ANNUAL REPORT

2010

FUNAI

Corporate Philosophy

Better Products

Greater Trust

Co-Existence and Co-Prosperity

Since its establishment, Funai Electric has built considerable trust in the consumer electronics field by providing superior electronic goods with a focus on functionality and by promoting Funai product cost-performance.

Our unique production system, the “FPS (Funai Production System)”, our technical strength in mechatronics and our optimized global production/sales system, in addition to a slim corporate profile and speedy management, are vital management resources that have been nurtured throughout the company’s history. Funai believes that these resources will become our greatest assets as we battle for survival in an increasingly competitive industry.

Funai Electric’s desire is to bring the entire Group together, improve quality, delivery and cost even further, and provide the world with products that meet the demands of the times.

Contents

Financial Highlights

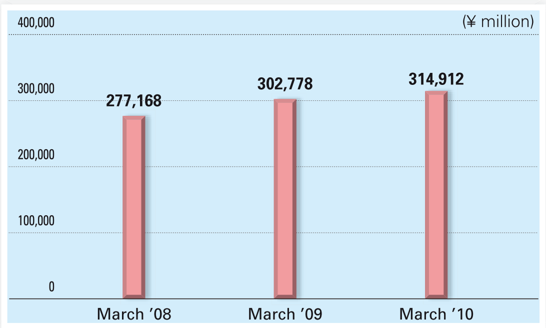
Years ended March 31, 2010 and 2009

FUNAI ELECTRIC CO., LTD. and its Consolidated Subsidiaries

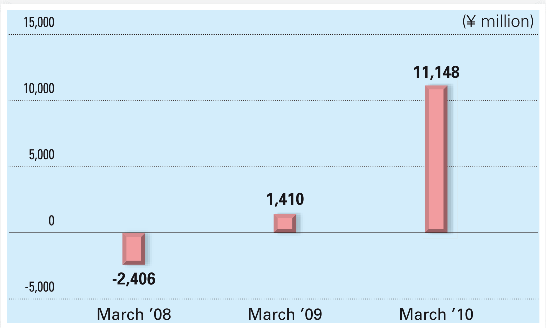
	(Millions of yen)		(Thousands of U.S.dollars)
	2010/3	2009/3	2010/3
Financial Year :			
Net sales	¥ 314,912	¥ 302,778	$ 3,384,695
Operating income	11,148	1,410	119,819
Net income (loss)	10,329	(17,365)	111,017
Per Share (yen and U.S.dollars) :			
Net income (loss)	¥ 302.97	¥ (509.33)	$ 3.26
Cash dividends	40.00	40.00	0.43
End of Financial Year :			
Total equity	¥ 142,780	¥ 135,596	$ 1,534,609
Total assets	204,058	199,883	2,193,229
Number of employees	2,553	2,590	—

Note-1 : The exchange rate of ¥93.04=U.S.$1.00 (as of March 31, 2010 in the Tokyo foreign exchange market) is used for the above calculations.
Note-2 : The figure for total number of employees does not include those employees of outsourced production facilities located in China.

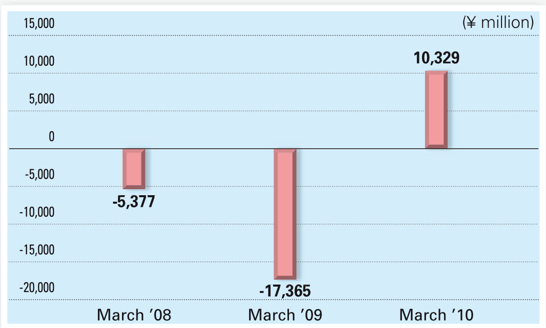
Net sales



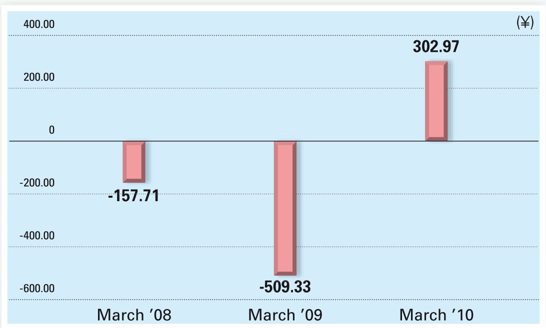
Operating income (loss)



Net income (loss)



Net income (loss) per share



To Our Shareholders

Representative Director
President and CEO
Tomonori Hayashi

The global economy during the current fiscal year (ended March 2010) showed signs of partial recovery as various economic stimulus measures implemented at the country level took hold and emerging markets, especially China, India and Brazil, achieved growth.

