (STBs) targeted for the U.S. market was generated during the quarter as production for such devices were halted in June of last year. In addition to this, sales of DVD-related devices fell as compared to same period last year as demand for DVD players and Blu-Ray Disc players remained weak. Also, the decline in consumer demand for LCD televisions (the Group's core product in the market), and the resultant fall in the unit price for such products resulted in the Group posting first quarter net sales of JPY74,060 (a fall of 33.5% from the same period last year) and a first-quarter operating loss of JPY1,253 (as compared to a JPY4,371 million operating profit in the same period last year) in the North American market.

<sup>1</sup> This product converted digital signals to analog signals, allowing users to view digital terrestrial broadcasts on an existing analog television. In the United States, analog terrestrial broadcasting ended in June 2009.

#### iii) Asia

As a result of components and other sales, the Group posted first quarter net sales of JPY411 million (a 115.1% increase from the same period last year) and first-quarter operating income of JPY2,489 million (a fall of 41.3% from the same period last year) in the Asia (excluding Japan) market.

#### iv) Europe

Although there was a decline in DVD-related products, growth was achieved in the field of LCD televisions. As a result, the Group posted first quarter net sales of JPY3,409 (a 9.0% increase from the same period last year) and a first quarter operating loss of JPY504 million (as compared to a JPY906 million operating loss in the same period last year) in the European market.

Sales by Product Segment were as follows:

#### i) Audio-Visual Equipment

In the audio-visual equipment segment, the Group was able to increase the volume of LCD televisions unit sold but due to intense price competition in the market, sales fell. In the field of DVD related products, despite the top-line contribution of Blu-Ray disc recorders that were launched onto the market during the third quarter of the previous fiscal year, sales fell significantly from the same period last year. This was mainly because of the lack of sales generated by TV STBs in the US market after the Group's decisions to halt production for such devices in June of last year and the marked decline in sales of DVD players and Blu-Ray disc players.

Consequently, first quarter net sales for this product segment fell to JPY100,274 million (a fall of 21.8% from the same period last year).

ii) Information Equipment

In the information equipment sector, an increase in orders for printers and other factors resulted in the Group posting first quarter net sales of JPY36,044 million (a 35.9% increase from the same period last year).

iii) Others Products

Sales of other products that are not included in the above categories increased as strong demand for antennas and related devices as a result of the transition to digital terrestrial broadcasting took hold. Consequently, the Group posted sales of JPY17,765 million (a 44.0% increase from the same period last year) in this product segment.

Note: As of the first quarter of the consolidated fiscal year, sales of antennas that were previously categorized under the "Audio-Visual Equipment" segment has been transferred to the "Other Products" segment. Further, prior year sales figures for "Audio-Visual Equipment" include the sale of antennas. For reference purposes, sales of antennas during the second quarter of the previous fiscal year totaled JPY2,372 million.

(2) Qualitative Information Relating to Consolidated Financial Position

The financial condition of the Group at the end of the second quarter of consolidated fiscal year is as follows: Total assets increased by JPY9,415 million as compared to the end of the previous consolidated fiscal year. This was mainly due to an increase of JPY21,556 million and JPY6,491 million for Goods and Products and Raw Materials and Inventories, respectively, and a decrease of JPY21,445 million in cash and cash equivalents. Total liabilities increased by JPY15,587 million as compared to the end of the previous consolidated fiscal year. This was mainly due to the JPY17,711 million increase in notes and accounts payables. Net assets fell by JPY6,171 million as compared to the end of the previous consolidated fiscal year. This was mainly due to the JPY8,791 million decrease in the foreign currency translation adjustment account.

(3) Qualitative Information Relating to Consolidated Performance Forecasts:

Please refer to the "Funai Reports Revised Forecast of Consolidated Operating Results" published on November 2, 2010 for information regarding earnings forecasts.

Note: Our performance forecasts include figures based on decisions according to the information available at the time and include items that are subject to risks and uncertainties. Actual performance may vary from these forecasts due to rapid changes in economic conditions in the United States, our primary market, and other regions overseas, as well as rapid fluctuations in product prices.

## 2. Other Information

(1) Summary of Changes to Major Subsidiaries

None to report with the exception of the fact that FUNAI ELECTRIC (POLSKA) Sp. z o.o., a consolidated subsidiary, changed its name to FUNAI ELECTRIC EUROPE Sp. z o.o. as of July 1, 2010.

