

**Second Quarter (April-September) Consolidated Financial Summary**  
**for the Period Ending March 2009**

	Current Year Second Quarter 〔 From April 1, 2008 To September 30, 2008 〕		Previous Year Second Quarter 〔 From April 1, 2007 To September 30, 2007 〕		% increase or decrease from the same period of the previous consolidated fiscal year
	Amount	Percent	Amount	Percent	
	Million yen	%	Million yen	%	%
Net Sales	144,659	100.0	156,317	100.0	7.5
Operating Income	4,320	3.0	2,069	1.3	108.8
Ordinary Income	5,992	4.1	5,053	3.2	18.6
Net Income before Taxes and Other Adjustments	4,546	3.1	3,681	2.4	23.5
Net Income after tax	4,736	3.3	4,245	2.7	
Net Income /Loss after Tax	12,102	8.4	4,245	2.7	
Net Income/Loss per Share	354.97		124.52		

For the purpose of comparison the Net Income/Loss after Tax before the deduction of Income taxes for 16.8 billion yen for prior periods is recorded.

Supplementary tax assessment based on rectification notice to Funai Electric Co., Ltd. for anti-tax haven system in HK for 16.8 billion yen for the period of March 2005 to March 2007 was posted as a cost of income taxes for prior periods in 1Q consolidated income statement of FY2008.

Notes:

Includes 13 consolidated subsidiaries and 2 affiliated companies accounted for by the equity method.

## Financial Report for the 6-Month Period ended September 30, 2008

November 12, 2008

Listed company name: Funai Electric Co., Ltd. Securities Code: 6839 Tokyo Stock Exchange  
and Osaka Securities Exchange, First Sections

(URL <http://www.funai.jp/>)

Inquiries: Representative's position and name President and CEO Tomonori Hayashi

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Scheduled date of Submission of Quarterly Report ; November 13,2008

## 1. Second Quarter Consolidated Results for the Period Ending March 2009 (April 1, 2008 – September 30, 2008)

## (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 FY2008	144,659	-	4,320	-	5,992	-	12,102	-
2 <sup>nd</sup> Quarter FY2007	156,317	4.2	2,069	80.0	5,053	58.9	4,245	-

	Net Income Per Share	Net Income Per Share on a Fully Diluted Basis
	Yen	Yen
2 <sup>nd</sup> Quarter FY2008	354.97	-
2 <sup>nd</sup> Quarter FY2007	124.52	-

## (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 FY2008	244,460	146,345	59.6	4,275.73
Fiscal Year 2007	224,415	158,356	70.3	4,630.58

(Reference) Shareholders' Equity

2<sup>nd</sup> Quarter FY2008 ended September 30, 2008 145,772million yen

Fiscal Year 2007 ended March 31, 2008 157,871 million yen

## 2. Dividends

Corresponding Period	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 2007	-	0.00	-	50.00	50.00
Fiscal Year 2008	-	0.00			
Fiscal Year 2008 (Projection)			-	50.00	50.00

## 3. Forecast of Consolidated Results for the Full Year (April 1, 2008 - March 31, 2009)

(% 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	340,000	22.7	6,000	-	8,000	-	11,400	-	334.38

Note:

Revision of Forecast of Consolidated Results for the Six month period and the Full Year in this 2<sup>nd</sup>Quarter;

No.

#### 4. Other Information

(1) Changes in Consolidated Subsidiaries (Changes in Scope of Consolidation): Yes

Add:P&F USA Inc.

(2) Application of simplified accounting procedure and use of unique accounting procedure for preparation of financial statements covering consolidated accounting for fiscal 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: Please refer to “Qualitative Information and Financial Statements”.

(4) Number of Shares Outstanding (Ordinary Shares)

(1)Number of shares outstanding (including treasury stock) as of September 30, 2008; 36,104,196shares  
as of March 31, 2008; 36,104,196shares

(2)Number of shares of treasury stock as of September 30, 2008; 2,011,092shares  
as of March 31, 2008; 2,011,003shares

(3)The Average number in the quarter of outstanding shares on September 30, 2008; 34,093,138shares  
on September 30, 2007; 34,093,510shares

#### 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.

## **Qualitative Information and Financial Statements**

### **1. Qualitative information relating to consolidated business performance**

During the first half of the consolidated fiscal year (April 1, 2008 to September 30, 2008), the global economy was seriously affected as the turmoil and restructuring of financial institutions, sharp drop in stock prices, and large fluctuations in exchange rates, which originated in the subprime loan problem caused by the collapse of the housing bubble in the United States, spread to other countries. Personal consumption also was affected substantially and was extremely sluggish. The construction and real estate sectors suffered in Japan as well, although the effects were less severe than in Europe and the United States. Because of a slowdown in exports to the United States and other factors, Japan's economy entered a recession, and personal consumption slowed under the impact of rising prices for food products and energy as wages stagnated.

