

# FY 2010 FINANCIAL REPORT

( From April 1, 2010  
To June 30, 2010 )



FUNAI ELECTRIC CO., LTD.

First Quarter (April-June) Consolidated Financial Summary  
for the Period Ending March 2011

	Previous Year First Quarter 〔 From April 1, 2009 To June 30, 2009 〕		Current Year First Quarter 〔 From April 1, 2010 To June 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	77,668	100.0	74,958	100.0	3.5
Operating Income	3,706	4.8	2,518	3.4	32.0
Ordinary Income	4,081	5.3	1,284	1.7	68.5
Net Income before Taxes and Other Adjustments	4,106	5.3	1,196	1.6	70.9
Net Income /Loss after Tax	3,171	4.1	433	0.6	86.3
Net Income/Loss per Share	93.01		12.71		

Notes:

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

## Financial Report for the 3-Month Period ended June 30, 2010

August 2, 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

Tomonori Hayashi

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Scheduled date of Securities Report to be filed to the Kinki Finance Bureau; August 10, 2010

Scheduled date of Commencement of Annual Dividend Payment -

Quarterly Financial Results Supplementation : Yes

Quarterly Financial Results Seminar : Yes

1. First Quarter Consolidated Results for the Period Ending March 2011 (April 1, 2010 – June 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	%
1 <sup>st</sup> Quarter FY2010	74,958	3.5	2,518	32.0	1,284	68.5	433	86.3
1 <sup>st</sup> Quarter FY2009	77,668	30.6	3,706	275.0	4,081	8.2	3,171	-

	Net Income Per Share	Net Income Per Share on a Fully Diluted Basis
	Yen	Yen
1 <sup>st</sup> Quarter FY2010	12.71	12.62
1 <sup>st</sup> Quarter FY2009	93.01	92.42

## (2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets Per Share
	Million yen	Million yen	%	Yen
1 <sup>st</sup> Quarter FY2010	217,597	136,964	62.5	3,991.75
Fiscal Year End 2009	204,057	142,779	69.6	4,164.86

(Reference) Shareholders' Equity

1<sup>st</sup> Quarter FY2010 ended June 30, 2010 136,089 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	-				
Fiscal Year 2010 (Projection)		0.00	-	40.00	40.00

(Note) Revision of Annual Dividends Forecast in this 1<sup>st</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
Six months ending Sep.30.2010	170,000	1.7	7,200	28.5	7,000	27.0	5,600	23.4	164.26
Full Year 2010	350,000	11.1	13,000	16.6	12,900	10.4	10,000	3.2	293.32

Note:

Revision of Forecast of Consolidated Results for the Six month period or the Full Year in this 1<sup>st</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 1<sup>st</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: No

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 June 30, 2010; 36,104,196 shares  
as of March 31, 2010; 36,104,196 shares

(2) Number of shares of treasury stock as of June 30, 2010; 2,011,583 shares  
as of March 31, 2010; 2,011,531 shares

(3) The Average number in the quarter of outstanding shares on June 30, 2010; 34,092,627 shares  
on June 30, 2009; 34,092,823 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 first quarter of the consolidated fiscal year, the North American market, which is one of Funai Electric's main markets, continued to show weak non-public employment figures while at the same time the end of tax cuts relating to home acquisitions resulted in a significant drop in the housing market. These factors subsequently had a measurable impact on consumer spending. In addition, concerns regarding a slowdown in government-backed economic stimulus policies and the global impact of the European debt crisis that first started in Greece, contributed to even murkier conditions in the outlook of the North American economy.

In the consumer electronics 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 in popularity and government-backed measures to boost spending in Japan and China took hold. The market is anticipated to further expand in the future as 3-D and Internet-ready units are brought onto the market. On a negative note, due to insufficient supply of component parts and materials, there is tight supply and demand for LED-backlight equipped panels. In addition, intensifying competition has led to a fall in unit prices.

As a result of the above factors, the Group posted net sales of JPY74,958 million (a fall of 3.5% from the same period last year) for the first quarter of the consolidated fiscal year.

In terms of profit, the Group posted operating income of JPY2,518 million (a fall of 32.0% from the same period last year), ordinary income of JPY1,284 million (a fall of 68.5% from the same period last year) mainly due to exchange-rate losses, and a quarterly net income of JPY433 million (a fall of 86.3% from the same period last year).