(2) Application of simplified accounting procedure and use of unique accounting procedure for preparation of financial statements covering consolidated accounting for fiscal quarter

1. Simplified accounting procedure

The amount of allowance for depreciation and amortization is calculated by distributing the applicable amount for the consolidated fiscal year over fiscal terms. This is because our company, as well as our consolidated domestic subsidiaries, adopt the diminishing balance or fixed percentage depreciation method (except for buildings acquired on or after April 1, 1998 that do not include incidental facilities, which are calculated using the fixed amount or straight line depreciation method).

2. Unique accounting procedure for preparation of consolidated financial statements for fiscal quarter

Expenses relating to taxes are calculated by applying the estimated effective tax rates on the before-tax net profit for the fiscal quarter, through a practical estimation of the effective tax rates that will take effect after the application of the tax effect accounting for before-tax net profits of the consolidated fiscal year, including this second fiscal quarter.

The corporate tax adjustment is included in the indicated corporate taxes.

(3) Summary of Changes to General Rules and Procedures as well as Denotation Methods for Accounting Treatment Changes Relating to Items Concerning Accounting Procedure Standards

1. Adoption of the "Accounting Standard for Equity Method Accounting of Investments" and the "Practical Solution for the Unification of Accounting Policies Applied to Associated Companies Accounted for Using the Equity Method"

As of the current first quarter consolidated financial statements, the Group has adopted the Accounting Standard for Equity Method Accounting of Investments (Statement No. 16 of the Accounting Standard Board of Japan dated March 10, 2008) and the Practical Solution for the Unification of Accounting Policies Applied to Associated Companies Accounted for Using the Equity Method (Practical Issues Task Force No. 24 of the Accounting Standard Board of Japan dated March 10, 2008). There is no impact to ordinary income or net income before taxes and other adjustments for the current quarter as a result of this change.

2. Adoption of Accounting Standards for Asset Retirement Obligations

As of the current first quarter consolidated financial statements, the Group has adopted the Accounting Standard for Asset Retirement Obligations (Statement No. 18 of the Accounting Standard Board of Japan dated March 31, 2008) and the Implementation Guidance on the Accounting Standard for Asset Retirement Obligations (Implementation Guidance No. 21 of the Accounting Standard Board of Japan dated March 31, 2008). There is no impact to operating income, ordinary income, or net income before taxes and other adjustments for the current quarter as a result of this change.

3. Change in the Rate Applied for Currency Exchange Conversions

In the past, the Group applied TTS<sup>\*1</sup> or TTB<sup>\*2</sup> rates when carrying out foreign currency exchange conversions. However, as of the second quarter of the consolidated fiscal year, the Group has decided to use TTM<sup>\*3</sup> rates instead. This change to utilize TTM rates across all exchange conversions was made in order to ensure clarity in every income category.

Due to this change, net sales, operating income and ordinary income figures for the second quarter year-to-date consolidated period has increased by JPY319 million, JPY418 million and JPY319 million, respectively, as compared to the results if the rates utilized in the past were applied for exchange conversions. Further, the second quarter consolidated net income before taxes and other adjustments increased by JPY319 million as compared to the results if the rates utilized in the past were applied for exchange conversions.

Please note that the new rates were not applied for the first quarter year-to-date consolidated period as the Group's systems were not updated until the second quarter. For reference, if the new rates were utilized during the first quarter, net sales, operating income, ordinary income and first quarter net income before taxes and other adjustments would increase by JPY301 million, JPY382 million, JPY362 million and JPY362 million, respectively.

The impact of this change at the segment level is noted in their respective sections.

\*1 TTS : telegraphic transfer selling rate

\*2 TTB : telegraphic transfer buying rate

\*3 TTM : telegraphic transfer middle rate

(4) Other

Corrective action implemented based on the application of the Anti-Tax Haven Law

1. On June 28, 2005 we received a notice from the Osaka Regional Taxation Bureau regarding the implementation of corrective action. This notice indicated a decision regarding our subsidiary in Hong Kong, suggesting that it did not satisfy the conditions for exclusion from application of the Anti-Tax Haven Law. The notification furthermore indicated that the Osaka Regional Taxation Bureau decided to incorporate the income generated by our subsidiary in Hong Kong into the income of our company for the duration of three years, from April 1, 2001, to March 31, 2004, for taxation purposes. We applied for an assessment by the Administrative Review Office of the Osaka Regional Taxation Bureau on July 25, 2006, and filed an appeal to have the action cancelled with the Osaka District Court on November 16, 2006, as we object to this corrective action.