In Japan's home electrical appliances industry, the competitive environment was severe, as the product cycle characteristic of digital-related products has grown shorter and prices have continued to fall. During the first half, demand continued to climb for LCD televisions, a growth product, but the rate of growth slowed amid concerns over the negative affects of the economic deceleration in advanced countries, and a difficult business environment continued as price competition intensified as well.

Given such conditions, the Funai Group saw sales of existing key products such as CRT TVs, DVD-related products and printers in the information equipment segment decline substantially compared with the same period of the previous year. On the other hand, the Company worked to expand sales centered on Blue-ray Disc players and television set-top boxes (devices to convert digital signals into analog signals, enabling viewers to watch terrestrial digital broadcasting on traditional analog televisions) for the U.S. market, which will terminate terrestrial analog broadcasting in February 2009. In addition, the Company concluded a basic pact with global appliance manufacturer Royal Philips Electronics (Philips) in April 2008 for a brand licensing agreement to sell that company's consumer LCD televisions in North America, and established P&F USA, Inc., a sales company to conduct this business, in June, and began selling Philips brand LCD televisions.

As a result, net sales for the first half of the consolidated fiscal year were JPY144,659 million.

The status for individual products indicates that in the audio-visual equipment category, sales for video and cathode ray tube television sets fell as the market size contracted significantly, as did sales of DVD-related products, which are experiencing a turning point in terms of demand in the North American market. On the other hand, in addition to Blu-ray Disc players and set-top box products for television sets in the U.S. market, sales of Philips-brand products in North America under our brand licensing agreement contributed to stronger LCD television sales, and as a result net sales of audio-visual equipment rose to JPY103,739 million.

For information equipment, sales of digital still cameras increased as a recovery was seen in orders from OEM partners, but net sales for our printers fell under the influence of a review implemented by OEM partners in response to the fiercely competitive environment. As a result, net sales of information equipment were JPY27,754 million.

Net sales of receivers and other related electronic devices were JPY13,165 million.

With regard to earnings, operating income was JPY4,320 million, reflecting the contribution from sales of television set-top boxes and Blu-ray Disc players, and ordinary income was JPY5,992 million. The net loss for the first half was JPY12,102 million, reflecting in part the recognition of JPY16,838 million as "income taxes for prior periods" in conjunction with a revision of accounting treatment based on application of the taxation system concerning tax havens.

## **2. Qualitative information relating to consolidated financial position**

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

Assets increased by JPY20,045 million compared with the end of the previous consolidated fiscal year. This primarily reflected a decrease in cash and deposits of JPY17,977 million, and an increase in trade notes and accounts receivable of JPY15,442 million and an increase of JPY33,276 million in inventories.

Liabilities increased by JPY32,056 million compared with the end of the previous consolidated fiscal year. This mainly reflected an increase in trade notes and accounts payable of JPY26,915 million.

Net assets fell by JPY12,010 million compared with the end of the previous consolidated fiscal year. The primary factor for this decline was a decrease of JPY14,502 million in retained earnings.

## **3. Qualitative information relating to consolidated performance forecasts**

Funai Electric Co., Ltd. has not revised its consolidated operating results forecast released on June 16, 2008.

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. 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 fluctuation in product prices.

## **4. 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)

From the current 2<sup>nd</sup> quarter P&F,USA Inc.(100% subsidiary) is added as a consolidated subsidiary.

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

a. 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).

b. 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) Changes to general rules and procedures, as well as denotation methods for accounting relating to the preparation of consolidated financial statements for the fiscal quarter

• Changes relating to items concerning accounting procedure standards

a. The "Accounting Standard for Statements of Fiscal Quarters" (Accounting Standard No. 12 of the

Financial Accounting Standards Foundation) and the “Guidelines for Accounting Standards relating to Statements of Fiscal Quarters” (Guideline No. 14 of the Financial Accounting Standards Foundation) have been applied beginning with the current consolidated fiscal year. Furthermore, our consolidated quarterly financial statements have been prepared according to the “Rules for Consolidated Statements of Fiscal Quarters”.

b. Inventory assets

In the past, we calculated the values of inventory assets maintained for the purpose of ordinary sales primarily according to the cost accounting method based on the periodic average method. Starting from this first quarter of the consolidated accounting period, the “Accounting Standards for Evaluation of Inventory Assets” (Accounting Standard No. 9 of the Financial Accounting Standards Foundation; July 5, 2006) became applicable, and calculations have since been conducted primarily using the cost accounting method based on the periodic average method (with regard to the values entered on the balance sheet, the book value cut down method based on the reduction in profitability).