Amid this environment, our Television (TV) Division continued to face tough conditions as prices declined and the cost of major components remained high. Despite this, the demand for LCD TV units grew worldwide, and opportunities to expand the business presented themselves, allowing the division to post a profit during the current fiscal year. At the Group level, the aggressive targeting of such opportunities resulted in a 4.0% increase in consolidated net sales as compared to the previous fiscal year. Further, consolidated operating income increased by a massive 690.9% as compared to the previous fiscal year.

Unfortunately, the business environment is expected to remain unpredictable in the future. However, we feel that these turbulent times are exactly the right moment to show our true value. With this in mind, we plan to promote an aggressive management style that harnesses our strengths in "speed" and "cost competitiveness". In addition, we will be transitioning our management structure from a "Company with Committees" to a "Company with a Board of Corporate Auditors" in June 2010 with the aim to build a more efficient management structure and to develop future management leaders from internal resources.

We look forward to receiving your continued understanding and support as we implement our strategies in the future.

July 2010

Representative Director
President and CEO
Tomonori Hayashi

Interview with the President

Management Analysis of the Consolidated Fiscal Year Ended March 2010

Although sales figures did not meet projections, profitability increased as Funai Electric's management framework that emphasizes speed had a positive impact on operating income.

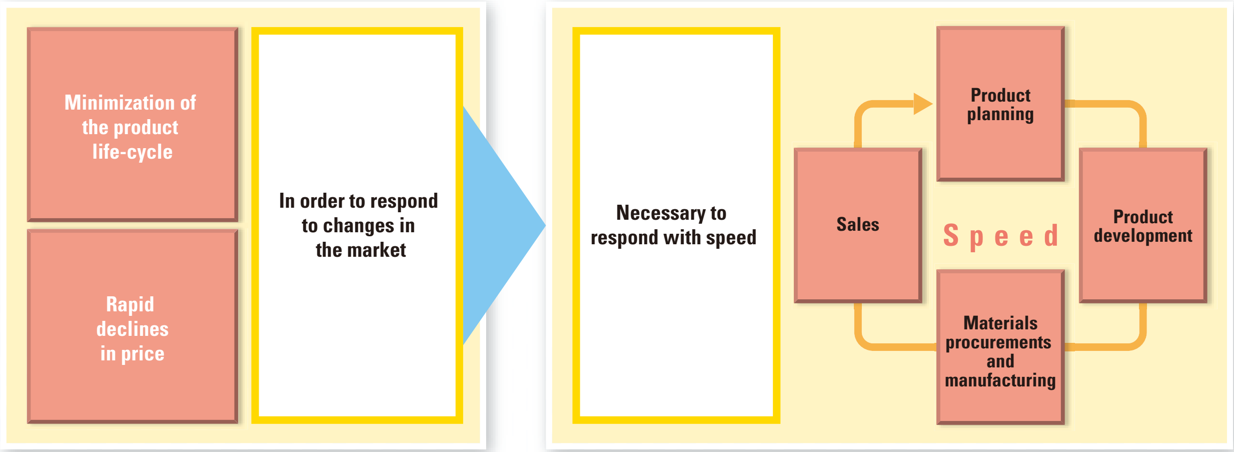
The Funai Electric Group set off on the current fiscal year (ended March 2010) with the objective to redouble its efforts to meet the target figures (net sales of JPY340 billion and operating income of JPY6 billion) that were not achieved in the previous fiscal year (ended March 2009).