Thereafter, on July 3, 2008, we received a written verdict on this case from the Administrative Review Office of the Osaka Regional Taxation Bureau, which indicated that our assertion had been dismissed. This arbitration is truly unfortunate and unacceptable. Currently, we are making every effort to assert the validity of our position to the court.

The additional tax amounts to JPY16,651 million (JPY19,184 million including incidental taxes), including corporate, residential, and business taxes. We processed these amounts in the fiscal term ending March 2007 as "retroactive corporate taxes," since the accounting procedures relating to additional tax amounts have been clarified through the amendment of the "Handling of Audits Relating to Accounting Procedures and Disclosures for Taxes" (Report No. 63 of the Auditing and Guaranteeing Work Committee of the Japanese Institute of Certified Public Accountants) on March 8, 2007.

2. On June 16, 2008 we received a notice from the Osaka Regional Taxation Bureau indicating their decision to incorporate the income generated by our subsidiary in Hong Kong into the income of our company for the duration of three years, from April 1, 2004, to March 31, 2007, for taxation purposes. In response, we applied for an assessment by the Administrative Review Office of the Osaka Regional Taxation Bureau on August 6, 2008 and filed an appeal to have the action cancelled with the Osaka District Court on November 14, 2008.

Thereafter, on July 23, 2009, we received a written verdict on this case from the Administrative Review Office of the Osaka Regional Taxation Bureau, which indicated that our assertion had been dismissed. The Company deems this decision to be truly unfortunate and unacceptable, and we intend to continue asserting the validity of our position to the court in the future. At present, the Osaka District Court is reviewing the action in conjunction with the previous action (dated June 28, 2005).

A provisional estimate for the additional tax, including corporate, residential, and business taxes, amounts to JPY15,038 million (JPY16,838 million including incidental taxes). This amount has been processed as expenses under the category of “retroactive corporate taxes” in this first fiscal quarter of the consolidated fiscal term.

Since decisions regarding the tax system under action will be made according to the condition of the applicable overseas subsidiaries at the time such subsidiaries’ fiscal years are completed, we can only offer reference figures at this time. As such, in regard to the consolidated fiscal years following the year of the investigation (i.e., the fiscal years ending March 2008 and those thereafter), a calculation to assess the impact of the applicable tax system on the income of the Hong Kong subsidiary was carried out. The calculated impact at the parent company level after deducting the dividend income received from the Hong Kong subsidiary for the fiscal years ended March 2008 and 2009 was estimated to be JPY3,000 million including corporate, residential, and business taxes. Due to the aforementioned reason, however, the accounting procedure for the figure relating to this effect has not yet been conducted.



### **3. Consolidated Financial Statements**

#### **(1).Consolidated quarterly balance sheets**

(Mil. Yen)

	2nd Quarter FY2010 (As of September 30, 2010)	Fiscal year 2009 (As of March 31, 2010)
<b>ASSETS;</b>		
Current Assets		
Cash and deposits	64,599	86,045
Notes and accounts receivable-trade	35,751	35,154
Merchandise and finished goods	42,406	20,850
Work in process	2,387	1,510
Raw materials and supplies	22,548	16,057
Others	9,329	7,717
Allowance for doubtful accounts	151	179
Total current assets	176,871	167,155
Noncurrent assets		
Property, plant and equipment	17,411	15,654
Intangible assets	4,151	4,874
Investments and other assets		
Others	15,340	17,148
Allowance for doubtful accounts	301	775
Total investments and other assets	15,038	16,373
Total noncurrent assets	36,601	36,902
<b>TOTAL ASSETS</b>	<b>213,473</b>	<b>204,057</b>
<b>LIABILITIES;</b>		
Current Liabilities		
Notes and accounts Payable-trade	49,017	31,305
Short-term loans payable	4,435	6,338
Income taxes payable	1,574	1,799
Provision	1,749	2,306
Others	15,580	14,457
Total current liabilities	72,356	56,208
Noncurrent liabilities		
Long-term loans receivable	300	566
Provision	2,390	2,428
Others	1,817	2,073
Total noncurrent liabilities	4,508	5,069
<b>TOTAL LIABILITIES</b>	<b>76,865</b>	<b>61,277</b>

(Mil. Yen)

	2nd Quarter FY2010 (As of September 30, 2010)	Fiscal year 2009 (As of March 31, 2010)
<b>NET ASSETS;</b>		
Shareholders' equity		
Capital stock	31,288	31,280
Capital surplus	33,253	33,245
Retained earnings	121,794	119,272
Treasury stock	24,341	24,340
Total shareholders' equity	161,996	159,457
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	413	470
Foreign currency translation adjustment	26,727	17,936
Total valuation and translation adjustments	26,314	17,465
Subscription rights to shares	75	62
Minority interests	850	726
TOTAL NET ASSET	136,608	142,779
TOTAL LIABILITIES AND NET ASSETS	213,473	204,057