This has little effect on profit and loss.

c. Application of “Handling of Accounting Procedure for Preparing Consolidated Financial Statements of Overseas Subsidiaries in the Foreseeable Future”

The necessary amendments have been implemented for consolidated accounting by the application of the “Handling of Accounting Procedure for Preparing Consolidated Financial Statements of Overseas Subsidiaries in the Foreseeable Future” (Practical Guide No. 18 of Financial Accounting Standards Foundation; May 17, 2006) beginning from the first quarter of this fiscal term.

This has little effect on profit and loss.

d. Application of accounting standards relating to leasing transactions

In the past, accounting procedures based on the method relating to leasing transactions had been used for financing and leasing transactions that involved the transfer of ownership. Since the “Accounting Standard for Leasing Transactions” (Accounting Standard No. 13 of the Financial Accounting Standards Foundation; June 17, 1993, as amended on March 30, 2007 by the First Committee of the Business Accounting Council) and the “Practical Guide for Accounting Standards relating to Leasing Transactions (Practical Guidelines on Accounting Standards for Lease Transactions No. 16 of the Financial Accounting Standards Foundation; January 18, 1994 as amended on March 30, 2007 by the Accounting System Committee of the Japanese Institute of Certified Public Accountants) became applicable to the fiscal quarter for consolidated financial statements of consolidated fiscal years from April 1, 2008, these accounting standards have been applied and accounting has been conducted using accounting procedures for ordinary sales transactions (except for those leasing transactions involving the transfer of ownership that started prior to the commencement of the application of lease accounting standards, for which the method relating to leasing transactions continues to be implemented in accounting procedures).

Furthermore, a fixed amount depreciation method is used for calculating the depreciation and amortization of the leasing inventory relating to financing and leasing transactions that involve the transfer of ownership, with the leasing term set as service years and the balance of value diminishing to zero.

This has no effect on profit and loss.

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

a. 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. We intend to continue asserting the validity of our position to the court in the future.

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.

b. 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. This is due to their decision that our subsidiary in Hong Kong did not satisfy the conditions that would exclude it from application of the Anti-Tax Haven Law. We feel that this corrective action is both unfortunate and unacceptable, particularly as it was ordered while the previously implemented corrective action based on the application of the Anti-Tax Haven Law (dated June 28, 2005), is currently still being deliberated in the Osaka District Court. We therefore applied for an assessment by the Administrative Review Office of the Osaka Regional Taxation Bureau on August 6, 2008.

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 this tax system will be made according to the condition of overseas subsidiaries at the time their individual fiscal years are completed, we can only offer reference figures on this matter. The impact from the tax system in question on the income generated by our subsidiary in Hong Kong, for the fiscal years following the fiscal year currently being investigated, is estimated to be about JPY700 million, which includes the corporate, residential, and business taxes for the fiscal term ending March 2008. This resulted from a calculation that deducted the

amount of dividends we received from our subsidiary in Hong Kong from the applicable income for the period. Due to the aforementioned reason, however, the accounting procedure for the figure relating to this effect has not yet been conducted.



## **5. Consolidated Financial Statements**

(1).Consolidated quarterly balance sheets

(Mil. Yen)

	2nd Quarter FY2008 (As of September 30, 2008)	Fiscal year 2007 (As of March 31, 2008)
<b>ASSETS;</b>		
Current Assets		
Cash and deposits	50,096	68,074
Notes and accounts receivable-trade	42,283	26,841
Merchandise and finished goods	55,721	21,123
Work in process	1,996	1,292
Raw materials and supplies	10,644	12,668
Other	9,097	17,407
Allowance for doubtful accounts	115	286
Total current assets	169,724	147,122
Noncurrent assets		
Property, plant and equipment	15,802	16,772
Intangible assets	5,656	6,222
Investments and other assets		
Long-term loans receivable	41,570	40,819
Other	13,299	14,520
Allowance for doubtful accounts	1,593	1,041
Total investments and other assets	53,277	54,297
Total noncurrent assets	74,735	77,293
<b>TOTAL ASSETS</b>	<b>244,460</b>	<b>224,415</b>
<b>LIABILITIES;</b>		
Current Liabilities		
Notes and accounts payable-trade	52,726	25,811
Short-term loans payable	21,365	13,213
Income taxes payable	538	4,642
Provision	958	1,189
Other	19,130	15,642
Total current liabilities	94,720	60,499
Noncurrent liabilities		
Provision	2,388	2,484
Other	1,006	3,075
Total noncurrent liabilities	3,394	5,559
<b>TOTAL LIABILITIES</b>	<b>98,115</b>	<b>66,058</b>

(Mil. Yen)