Segment conditions by location were as follows:

#### i) Japan

Growth was achieved for LCD televisions and Blu-Ray disc related devices. In addition, printer sales rose as a result of an increase in orders from OEM customers. As a result, the Group posted first quarter net sales of JPY38,554 million (an 62.4% increase from the same period last year) and first quarter operating income of JPY2,951 million (an 71.9% increase from the same period last year) for the Japan market.

#### ii) North America

As a result of halting the production of TV set-top boxes<sup>1</sup> (STBs) in June of last year, no sales were generated from this area. In addition, sales of LCD televisions fell due to increased competition while the sales of DVD players and Blu-Ray Disc related products also fell as compared to the same period last year. As a result, the Group posted first quarter net sales of JPY33,999 million (a fall of 35.2% from the same period last year) and a first-quarter operating loss of JPY201 million (as compared to a JPY2,908 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 JPY82 million (a fall of 31.3% from the same period last year) and first-quarter operating income of JPY1,354 million (a fall of 14.2% from the same period last year) in the Asia 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 JPY2,322 million (a 75.8% increase from the same period last year) and first quarter operating loss of JPY123 million (as compared to a JPY571 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 visual products sector, market prices for LCD televisions continued to fall as competition heightened. However, the Group was able to increase the volume of units sold and as a result, achieved a growth in sales. 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 3<sup>rd</sup> quarter of the previous fiscal year, sales fell significantly from the same period last year. This was mainly because of the decline in sales of DVD players as demand fell (DVD sales have gone through a full demand cycle) as well as the lack of sales generated by TV STBs in the US market after the termination of production due to the end of life for such devices in June of last year. Consequently, first quarter net sales for this product segment fell to JPY49,204 million (a fall of 18.8% from the same period last year).

#### ii) Information Equipment

In the information equipment sector, sales of printers rose as a result of an increase in orders from OEM customers. Consequently, first quarter net sales for this product segment reached JPY17,110 million (a 56.0% increase from the same period last year).

#### iii) Others Products

Sales of other products that are not included in the above categories totaled JPY8,643 million (a 42.5% increase from the same period last year).

Note: As of the first quarter of the consolidated fiscal year, sales of antennas that were previously included under the “Audio-visual Equipment” segment has been transferred to the “Other” segment. Further, prior year sales figures for “Visual Products” include the sale of antennas. Sales of antennas during the first quarter of last year totaled JPY1,127 million.

(2) Qualitative Information Relating to Consolidated Financial Position

Our financial position at the end of first quarter is described below.

Assets increased by JPY13,539 million as compared to the figure at the end of the previous consolidated fiscal year. Specifically, trade notes and accounts receivable, goods and products, and raw materials and inventories increased by JPY7,179 million, JPY7,950 million, and JPY6,647 million, respectively, while cash and cash equivalents fell by JPY11,023 million.

Liabilities also increased by JPY19,355 million as compared to the figure at the end of the previous consolidated fiscal year. Specifically, trade notes and accounts payable increased by JPY20,663 million.

Net assets fell by JPY5,815 million as compared to the figure at the end of the previous consolidated fiscal year. Specifically, foreign currency translation adjustment account decreased by JPY4,976 million.

(3) Qualitative Information Relating to Consolidated Performance Forecasts:

Funai Electric Co., Ltd. has not revised its consolidated operating results forecast released on May 10, 2010.

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

(1) Important changes relating to subsidiaries and affiliates during the fiscal term (changes involving specific subsidiaries that resulted in changes to the scope of consolidated accounting)

There are no relevant changes.

(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 first 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.

(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)

	1st Quarter FY2010 (As of June 30, 2010)	Fiscal year 2009 (As of March 31, 2010)
<b>ASSETS;</b>		
Current Assets		
Cash and deposits	75,021	86,045
Notes and accounts receivable-trade	42,334	35,154
Merchandise and finished goods	28,800	20,850
Work in process	3,293	1,510
Raw materials and supplies	22,704	16,057
Others	8,806	7,717
Allowance for doubtful accounts	189	179
Total current assets	180,770	167,155
Noncurrent assets		
Property, plant and equipment	16,964	15,654
Intangible assets	4,509	4,874
Investments and other assets		
Others	15,659	17,148
Allowance for doubtful accounts	306	775
Total investments and other assets	15,353	16,373
Total noncurrent assets	36,827	36,902
<b>TOTAL ASSETS</b>	<b>217,597</b>	<b>204,057</b>
<b>LIABILITIES;</b>		
Current Liabilities		
Notes and accounts Payable-trade	51,968	31,305
Short-term loans payable	2,881	6,338
Income taxes payable	874	1,799
Provision	2,159	2,306
Others	18,047	14,457
Total current liabilities	75,930	56,208
Noncurrent liabilities		
Long-term loans receivable	433	566
Provision	2,394	2,428
Others	1,874	2,073
Total noncurrent liabilities	4,702	5,069
<b>TOTAL LIABILITIES</b>	<b>80,632</b>	<b>61,277</b>