## (2).Concolidated quartely statements of income

(Mil. Yen)

	2nd Quarter FY2009 ( from April 1, 2009 to September 30, 2009 )	2nd Quarter FY2010 ( from April 1, 2010 to September 30, 2010 )
Net sales	167,095	154,084
Cost of sales	133,083	128,995
Gross profit	34,012	25,088
Selling, general and administrative expenses	23,943	20,501
Operating income	10,068	4,586
Non-operating income		
Interest income	446	260
Dividends income	23	16
Other	217	114
Total non-operating income	688	391
Non-operating expenses		
Interest expenses	43	35
Equity in losses of affiliates	30	12
Foreign exchange loss	969	122
Other	125	30
Total non-operating expenses	1,168	201
Ordinary income	9,588	4,776
Extraordinary income		
Gain on sales of noncurrent assets	0	1
Profit on Sales of Investment Securities	34	-
Other	9	25
Total extraordinary income	43	27
Extraordinary loss		
Loss on disposal of noncurrent assets	56	10
Liquidation loss on affiliated company	-	88
Other	15	45
Total extraordinary losses	72	144
Income before income taxes and minority interests	9,560	4,658
Income taxes	2,117	627
Loss before minority interests	-	4,031
Minority interests in income	132	145
Net income/ loss	7,309	3,885

## (3).Concolidated quartely statements of cash flows

(Mil. Yen)

	2nd Quarter FY2009 ( from April 1, 2009 to September 30, 2009 )	2nd Quarter FY2010 ( from April 1, 2010 to September 30, 2010 )
Net cash provided by (used in) operating activities:		
Income before income taxes and minority interests	9,560	4,658
Depreciation and amortization	2,785	3,032
Increase(decrease) in allowance for doubtful accounts	750	27
Increase(decrease)in provision for retirement benefits	38	13
Interest and dividends income	470	276
Interest expenses	43	35
Equity in losses of affiliates	30	12
Loss on sales of property, plant and equipment	1	1
Gain on sales of investment securities	34	-
Loss on valuation of investment securities	4	-
Increase in notes and accounts receivable-trade	10,897	5,349
Increase in inventories	17,633	33,409
Increase (decrease) in notes and accounts payable-trade	25,405	23,766
Other, net	6,023	565
Subtotal	14,105	7,005
Interest and dividends income received	579	201
Interest expenses paid	42	35
Income taxes paid	2,499	1,500
Income taxes refund	1,737	41
Net cash provided by (used in) operating activities	13,879	8,299
Net cash provided by (used in) investment activities:		
Payments into time deposits	45,410	24,544
Repayments from time deposits	55,825	51,055
Purchase of property, plant and equipment	2,448	4,543
Proceeds from sales of property, plant and equipment	196	27
Purchase of intangible assets	606	39
Purchase of investment securities	28	54
Proceeds from sales of investment securities	184	-
Other, net	19	15
Net cash provided by (used in) investment activities	7,692	21,916
Net cash provided by (used in) financing activities:		
Net decrease in short-term loans payable	10,647	1,397
Increase of long-term loans payable	600	-
Repayment of long-term loans payable	433	266
Proceeds from issue of stock option	-	13
Cash dividends paid	1,363	1,363
Other, net	48	110
Net cash provided by (used in) financing activities	11,892	3,124
Effect of exchange rate change on cash and cash equivalents	1,746	1,581
Net increase (decrease) in cash and cash equivalents	7,932	8,911
Cash and cash equivalents at beginning of period	40,180	34,063
Decrease in cash and cash equivalents due to exclusion from consolidation	-	59
Cash and cash equivalents at end of period	48,113	42,914

(4) Notes for Continuing Enterprises

Not Applicable

(5) Information by Segment

a; Operating Segment Information

The Funai Group concentrates on the single business segment of manufacture and sales of electric products. Therefore, we make no distinction between operating segments.

b; Geographic Segment Information

Previous Second Quarter (April 1, 2009 - September 30, 2009)

(Units: Million Yen)