	2nd Quarter FY2008 (As of September 30, 2008)	Fiscal year 2007 (As of March 31, 2008)
NET ASSETS;		
Shareholders' equity		
Capital stock	31,280	31,280
Capital surplus	33,245	33,245
Retained earnings	115,310	129,812
Treasury stock	24,339	24,339
Total shareholders' equity	155,496	169,998
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	400	63
Foreign currency translation adjustment	9,322	12,063
Total valuation and translation adjustments	9,723	12,127
Minority interests	572	485
TOTAL NET ASSET	146,345	158,356
TOTAL LIABILITIES AND NET ASSETS	244,460	224,415

(2).Consolidated quarterly statements of income  
(Cumulative 2nd quarter from April 1 to September 30,2008)

(Million yen)

	2nd Quarter FY2008 ( from April 1, 2008 to September 30, 2008 )
Net sales	144,659
Cost of sales	117,043
Gross profit	27,615
Selling, general and administrative expenses	23,294
Operating income	4,320
Non-operating income	
Interest income	1,785
Dividends income	42
Foreign exchange gains	164
Other	432
Total non-operating income	2,424
Non-operating expenses	
Interest expenses	174
Equity in losses of affiliates	121
Other	455
Total non-operating expenses	751
Ordinary income	5,992
Extraordinary income	
Gain on prior period adjustment	357
Gain on sales of noncurrent assets	6
Other	109
Total extraordinary income	474
Extraordinary loss	
Loss on disposal of noncurrent assets	41
Special sales promotion	850
Liquidation loss on affiliated company	656
Other	372
Total extraordinary loss	1,921
Income before income taxes and minority interests	4,546
Income taxes	277
Income taxes for prior periods	16,838
Total income taxes	16,561
Minority interests in income	87
Net income	12,102

## (3).Consolidated quarterly statements of cash flows

(Million yen)

	2nd Quarter FY2008
	( from April 1, 2008 to September 30, 2008 )
<hr/>	
Net cash provided by (used in) operating activities	
Income before income taxes and minority interests	4,546
Depreciation and amortization	2,470
Increase(decrease) in allowance for doubtful accounts	375
Increase(decrease)in provision for retirement benefits	82
Interest and dividends income	1,827
Interest expenses	174
Equity in (earnings) losses of affiliates	121
Loss (gain) on sales of property, plant and equipment	30
Loss (gain) on sales of investment securities	26
Loss (gain) on valuation of investment securities	45
Evaluation loss of affiliated company's equity	327
Decrease (increase) in notes and accounts receivable-trade	15,834
Decrease (increase) in inventories	33,765
Increase (decrease) in notes and accounts payable-trade	28,140
Other, net	11,640
Subtotal	<u>3,663</u>
Interest and dividends income received	1,660
Interest expenses paid	170
Income taxes paid	4,445
Prior year's taxes paid	16,838
Net cash provided by (used in) operating activities	<u>23,457</u>
Net cash provided by (used in) investment activities	
Payments into time deposits	19,781
Repayments from time deposits	12,379
Purchase of property, plant and equipment	1,446
Proceeds from sales of property, plant and equipment	617
Purchase of intangible assets	139
Purchase of investment securities	245
Proceeds from sales of investment securities	1,137
Other, net	44
Net cash provided by (used in) investment activities	<u>7,522</u>
Net cash provided by (used in) financing activities	
Net increase (decrease) in short-term loans payable	7,954
Repayment of long-term loans payable	1,086
Cash dividends paid	1,704
Other, net	10
Net cash provided by (used in) financing activities	<u>5,153</u>
Effect of exchange rate change on cash and cash equivalents	<u>198</u>
Net increase (decrease) in cash and cash equivalents	<u>25,628</u>
Cash and cash equivalents at beginning of period	<u>57,100</u>
Cash and cash equivalents at end of period	<u>31,471</u>

(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

Current Second Quarter (April 1, 2008 – September 30, 2008)

(Units: Million Yen)

	Japan	N. America	Asia	Europe	Total	Elimination	Consolidated
Net Sales							
Sales to outside customers	62,281	74,814	322	7,239	144,659	-	144,659
Inter-segment sales	80,974	13	113,397	14	194,399	(194,399)	-
Total	143,256	74,828	113,720	7,253	339,058	(194,399)	144,659
Operating Income and Losses( )	1,814	1,666	3,607	1,644	5,443	(1,123)	4,320

c; Overseas sales

Current Second Quarter (April 1, 2008 - September 30, 2008)

(Units:Million Yen)

	N. America	Asia	Europe	Other	Total
Overseas sales	100,026	4,138	19,506	3,052	126,723
Consolidated sales					144,659
Ratio of overseas sales to consolidated sales (%)	69.1	2.9	13.5	2.1	87.6