(Mil. Yen)

	1st Quarter FY2010 (As of June 30, 2010)	Fiscal year 2009 (As of March 31, 2010)
<b>NET ASSETS;</b>		
Shareholders' equity		
Capital stock	31,280	31,280
Capital surplus	33,245	33,245
Retained earnings	118,342	119,272
Treasury stock	24,341	24,340
Total shareholders' equity	158,526	159,457
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	476	470
Foreign currency translation adjustment	22,913	17,936
Total valuation and translation adjustments	22,437	17,465
Subscription rights to shares	70	62
Minority interests	804	726
TOTAL NET ASSET	136,964	142,779
TOTAL LIABILITIES AND NET ASSETS	217,597	204,057

## (2).Concolidated quartely statements of income

(Mil. Yen)

	1st Quarter FY2009 ( from April 1, 2009 to June 30, 2009 )	1st Quarter FY2010 ( from April 1, 2010 to June 30, 2010 )
Net sales	77,668	74,958
Cost of sales	62,429	61,938
Gross profit	15,239	13,020
Selling, general and administrative expenses	11,532	10,501
Operating income	3,706	2,518
Non-operating income		
Interest income	262	78
Dividends income	20	11
Foreign exchange gains	98	-
Other	76	60
Total non-operating income	458	150
Non-operating expenses		
Interest expenses	30	16
Foreign exchange loss	-	1,346
Equity in losses of affiliates	25	1
Other	26	19
Total non-operating expenses	83	1,384
Ordinary income	4,081	1,284
Extraordinary income		
Profit on Sales of Investment Securities	34	-
Reversal of allowance for doubtful accounts	-	4
Other	7	2
Total extraordinary income	41	6
Extraordinary loss		
Loss on disposal of noncurrent assets	0	5
Loss on valuation of Investment Securities	4	-
Liquidation loss on affiliated company	11	88
Other	0	1
Total extraordinary losses	16	95
Income before income taxes and minority interests	4,106	1,196
Income taxes	881	674
Loss before minority interests	-	521
Minority interests in income	54	88
Net income/ loss	3,171	433

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

(Mil. Yen)

	1st Quarter FY2009 ( from April 1, 2009 to June 30, 2009 )	1st Quarter FY2010 ( from April 1, 2010 to June 30, 2010 )
Net cash provided by (used in) operating activities:		
Income before income taxes and minority interests	4,106	1,196
Depreciation and amortization	1,365	1,442
Increase(decrease) in allowance for doubtful accounts	765	12
Increase(decrease)in provision for retirement benefits	20	2
Interest and dividends income	283	89
Interest expenses	30	16
Equity in (earnings) losses of affiliates	25	1
Loss (gain) on sales of investment securities	34	-
Loss (gain) on valuation of investment securities	4	-
Decrease (increase) in notes and accounts receivable-trade	10,141	10,094
Decrease (increase) in inventories	6,033	18,942
Increase (decrease) in notes and accounts payable-trade	13,639	24,402
Other, net	3,638	3,396
Subtotal	5,574	1,343
Interest and dividends income received	453	97
Interest expenses paid	30	16
Income taxes paid	1,721	1,475
Net cash provided by (used in) operating activities	4,276	51
Net cash provided by (used in) investment activities:		
Payments into time deposits	39,873	20,169
Repayments from time deposits	45,217	33,108
Purchase of property, plant and equipment	1,123	2,761
Proceeds from sales of property, plant and equipment	38	18
Purchase of intangible assets	144	5
Purchase of investment securities	25	51
Proceeds from sales of investment securities	184	-
Other, net	92	35
Net cash provided by (used in) investment activities	4,180	10,102
Net cash provided by (used in) financing activities:		
Net increase (decrease) in short-term loans payable	6,493	3,273
Increase of long-term loans payable	600	-
Repayment of long-term loans payable	299	133
Cash dividends paid	1,363	1,363
Other, net	12	41
Net cash provided by (used in) financing activities	7,570	4,812
Effect of exchange rate change on cash and cash equivalents	4	1,013
Net increase (decrease) in cash and cash equivalents	890	4,225
Cash and cash equivalents at beginning of period	40,180	34,063
Decrease in cash and cash equivalents due to exclusion from consolidatio	-	59
Cash and cash equivalents at end of period:	41,070	38,228