	Japan	N. America	Asia	Europe	Total	Elimination	Consolidated
Net Sales							
Sales to outside customers	52,426	111,349	191	3,128	167,095	-	167,095
Inter-segment sales	98,561	24	104,262	1	202,850	(202,850)	-
Total	150,988	111,373	104,454	3,129	369,946	(202,850)	167,095
Operating Income and Losses( )	5,490	4,371	4,237	906	13,194	(3,125)	10,068

c; Overseas sales

Previous Second Quarter (April 1, 2009 - September 30, 2009)

(Units: Million Yen)

	N. America	Asia	Europe	Other	Total
Overseas sales	124,905	3,662	14,953	4,474	147,995
Consolidated sales					167,095
Ratio of overseas sales to consolidated sales (%)	74.8	2.2	8.9	2.7	88.6

[Segment Information]

1. Summary of Reporting Segments

The Group's reporting segments are based on those units within the Group where separate financial information is available and where the Chief Executive Officer (Representative Director, President and Executive Officer) of the Group periodically deliberates over matters such as the distribution of management resources and financial performance of such segments.

The Group's main business is to manufacture and sell electrical equipment and devices. Within Japan, such functions are the responsibility of DX Antenna Co., Ltd. Overseas, the areas of the United States, Asia and Europe are managed by Funai Corporation, Inc. (North America), P&F USA, Inc. (North America), Funai Electric (H.K.) Ltd. (Asia), Funai Electric (Polska) Sp.z o.o (Europe), and other locally domiciled entities. Each locally domiciled entity is an independently managed unit that engages in business activities after formulating comprehensive strategies on the products to carry in the region.

Consequently, the Group is comprised of location-specific segments that are based on its manufacturing and sales structure and have established "Japan", "North America", "Asia" and "Europe" as its four reporting segments.

2. Information Regarding Net Sales and Profit/Loss Conditions by Reporting Segment

First Quarter Consolidated Fiscal Period – Year to Date (April 1, 2010 to June 30, 2010)

Current Second Quarter (April 1, 2010 - September 30, 2010)

(Units: Million Yen)

	Japan	N. America	Asia	Europe	Total	Elimination	Consolidated
Net Sales							
Sales to outside customers	76,203	74,060	411	3,409	154,084	-	154,084
Inter-segment sales	86,394	1	119,936	3	206,335	(206,335)	-
Total	162,597	74,062	120,348	3,412	360,420	(206,335)	154,084
Operating Income and Losses( )	5,315	1,253	2,489	504	6,047	(1,460)	4,586

Note:

1. The negative JPY1,460 million adjustment amount under segment income includes items such as the JPY20 million relating to the cancellation of inter-segment transactions, JPY506 million of overall Group expenses that are not apportioned to each reporting segment, and the JPY975 million negative adjustment relating to inventory assets. Overall Group expenses are comprised of general administrative expenses that do not belong to a specific reporting segment.
2. Segment income has been adjusted to operating income noted on the first quarter consolidated income statement.
3. As stated in the "Additional Information" section, in the past, the Group applied TTS or TTB rates when carrying out foreign currency exchange conversions. However, as of the second quarter of the consolidated fiscal year, the Group has decided to use TTM rates instead. As compared to the results if the rates utilized in the past were applied for exchange conversions, the segment income for "Japan" has increased by JP319 million for the second quarter year-to-date consolidated fiscal period.

(Additional Information)

As of the current first quarter consolidated fiscal period, the Group has adopted the Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (Statement No. 17 of the Accounting Standard Board of Japan dated March 27, 2009) and the Implementation Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (Implementation Guidance No. 20 of the Accounting Standard Board of Japan dated March 21, 2008).

(6) Notes of remarkable changes in Shareholders Equity:

Not Applicable

## 4. Other Information

Detailed Statement of Net Sales by Equipment Type and Region

(Units: Million Yen)

Classification		Period		Previous Year Second Quarter		Current Year Second Quarter		% increase or decrease from the same period of the previous consolidated fiscal year
		From April 1, 2009 To September 30, 2009		From April 1, 2010 To September 30, 2010				
		Amount	Percent	Amount	Percent	Percent		
By Equipment Type	Audiovisual Equipment	128,248	76.7	100,274	65.1	21.8		
	Information Equipment	26,514	15.9	36,044	23.4	35.9		
	Other Equipment	12,332	7.4	17,765	11.5	44.0		
	Total	167,095	100.0	154,084	100.0	7.8		
By Region	Japan	19,100	11.4	37,122	24.1	94.4		
	Export	N. America	124,905	74.8	88,502	57.4	29.1	
		Europe	14,953	8.9	14,617	9.5	2.3	
		Asia	3,662	2.2	5,391	3.5	47.2	
		Other Areas	4,474	2.7	8,449	5.5	88.9	
	Subtotal	147,995	88.6	116,961	75.9	21.0		
Total	167,095	100.0	154,084	100.0	7.8			