## Reference Previous 2Q Consolidated Financial Statements

(1) Previous second Quarter consolidated statements of income (April1,2007-September30,2007)

(Unit:million yen)

	Previous 2Q (from April 1,2007 to September30,2007)
	Amount
Net sales	156,317
Cost of sales	130,876
Selling, general and administrative expenses	23,371
Operating income	2,069
Non-operating income:	
Interest income	2,924
Exchange gain	452
Others	188
Non-operating income	3,565
Non-operating expenses:	
Interest expenses	312
Investment loss on equity method	37
Others	230
Non-operating expenses	581
Ordinary income	5,053
Extraordinary income	
Profit on sales of investment securities	343
Others	4
Extraordinary income	347
Extraordinary losses	
Allowance for liquidation loss on affiliated company transfer	942
Others	777
Extraordinary losses	1,720
Income before income taxes	3,681
Corporate income taxes,inhabitant taxes and enterprise taxes	7,178
Income tax adjustments	733
Minority shareholder's interests	14
Net income/loss after tax	4,245

## (2).Previous second quarter consolidated statements of cash flows

(April 1,2007 -September 30,2007)

(Million yen)

	Previous 2Q (from April 1, 2007 to September 30, 2007 )
	Amount
1.Net cash provided by (used in) operating activities	
Income before income taxes and minority interests	3,681
Depreciation and amortization	3,401
Increase in allowance for doubtful accounts	81
Decrease in provision for retirement benefits	101
Interest and dividends income	2,979
Interest expenses	312
Equity in losses of affiliates	37
Loss on sales of property,plant and equipment	0
Loss on sales of investment securities	10
Decrease in notes and accounts receivable-trade	3,780
Increase in inventories	2,122
Increase in notes and accounts payable-trade	6,704
Other, net	3,108
Subtotal	8,354
Interest and dividends income received	3,006
Interest expenses paid	305
Income taxes paid	2,219
Net cash provided by (used in) operating activities	8,835
2.Net cash provided by (used in) investment activities	
Payments into time deposits	3,101
Proceeds from sales of property,plant and equipment	53
Purchase of intangible assets	213
Purchase of investment securities	301
Proceeds from sales of investment securities	861
Payments for loan receivables	230
Collection of loan receivables	26
Other, net	112
Net cash provided by (used in) investment activities	3,017
3.Net cash provided by (used in) financing activities	
Net increase (decrease) in short-term loans payable	2,245
Repayment of long-term loans payable	362
Proceeds from issue of stock option	2
Purchase of fractional shares	1
Cash dividends paid	1,875
Other, net	1
Net cash provided by (used in) financing activities	4,482
4.Effect of exchange rate change on cash and cash equivalents	275
5.Net increase (decrease) in cash and cash equivalents	1,610
6.Cash and cashequivalents at beginning of period	83,320
7.Net increase in cash and cash equivalents due to the change of fiscal year end in consolidated subsidiaries	7,284
8.Cash and cash equivalents at eand of period	92,214

### (3) 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, 2007 – September 30, 2007)

(Units:MillionYen)

	Japan	N. America	Asia	Europe	Total	Elimination	Consolidated
Net Sales							
(1)Sales to outside customers	81,831	61,223	1,002	12,259	156,317	-	156,317
(2)Inter-segment sales	59,056	-	115,703	-	174,759	(174,759)	-
Total	140,887	61,223	116,705	12,259	331,077	(174,759)	156,317
Operating expenses	139,560	64,092	114,129	12,520	330,303	(176,055)	154,248
Operating Income and Losses( )	1,327	2,869	2,576	260	774	1,295	2,069

#### c; Overseas sales

Previous Second Quarter (April 1, 2007 – September 30, 2007)

(Units:MillionYen)

	N. America	Asia	Europe	Other	Total
Net Sales	102,340	3,640	28,933	2,527	137,441
Operating expenses					156,317
Ratio of overseas sales to consolidated sales (%)	65.5	2.3	18.5	1.6	87.9



## Detailed Statement of Net Sales by Equipment Type and Region

(Units: Million Yen)

Classification		Current Year Second Quarter From April 1, 2008 To September 30, 2008		Previous Year Second Quarter From April 1, 2007 To September 30, 2007		% increase or decrease from the same period of the previous consolidated fiscal year	
		Amount	Percent	Amount	Percent		Percent
By Equipment Type			%		%	%	
	Audiovisual Equipment	103,739	71.7	98,062	62.7	5.8	
	Information Equipment	27,754	19.2	45,265	29.0	38.7	
	Other Equipment	13,165	9.1	12,989	8.3	1.4	
	Total	144,659	100.0	156,317	100.0	7.5	
By Region			%		%	%	
	Japan	17,935	12.4	18,876	12.1	5.0	
	Export	N. America	100,026	69.1	102,340	65.5	2.3
		Europe	19,506	13.5	28,933	18.5	32.6
		Asia	4,138	2.9	3,640	2.3	13.7
		Other Areas	3,052	2.1	2,527	1.6	20.8
		Subtotal	126,723	87.6	137,441	87.9	7.8
	Total	144,659	100.0	156,317	100.0	7.5	