(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 First Quarter (April 1, 2009 - June 30, 2009)

(Units: Million Yen)

	Japan	N. America	Asia	Europe	Total	Elimination	Consolidated
Net Sales							
Sales to outside customers	23,736	52,492	119	1,321	77,668	-	77,668
Inter-segment sales	41,846	8	44,076	1	85,932	(85,932)	-
Total	65,582	52,500	44,195	1,322	163,601	(85,932)	77,668
Operating Income and Losses( )	1,716	2,908	1,579	571	5,632	(1,925)	3,706

c; Overseas sales

Previous First Quarter (April 1, 2009 - June 30, 2009)

(Units: Million Yen)

	N. America	Asia	Europe	Other	Total
Overseas sales	58,847	1,814	6,102	1,336	68,100
Consolidated sales					77,668
Ratio of overseas sales to consolidated sales (%)	75.8	2.3	7.9	1.7	87.7

[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 First Quarter (April 1, 2010 - June 30, 2010)

(Units: Million Yen)

	Japan	N. America	Asia	Europe	Total	Elimination	Consolidated
Net Sales							
Sales to outside customers	38,554	33,999	82	2,322	74,958	-	74,958
Inter-segment sales	39,846	0	56,188	0	96,035	(96,035)	-
Total	78,401	33,999	56,270	2,322	170,993	(96,035)	74,958
Operating Income and Losses( )	2,951	201	1,354	123	3,980	(1,461)	2,518

Note:

- The negative JPY1,461 million adjustment amount under segment income includes items such as the JPY16 million relating to the cancellation of inter-segment transactions, JPY277 million of overall Group expenses that are not apportioned to each reporting segment, and the JPY1,200 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.
- Segment income has been adjusted to operating income noted on the first quarter consolidated income statement.

3. Information on Impairment Losses Relating to Fixed Assets and Goodwill by Reporting Segment  
(Impairment Losses on Fixed Assets)

Does not apply

(Major Fluctuations in Goodwill)

Does not apply

(Increase in Goodwill on Major Liabilities)

Does not apply

(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		Previous Year First Quarter		Current Year First Quarter		% increase or decrease from the same period of the previous consolidated fiscal year	
		( From April 1, 2009 To June 30, 2009 )		( From April 1, 2010 To June 30, 2010 )			
		Amount	Percent	Amount	Percent	Percent	
By Equipment Type	Audiovisual Equipment	60,629	78.1	49,204	65.7	18.8	
	Information Equipment	10,971	14.1	17,110	22.8	56.0	
	Other Equipment	6,067	7.8	8,643	11.5	42.5	
	Total	77,668	100.0	74,958	100.0	3.5	
By Region	Japan	9,568	12.3	20,019	26.7	109.2	
	Export	N. America	58,847	75.8	41,004	54.7	30.3
		Europe	6,102	7.9	7,217	9.6	18.3
		Asia	1,814	2.3	3,061	4.1	68.7
		Other Areas	1,336	1.7	3,655	4.9	173.5
	Subtotal	68,100	87.7	54,939	73.3	19.3	
Total	77,668	100.0	74,958	100.0	3.5		

(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 1<sup>st</sup> quarter in FY2009 was 1,127mil.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	-	-	-
Gross Profit	13,020	-	-	-
Operating Income	2,518	-	-	-
Ordinary Income	1,284	-	-	-
Quarterly Net Income Before Taxes and Other Adjustments	1,196	-	-	-
Quarterly Net Income/Loss	433	-	-	-
	Yen	Yen	Yen	Yen
Quarterly Net Income per Share	12.71	- -	- -	- -
Fully Diluted Quarterly Net Income per Share	12.62	- -	- -	- -
	Million Yen	Million Yen	Million Yen	Million Yen
Total Assets	217,597	-	-	-
Net Assets	136,964	-	-	-
	Yen	Yen	Yen	Yen
Net Assets per Share	3,991.75	-	-	-

### 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

# FIRST QUARTER FINANCIAL RESULTS SUPPLEMENTATION 2010

( from 2010.4.1  
to 2010.6.30 )

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FUNAI ELECTRIC CO.,LTD.