(Note) Main Products by Equipment Type

Equipment	Main Products
Audiovisual Equipment	LCD Television, DVD Player, DVD Recorder, Blu-ray Disc Player, Blu-ray Disc Recorder
Information Equipment	Printer
Other Equipment	Receiver-Related Electronic Equipment

From FY2010 antenna set for North America is classified in 'Others' from 'Others in Audio Visual Equipment' which was classified in FY2009. The sales amount of antenna set for North America in the 2<sup>nd</sup> quarter in FY2009 was 2,372mil.yen.

## (Reference) Change in Operating Results for the Most Recent Quarters

### Fiscal Period Ending March 2011 (Consolidated)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	April - June 2010	July - Sept 2010	Oct - Dec 2010	Jan - March 2011
	Million Yen	Million Yen	Million Yen	Million Yen
Net Sales	74,958	79,125	-	-
Gross Profit	13,020	12,068	-	-
Operating Income	2,518	2,068	-	-
Ordinary Income	1,284	3,491	-	-
Quarterly Net Income Before Taxes and Other Adjustments	1,196	3,462	-	-
Quarterly Net Income/Loss	433	3,452	-	-
	Yen	Yen	Yen	Yen
Quarterly Net Income per Share	12.71	101.26	- -	- -
Fully Diluted Quarterly Net Income per Share	12.62	100.76	- -	- -
	Million Yen	Million Yen	Million Yen	Million Yen
Total Assets	217,597	213,473	-	-
Net Assets	136,964	136,608	-	-
	Yen	Yen	Yen	Yen
Net Assets per Share	3,991.75	3,978.83	-	-

### Fiscal Period Ended March 2010 (Consolidated)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	April - June 2009	July - Sept 2009	Oct - Dec 2009	Jan - March 2010
	Million Yen	Million Yen	Million Yen	Million Yen
Net Sales	77,668	89,426	80,977	66,838
Gross Profit	15,239	18,772	13,726	9,731
Operating Income	3,706	6,362	1,477	398
Ordinary Income	4,081	5,506	2,453	358
Quarterly Net Income Before Taxes and Other Adjustments	4,106	5,453	2,449	1,131
Quarterly Net Income/Loss	3,171	4,138	1,846	1,172
	Yen	Yen	Yen	Yen
Quarterly Net Income per Share	93.01	121.40	54.16	34.39
Fully Diluted Quarterly Net Income per Share	92.42	120.53	53.73	34.14
	Million Yen	Million Yen	Million Yen	Million Yen
Total Assets	210,089	214,067	216,613	204,057
Net Assets	136,253	135,948	139,813	142,779
	Yen	Yen	Yen	Yen
Net Assets per Share	3,981.10	3,970.00	4,080.52	4,164.86



# SECOND QUARTER IN CUMULATIVE FINANCIAL RESULTS SUPPLEMENTATION FY 2010

( from 2010.4.1  
to 2010.9.30 )

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**FUNAI ELECTRIC CO.,LTD**

# 1. Summary of Second Quarter Operating Results (Consolidated)

## (1) Operating Results, Financial Conditions

(Units: 100million yen, %)

	FY2009						FY2010					
	2Q			Full-Year			2Q			Full-Year (Projections)		
	Amount	%	Change	Amount	%	Change	Amount	%	Change	Amount	%	Change
Net Sales	1,670	100.0	15.5	3,149	100.0	4.0	1,540	100.0	7.8	3,200	100.0	1.6
Operating Income	100	6.0	133.0	111	3.5	690.9	45	3.0	54.4	90	2.8	19.3
Ordinary Income	95	5.7	60.0	116	3.7	852.9	47	3.1	50.2	92	2.9	21.3
Net Income after Tax	73	4.4	-	103	3.3	-	38	2.5	46.8	71	2.2	31.3
Total Assets	2,140	-	-	2,040	-	-	2,134	-	-	-	-	-
Net Assets	1,359	-	-	1,427	-	-	1,366	-	-	-	-	-

( ) Yen - Dollars / exchange rate

(Units: Yen / Dollars)

	FY2009		FY2010	
	2Q	Full-Year	2Q	Full-Year (Projections)
Average Rate in each Period	94.78	92.60	88.15	85.57