## (Note) Main Products by Equipment Type

Equipment	Main Products
Audiovisual Equipment	VCRs, DVD Players, DVD Recorders, Televisions, LCD Televisions, Blu-ray Disc Players
Information Equipment	Printers, Digital Still Cameras
Other Equipment	Receiver-Related Electronic Equipment

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

### Fiscal Period Ending March 2009 (Consolidated)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	April - June 2008	July - Sept 2008	Oct - Dec 2008	Jan - March 2009
	Million Yen	Million Yen	Million Yen	Million Yen
Net Sales	59,449	85,209	-	-
Gross Profit	12,336	15,278	-	-
Operating Income	988	3,332	-	-
Ordinary Income	4,448	1,544	-	-
Quarterly Net Income Before Taxes and Other Adjustments	3,967	579	-	-
Quarterly Net Income/Loss	13,779	1,676	-	-
	Yen	Yen	Yen	Yen
Quarterly Net Income per Share	404.16	49.18	- -	- -
Fully Diluted Quarterly Net Income per Share	- -	- -	- -	- -
	Million Yen	Million Yen	Million Yen	Million Yen
Total Assets	227,888	244,460	-	-
Net Assets	147,591	146,345	-	-
	Yen	Yen	Yen	Yen
Net Assets per Share	4,312.60	4,275.73	-	-

### Fiscal Period Ended March 2008 (Consolidated)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	April - June 2007	July - Sept 2007	Oct - Dec 2007	Jan - March 2008
	Million Yen	Million Yen	Million Yen	Million Yen
Net Sales	77,361	78,955	69,572	51,277
Gross Profit	12,640	12,801	10,245	9,611
Operating Income	1,172	896	784	3,690
Ordinary Income	4,480	573	731	5,824
Quarterly Net Income Before Taxes and Other Adjustments	4,463	782	1,066	2,237
Quarterly Net Income/Loss	1,342	5,588	1,221	2,353
	Yen	Yen	Yen	Yen
Quarterly Net Income per Share	39.38	163.90	35.83	69.02
Fully Diluted Quarterly Net Income per Share	- -	- -	- -	- -
	Million Yen	Million Yen	Million Yen	Million Yen
Total Assets	285,315	283,967	255,714	224,415
Net Assets	189,221	176,825	176,876	158,356
	Yen	Yen	Yen	Yen
Net Assets per Share	5,538.48	5,175.32	5,176.88	4,630.58

# 2Q FINANCIAL RESULTS IN CUMULATIVE SUPPLEMENTATION 2008

( from 2008.4.1  
to 2008.9.30 )

	Page
1. Summary of 2Q Financial Statements (Consolidated).....	1
(1) Operating Results, Financial Conditions .....	1
(2) Profitability and Per Share Data etc. ....	1
(3) Capital Expenditures, Depreciation, R&D Expenses .....	1
(4) Cash Flow .....	2
2. Operating Activities(Consolidated).....	2
(1) Sales by Equipment .....	2
(2) Sales by Area in Equipment .....	3
(3) Sales by Equipment in Areas .....	3
3. Summary of 2Q (Jul.-Sep.)Financial Statements(Consolidated)	4
(1) Operating Results	4
(2) Sales by Equipment	4



**FUNAI ELECTRIC CO.,LTD**

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

Operating Results, Financial Conditions

(Units: 100 million yen, %)

	FY2007						FY2008					
	2Q			Full-Year			2Q			Full-Year(Projections)		
	Amount	%	Change	Amount	%	Change	Amount	%	Change	Amount	%	Change
Net Sales	1,563	100.0	4.2	2,771	100.0	30.1	1,446	100.0	7.5	3,400	100.0	22.7
Operating Income	20	1.3	80.0	24	0.9	-	43	3.0	108.8	60	1.8	-
Ordinary Income	50	3.2	58.9	0	0.0	-	59	4.1	18.6	80	2.4	-
Net Income after Tax	42	2.7	-	53	1.9	-	47	3.3	-	58	1.7	-
Net Income/Loss after Tax	42	2.7	-	53	1.9	-	121	8.4	-	114	3.4	-
Total Assets	2,839	-	-	2,244	-	-	2,444	-	-	-	-	-
Net Assets	1,768	-	-	1,583	-	-	1,463	-	-	-	-	-

For the purpose of comparison the Net Income/Loss after Tax before the deduction of Income taxes for 16.8 billion yen for prior periods is recorded.