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

## (1) Operating Results, Financial Conditions

(Units: 100million yen, %)

	FY2009						FY2010					
	1Q			Full-Year			1Q			Full-Year (Projections)		
	Amount	%	Change	Amount	%	Change	Amount	%	Change	Amount	%	Change
Net Sales	776	100.0	30.6	3,149	100.0	4.0	749	100.0	3.5	3,500	100.0	11.1
Operating Income	37	4.8	275.0	111	3.5	690.9	25	3.4	32.0	130	3.7	16.6
Ordinary Income	40	5.3	8.2	116	3.7	852.9	12	1.7	68.5	129	3.7	10.4
Net Income after Tax	31	4.1	-	103	3.3	-	4	0.6	86.3	100	2.9	3.2
Total Assets	2,100	-	-	2,040	-	-	2,175	-	-	-	-	-
Net Assets	1,362	-	-	1,427	-	-	1,369	-	-	-	-	-

( ) Yen - Dollars / exchange rate

(Units: Yen / Dollars)

	FY2009		FY2010	
	1Q	Full-Year	1Q	Full-Year (Projections)
Average Rate in each Period	96.75	92.60	91.28	90.00

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

	FY2009		FY2010	
	1Q	Full-Year	1Q	Full-Year (Projections)
Gross Profit Ratio (%)	19.6	18.2	17.4	17.7
Operating Income Ratio (%)	4.8	3.5	3.4	3.7
Ordinary Income Ratio (%)	5.3	3.7	1.7	3.7
Shareholders' Equity Ratio (%)	64.6	69.6	62.5	-
Net Assets Per Share (Yen)	3,981.10	4,164.86	3,991.75	-
Net Income Per Share (Yen)	93.01	302.97	12.71	293.32
Return On Asset (%)	1.4	5.1	0.2	-
Return On Shareholders' Equity (%)	2.2	7.5	0.3	-

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

(Units: 100million yen, %)

	FY2009				FY2010			
	1Q		Full-Year		1Q		Full-Year (Projections)	
	Amount	Change	Amount	Change	Amount	Change	Amount	Change
Capital Expenditures	12	100.0	43	14.0	30	150.0	76	76.7

	FY2009						FY2010					
	1Q			Full-Year			1Q			Full-Year (Projections)		
	Amount	% to Sales	Change	Amount	% to Sales	Change	Amount	% to Sales	Change	Amount	% to Sales	Change
Depreciation Expenses	10	1.3	11.1	43	1.4	19.4	10	1.3	0.0	54	1.5	25.6
R&D	31	4.0	3.1	134	4.3	3.1	31	4.1	0.0	161	4.6	20.1

#### (4) Cash Flow

(Units : 100million yen)

	FY2009		FY2010	
	1Q	Full-Year	1Q	Full-Year (Projections)
Cash flows provided by operating activities	42	36	0	-
Income Before Income Taxes	41	108	11	-
Depreciation Expenses	13	57	14	-
Others	12	129	25	-
Cash flows used in investing activities	41	27	101	-
Free Cash flows	83	9	101	-
Cash flows provided by financing activities	75	78	48	-
Effect of exchange rate changes on cash and cash equivalents	0	4	10	-
Net increase in cash and cash equivalents	8	64	42	-

## 2. Operating Activities (Consolidated)

### (1) Sales by Equipment

(Units : 100million yen, %)

	FY2009						FY2010					
	1Q			Full-Year			1Q			Full-Year (Projections)		
	Amount	%	Change	Amount	%	Change	Amount	%	Change	Amount	%	Change
Audio Visual Equipment	606	78.1	45.5	2,335	74.2	1.3	492	65.7	18.8	2,565	73.3	9.9
DVD	122	15.7	22.0	386	12.3	4.0	70	9.4	42.6	293	8.4	24.1
BD Players	38	4.9	81.0	189	6.0	54.9	51	6.8	34.2	296	8.5	56.6
LCD Televisions	343	44.2	72.4	1,594	50.6	18.8	362	48.3	5.5	1,929	55.1	21.0
Others	103	13.3	6.2	166	5.3	62.3	9	1.2	91.3	47	1.3	71.7
Information Equipment	109	14.1	1.9	546	17.3	21.4	171	22.8	56.0	618	17.6	13.2
Others	61	7.8	13.4	268	8.5	1.5	86	11.5	42.5	317	9.1	18.3
Total	776	100.0	30.6	3,149	100.0	4.0	749	100.0	3.5	3,500	100.0	11.1