## (2) Profitability and Per Share Data etc.

	FY2009		FY2010	
	2Q	Full-Year	2Q	Full-Year (Projections)
Gross Profit Ratio (%)	20.4	18.2	16.3	15.6
Operating Income Ratio (%)	6.0	3.5	3.0	2.8
Ordinary Income Ratio (%)	5.7	3.7	3.1	2.9
Shareholders' Equity Ratio (%)	63.2	69.6	63.6	-
Net Assets Per Share (Yen)	3,970.00	4,164.86	3,978.83	-
Net Income Per Share (Yen)	214.41	302.97	113.97	208.21
Return On Asset (%)	3.2	5.1	1.8	-
Return On Shareholders' Equity (%)	5.2	7.5	2.9	-
Number of Total Employees (人)	2,447	2,553	3,126	-

## (3) Capital Expenditures, Depreciation, R&D Expenses

(Units: 100million yen, %)

	FY2009				FY2010			
	2Q		Full-Year		2Q		Full-Year (Projections)	
	Amount	Change	Amount	Change	Amount	Change	Amount	Change
Capital Expenditures	29	123.1	43	14.0	45	55.2	68	58.1

	FY2009						FY2010					
	2Q			Full-Year			2Q			Full-Year (Projections)		
	Amount	% to Sales	Change	Amount	% to Sales	Change	Amount	% to Sales	Change	Amount	% to Sales	Change
Depreciation Expenses	20	1.2	11.1	43	1.4	19.4	22	1.4	10.0	47	1.5	9.3
R&D	66	4.0	1.5	134	4.3	3.1	63	4.1	4.5	147	4.6	9.7

## (4) Cash Flow

(Units : 100million yen)

	FY2009		FY2010	
	2Q	Full-Year	2Q	Full-Year (Projections)
Cash flows provided by operating activities	138	36	82	-
Income Before Income Taxes	95	108	46	-
Depreciation Expenses	27	57	30	-
Others	16	129	158	-
Cash flows used in investing activities	76	27	219	-
Free Cash flows	214	9	137	-
Cash flows provided by financing activities	118	78	31	-
Effect of exchange rate changes on cash and cash equivalents	17	4	15	-
Net increase in cash and cash equivalents	79	64	89	-

## 2. Operating Activities (Consolidated)

## (1) Sales by Equipment

(Units : 100million yen, %)

	FY2009						FY2010					
	2Q			Full-Year			2Q			Full-Year (Projections)		
	Amount	%	Change	Amount	%	Change	Amount	%	Change	Amount	%	Change
Audio Visual Equipment	1,282	76.7	23.6	2,335	74.2	1.3	1,003	65.1	21.8	2,237	69.9	4.2
DVD	238	14.2	0.4	386	12.3	4.0	134	8.7	43.7	261	8.2	32.4
BD Players	109	6.5	43.4	189	6.0	54.9	104	6.7	4.6	324	10.1	71.4
LCD Televisions	791	47.4	58.8	1,594	50.6	18.8	750	48.7	5.2	1,608	50.2	0.9
Others	144	8.6	35.7	166	5.3	62.3	15	1.0	89.6	44	1.4	73.5
Information Equipment	265	15.9	4.5	546	17.3	21.4	360	23.4	35.9	608	19.0	11.4
Others	123	7.4	6.3	268	8.5	1.5	177	11.5	44.0	355	11.1	32.5
Total	1,670	100.0	15.5	3,149	100.0	4.0	1,540	100.0	7.8	3,200	100.0	1.6

Note: From FY2010 antenna set for the North America is classified in 'Others' from 'Others in Audio Visual Equipment' which was classified in FY2009.

## (2) Sales by Areas in Equipment

(Units: 100million yen, %)

	FY2009						FY2010					
	2Q			Full-Year			2Q			Full-Year (Projections)		
	Amount	%	Change	Amount	%	Change	Amount	%	Change	Amount	%	Change
Audio Visual Equipment	1,282	76.7	23.6	2,335	74.2	1.3	1,003	65.1	21.8	2,237	69.9	4.2
North America	1,151	68.9	32.5	1,970	62.5	0.1	714	46.3	38.0	1,579	49.3	19.8
Europe	56	3.3	49.1	125	4.0	40.8	49	3.2	12.5	108	3.4	13.6
Asia and Others	3	0.2	-	18	0.6	-	21	1.4	600.0	41	1.3	127.8
Japan	72	4.3	24.1	222	7.1	80.5	219	14.2	204.2	509	15.9	129.3
Information Equipment	265	15.9	4.5	546	17.3	21.4	360	23.4	35.9	608	19.0	11.4
North America	92	5.5	26.4	185	5.9	6.3	140	9.1	52.2	196	6.1	5.9
Europe	92	5.5	12.2	177	5.6	18.8	97	6.3	5.4	178	5.6	0.6
Asia and Others	76	4.6	11.8	168	5.3	37.7	115	7.5	51.3	217	6.8	29.2
Japan	5	0.3	150.0	16	0.5	220.0	8	0.5	60.0	17	0.5	6.3
Others	123	7.4	6.3	268	8.5	1.5	177	11.5	44.0	355	11.1	32.5
Total	1,670	100.0	15.5	3,149	100.0	4.0	1,540	100.0	7.8	3,200	100.0	1.6