( ) Yen-Dollars /exchange rate

(Units: Yen / Dollars)

	FY2007		FY2008	
	2Q	Full-Year	2Q	Full-Year(Projections)
Average Rate in each Period	119.19	113.80	106.22	100.00

Profitability and Per Share Data etc.

	FY2007		FY2008	
	2Q	Full-Year	2Q	Full-Year(Projections)
Gross Profit Ratio (%)	16.3	16.3	19.1	16.2
Operating Income Ratio (%)	1.3	0.9	3.0	1.8
Ordinary Income Ratio (%)	3.2	0.0	4.1	2.4
Shareholder's Equity Ratio (%)	62.1	70.3	59.6	-
Net Assets Per share (yen)	5,175.32	4,630.58	4,275.73	-
Net Income Per Share (yen)	124.52	157.71	354.97	334.38
Return On Assets (%)	1.5	2.2	4.6	-
Return On shareholder's Equity (%)	2.3	3.1	7.5	-
Number of Total Employees	2,966	2,628	2,659	-

Capital Expenditures, Depreciation, R&D Expenses

(Units: 100 million yen, %)

	FY2007				FY2008			
	2Q		Full-Year		2Q		Full-Year(Projections)	
	Amount	Change	Amount	Change	Amount	Change	Amount	Change
Capital Expenditures	37	19.4	49	9.3	13	64.9	73	49.0

	FY2007						FY2008					
	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	28	1.8	17.6	48	1.7	32.4	18	1.2	35.7	57	1.7	18.8
R&D	77	4.9	4.1	147	5.3	5.0	67	4.6	13.0	154	4.5	4.8

## CashFlow

(Units:100million yen,%)

	FY2007		FY2008	
	2Q	Full-Year	2Q	Full-Year(Projections)
Cash flows provided by operating activities	88	137	234	-
Income before Income Taxes	36	25	45	-
Depreciation Expenses	34	60	24	-
Others	18	222	303	-
Cash flows used in investing activities	30	94	75	-
Free cash flows	58	231	309	-
Cash flows provided by financing activities	44	81	51	-
Effect of exchange rate changes on cash and cash equivalents	2	21	1	-
Net increase in cash and cash equivalents	88	335	256	-

## 2. Operating Activities (Consolidated)

## Sales by Equipment

(Units:100million yen,%)

	FY2007						FY2008					
	2Q			Full-Year			2Q			Full-Year(Projections)		
	Amount	%	Change	Amount	%	Change	Amount	%	Change	Amount	%	Change
Audio Visual Equipment	981	62.7	2.5	1,841	66.5	33.5	1,037	71.7	5.8	2,623	77.2	42.5
VCRs	25	1.6	39.0	45	1.6	45.1	11	0.8	56.0	20	0.6	55.6
DVD	294	18.8	8.7	524	18.9	40.7	239	16.5	18.7	453	13.3	13.5
BD Players	0	0.0	-	4	0.2	-	76	5.3	-	155	4.6	-
Televisions	141	9.0	51.7	256	9.2	67.4	57	3.9	59.6	90	2.7	64.8
LCD Televisions	450	28.8	95.7	897	32.4	15.6	498	34.4	10.7	1,533	45.1	70.9
PDP Televisions	4	0.2	90.2	2	0.1	97.8	0	0.0	-	0	0.0	-
Projectors	47	3.0	32.9	70	2.5	43.5	0	0.0	-	0	0.0	-
Others	20	1.3	100.0	43	1.6	65.4	156	10.8	680.0	372	10.9	765.1
Information Equipment	452	29.0	7.7	650	23.4	30.3	277	19.2	38.7	484	14.2	25.5
Others	130	8.3	3.8	280	10.1	5.6	132	9.1	1.4	293	8.6	4.6
Total	1,563	100.0	4.2	2,771	100.0	30.1	1,446	100.0	7.5	3,400	100.0	22.7

## Sales by Areas in Equipment

(Units:100million yen,%)