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					
	1Q			Full-Year			1Q			Full-Year (Projections)		
	Amount	%	Change	Amount	%	Change	Amount	%	Change	Amount	%	Change
Audio Visual Equipment	606	78.1	45.5	2,335	74.2	1.3	492	65.7	18.8	2,565	73.3	9.9
North America	546	70.3	56.4	1,970	62.5	0.1	331	44.2	39.4	1,879	53.7	4.6
Europe	23	3.0	41.0	125	4.0	40.8	30	4.0	30.4	167	4.8	33.6
Asia and Others	0	0.0	-	18	0.6	-	8	1.1	-	67	1.9	272.2
Japan	37	4.8	27.6	222	7.1	80.5	123	16.4	232.4	452	12.9	103.6
Information Equipment	109	14.1	1.9	546	17.3	21.4	171	22.8	56.0	618	17.6	13.2
North America	40	5.2	35.5	185	5.9	6.3	66	8.8	65.0	275	7.8	48.6
Europe	38	4.9	22.6	177	5.6	18.8	42	5.6	10.5	220	6.3	24.3
Asia and Others	28	3.6	100.0	168	5.3	37.7	58	7.7	107.1	123	3.5	26.8
Japan	3	0.4	-	16	0.5	220.0	5	0.7	66.7	0	0.0	-
Others	61	7.8	13.4	268	8.5	1.5	86	11.5	42.5	317	9.1	18.3
Total	776	100.0	30.6	3,149	100.0	4.0	749	100.0	3.5	3,500	100.0	11.1

## (3) Sales by Equipment in Areas

(Units: 100million yen, %)

	FY2009						FY2010					
	1Q			Full-Year			1Q			Full-Year (Projections)		
	Amount	%	Change	Amount	%	Change	Amount	%	Change	Amount	%	Change
North America	588	75.8	42.2	2,164	68.7	0.1	410	54.7	30.3	2,195	62.7	1.4
Audio Visual Equipment	546	70.3	56.4	1,970	62.5	0.1	331	44.2	39.4	1,879	53.7	4.6
Information Equipment	40	5.2	35.5	185	5.9	6.3	66	8.8	65.0	275	7.8	48.6
Others	2	0.3	33.3	9	0.3	43.8	13	1.7	550.0	41	1.2	355.6
Europe	61	7.9	14.6	305	9.7	16.2	72	9.6	18.3	387	11.1	26.9
Audio Visual Equipment	23	3.0	41.0	125	4.0	40.8	30	4.0	30.4	167	4.8	33.6
Information Equipment	38	4.9	22.6	177	5.6	18.8	42	5.6	10.5	220	6.3	24.3
Others	0	0.0	-	3	0.1	25.0	0	0.0	-	0	0.0	-
Asia and Others	31	4.0	82.4	196	6.2	48.5	67	9.0	116.1	190	5.4	3.1
Audio Visual Equipment	0	0.0	-	18	0.6	-	8	1.1	-	67	1.9	272.2
Information Equipment	28	3.6	100.0	168	5.3	37.7	58	7.7	107.1	123	3.5	26.8
Others	3	0.4	0.0	10	0.3	11.1	1	0.2	66.7	0	0.0	-
Japan	96	12.3	3.8	484	15.4	30.5	200	26.7	109.2	728	20.8	50.4
Audio Visual Equipment	37	4.8	27.6	222	7.1	80.5	123	16.4	232.4	452	12.9	103.6
Information Equipment	3	0.4	-	16	0.5	220.0	5	0.7	66.7	0	0.0	-
Others	56	7.1	11.1	246	7.8	1.7	72	9.6	28.6	276	7.9	12.2
Total	776	100.0	30.6	3,149	100.0	4.0	749	100.0	3.5	3,500	100.0	11.1



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

( Company )

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