## (3) Sales by Equipment in Areas

(Units: 100million yen, %)

	FY2009						FY2010					
	2Q			Full-Year			2Q			Full-Year (Projections)		
	Amount	%	Change	Amount	%	Change	Amount	%	Change	Amount	%	Change
North America	1,249	74.8	24.9	2,164	68.7	0.1	885	57.4	29.1	1,828	57.1	15.5
Audio Visual Equipment	1,151	68.9	32.5	1,970	62.5	0.1	714	46.3	38.0	1,579	49.3	19.8
Information Equipment	92	5.5	26.4	185	5.9	6.3	140	9.1	52.2	196	6.1	5.9
Others	6	0.4	0.0	9	0.3	43.8	31	2.0	416.7	53	1.7	488.9
Europe	149	8.9	23.3	305	9.7	16.2	146	9.5	2.3	286	9.0	6.2
Audio Visual Equipment	56	3.3	49.1	125	4.0	40.8	49	3.2	12.5	108	3.4	13.6
Information Equipment	92	5.5	12.2	177	5.6	18.8	97	6.3	5.4	178	5.6	0.6
Others	1	0.1	66.7	3	0.1	25.0	0	0.0	-	0	0.0	-
Asia and Others	81	4.9	12.5	196	6.2	48.5	138	9.0	70.4	260	8.1	32.7
Audio Visual Equipment	3	0.2	-	18	0.6	-	21	1.4	600.0	41	1.3	127.8
Information Equipment	76	4.6	11.8	168	5.3	37.7	115	7.5	51.3	217	6.8	29.2
Others	2	0.1	50.0	10	0.3	11.1	2	0.1	0.0	2	0.0	80.0
Japan	191	11.4	6.5	484	15.4	30.5	371	24.1	94.4	826	25.8	70.7
Audio Visual Equipment	72	4.3	24.1	222	7.1	80.5	219	14.2	204.2	509	15.9	129.3
Information Equipment	5	0.3	150.0	16	0.5	220.0	8	0.5	60.0	17	0.5	6.3
Others	114	6.8	4.2	246	7.8	1.7	144	9.4	26.3	300	9.4	22.0
Total	1,670	100.0	15.5	3,149	100.0	4.0	1,540	100.0	7.8	3,200	100.0	1.6

### 3. 2Q (July to September) Operating Activities (Consolidated)

#### (1) Operating Results

(Units: 100million yen, %)

	FY2009			FY2010		
	2Q (Jul. - Sep.)			2Q (Jul. - Sep.)		
	Amount	%	Change	Amount	%	Change
Net Sales	894	100.0	4.9	791	100.0	11.5
Operating Income	63	7.1	90.9	20	2.6	67.5
Ordinary Income	55	6.2	256.6	34	4.4	36.6
Net Income afterTax	41	4.6	146.9	34	4.4	16.6

#### ( ) Yen - Dollars / exchange rate

(Units: Yen / Dollars)

	FY2009		FY2010	
	2Q (Jul. - Sep.)		2Q (Jul. - Sep.)	
Average Rate in each Period		92.80		85.02

#### (2) Sales by Equipment

(Units: 100million yen, %)

	FY2009			FY2010		
	2Q (Jul. - Sep.)			2Q (Jul. - Sep.)		
	Amount	%	Change	Amount	%	Change
Audio Visual Equipment	676	75.6	9.0	511	64.6	24.4
DVD	116	13.0	16.5	64	8.1	44.8
BD Players	71	7.9	29.1	53	6.7	25.4
LCD Televisions	448	50.1	49.8	388	49.0	13.4
Others	41	4.6	67.7	6	0.8	85.4
Information Equipment	156	17.5	8.2	189	23.9	21.2
Others	62	6.9	0.0	91	11.5	46.8
Total	894	100.0	4.9	791	100.0	11.5



## **FUNAI ELECTRIC CO., LTD.**

( Company )

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