	FY2007						FY2008					
	2Q			Full-Year			2Q			Full-Year(Projections)		
	Amount	%	Change	Amount	%	Change	Amount	%	Change	Amount	%	Change
Audio Visual Equipment	981	62.7	2.5	1,841	66.5	33.5	1,037	71.7	5.8	2,623	77.2	42.5
North America	743	47.5	2.4	1,391	50.2	38.5	869	60.1	17.0	2,221	65.3	59.7
Europe	163	10.4	3.8	288	10.4	15.8	110	7.6	32.5	278	8.2	3.5
Asia and Others	3	0.2	40.0	3	0.1	72.7	0	0.0	-	0	0.0	-
Japan	72	4.6	13.3	159	5.8	3.9	58	4.0	19.4	124	3.7	22.0
Information Equipment	452	29.0	7.7	650	23.4	30.3	277	19.2	38.7	484	14.2	22.5
North America	271	17.4	4.6	403	14.5	16.9	125	8.6	53.9	222	6.5	44.9
Europe	124	7.9	26.2	164	5.9	49.5	82	5.7	33.9	168	4.9	2.4
Asia and Others	56	3.6	11.1	77	2.8	37.4	68	4.7	21.4	92	2.7	19.5
Japan	1	0.1	-	6	0.2	-	2	0.2	100.0	2	0.1	66.7
Others	130	8.3	3.8	280	10.1	5.6	132	9.1	1.4	293	8.6	4.6
Total	1,563	100.0	4.2	2,771	100.0	30.1	1,446	100.0	7.5	3,400	100.0	22.7

## Sales by Equipment in Areas

(Units:100million yen,%)

	FY2007						FY2008					
	2Q			Full-Year			2Q			Full-Year(Projections)		
	Amount	%	Change	Amount	%	Change	Amount	%	Change	Amount	%	Change
North America	1,024	65.5	1.0	1,811	65.3	34.6	1,000	69.1	2.3	2,449	72.0	35.2
Audio Visual Equipment	743	47.5	2.4	1,391	50.2	38.5	869	60.1	17.0	2,221	65.3	59.7
Information Equipment	271	17.4	4.6	403	14.5	16.9	125	8.6	53.9	222	6.5	44.9
Others	10	0.6	23.1	17	0.6	26.1	6	0.4	40.0	6	0.2	64.7
Europe	289	18.5	13.7	456	16.5	32.3	195	13.5	32.6	449	13.2	1.5
Audio Visual Equipment	163	10.4	3.8	288	10.4	15.8	110	7.6	32.5	278	8.2	3.5
Information Equipment	124	7.9	26.2	164	5.9	49.5	82	5.7	33.9	168	4.9	2.4
Others	2	0.2	80.0	4	0.2	33.3	3	0.2	50.0	3	0.1	25.0
Asia and Others	61	3.9	12.9	91	3.3	34.5	72	5.0	18.0	96	2.8	5.5
Audio Visual Equipment	3	0.2	40.0	3	0.1	72.7	0	0.0	-	0	0.0	-
Information Equipment	56	3.6	11.1	77	2.8	37.4	68	4.7	21.4	92	2.7	19.5
Others	2	0.1	0.0	11	0.4	120.0	4	0.3	100.0	4	0.1	63.6
Japan	189	12.1	2.4	413	14.9	7.7	179	12.4	5.0	406	12.0	1.7
Audio Visual Equipment	72	4.6	13.3	159	5.8	3.9	58	4.0	19.4	124	3.7	22.0
Information Equipment	1	0.1	-	6	0.2	-	2	0.2	100.0	2	0.1	66.7
Others	116	7.4	5.5	248	8.9	7.4	119	8.2	2.6	280	8.2	12.9
Total	1,563	100.0	4.2	2,771	100.0	30.1	1,446	100.0	7.5	3,400	100.0	22.7

### 3 . Summary of Second Quarter(Jul.-Sep.)Financial Statements (Consolidated)

#### Operating Results

(Units:100million yen,%)

	FY2007			FY2008		
	2Q			2Q		
	Amount	%	Change	Amount	%	Change
Net Sales	790	100.0	21.4	852	100.0	7.9
Operating Income	9	1.1	88.6	33	3.9	271.9
Net Income	6	0.8	93.7	15	1.8	169.4
Net Income/Loss after Tax	56	7.1	-	16	2.0	-

( ) Yen-Dollars /exchange rate

(Units:Yen / Dollars)

	FY2007		FY2008	
	2Q		2Q	
Average Rate in each Period		116.81		107.01

#### Sales by Equipment

(Units:100million yen,%)

	FY2007			FY2008		
	2Q			2Q		
	Amount	%	Change	Amount	%	Change
Audio Visual Equipment	492	62.3	18.9	620	72.8	26.0
VCRs	12	1.5	55.6	5	0.6	58.3
DVD	141	17.9	26.2	139	16.3	1.4
BD Players	0	0.0	-	55	6.5	-
Televisions	42	5.3	77.5	31	3.6	26.2
LCD Televisions	247	31.3	58.3	299	35.1	21.1
PDP Televisions	4	0.5	77.8	0	0.0	-
Projectors	26	3.3	8.3	0	0.0	-
Others	20	2.5	400.0	91	10.7	355.0
Information Equipment	240	30.4	26.6	170	20.0	29.2
Others	58	7.3	18.3	62	7.2	6.9
Total	790	100.0	21.4	852	100.0	7.9



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

( Company )

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