In regards to consolidated net sales, the Group posted a figure of JPY167 billion for the first half of the year (April to September 2009), which fell short of the JPY174.5 billion target. This was mainly due to the fact that sales of LCD TV units fell short of the forecasted amount due to supply shortages of certain big-screen panels. For the second half of the year (October 2009 to March 2010), the initial forecasted sales figure of JPY165.5 billion was revised downwards to JPY163 billion as the estimated currency exchange rate was revised from USD1 = JPY95 to USD1 = JPY90. Nevertheless, the Group was only able to post a figure of JPY147.9 billion for the second half of the year as prices declined for LCD TV units and Blu-ray disc Players mainly due to significant competition. As a result of the above, the Group was not able to meet the target figures, and posted a consolidated net sales figure of JPY314.9 billion for the full year.

As for operating income, the Group posted a figure for JPY11.1 billion for the full year. Despite this figure being lower than the JPY12 billion set forth in the revised projections, it easily surpassed the initial forecast of JPY6 billion, indicating that profit conditions are steadily improving. This change can be attributed to a variety of factors including the increase in revenues from LCD TV units in the North American market, as well as the Group's efforts in the areas of management efficiency and cost reductions.

The Group plans to further emphasize "speed" and "cost competitiveness" with the aim to become a company that can continuously generate profits even in tough competitive business environments.

Making products that sell with a focus on speed



Interview with the President

Current Operating Environment and Issues Facing Management

Making products that customers are satisfied with at price points that they can afford in order to beat out the competition and achieve top-line and bottom-line growth.

Although the global economy has escaped from the worst stages of the financial crisis, the timing of a full-fledged recovery remains uncertain. Many consumers in Funai Electric's largest market of North America continue to keep a tight hold of their wallets and remain conservative in their buying habits, searching for good deals.

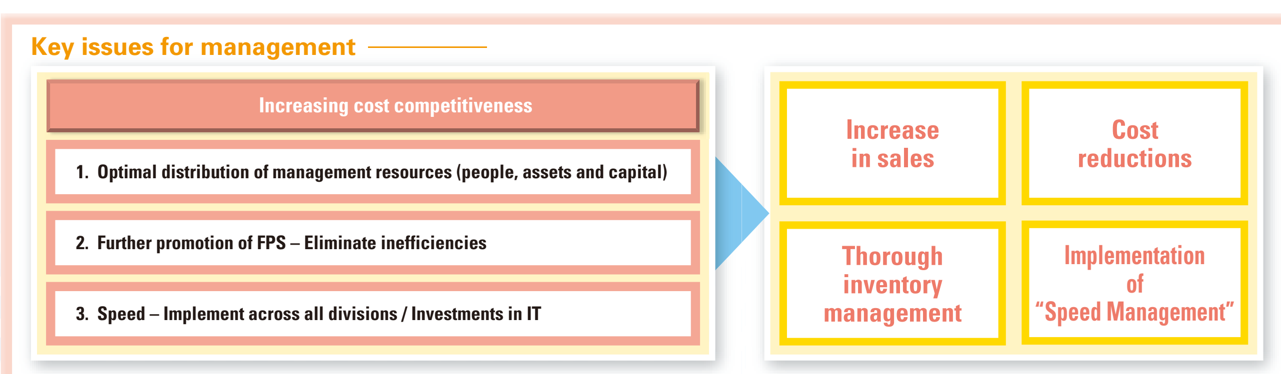
In the consumer electronics industry, competition has become more intense as the digital era has set in. As a result, prices have fallen while the product life-cycle has shortened. Further, the integration of hardware, network and contents has evoked new consumer needs and has resulted in the rapid development of original products that are represented by Internet and 3D enabled products.

At Funai Electric, the management recognizes the need to emphasize speed even more as rivals gear up in this new era of competition. At the same time, the continued application of FPS as well as the integration of IT into all aspects of the business is being carried out with the goal to increase productivity and enhance cost competitiveness.

The Group is also aiming to make products that customers are satisfied with at price points that they can afford. In order to achieve this, a closer level of communication is being developed with vendors to ensure that products that accurately meet market needs are being delivered in a timely manner.

In the field of LCD TV units, which is one of the Group's core products, the procurement of the panel, one of the main components of a LCD TV unit, is a major issue for management. The demand for LCD TV units has increased globally at a faster rate than first imagined, and as a result, we faced a supply shortage of certain big-screen panels during the second half of the current fiscal year. In response, the Group quickly set up a system to procure the component from multiple panel makers, improving the procurement environment. After this event, we became acutely aware that the supply of components for our products is significantly affected by the price of raw materials and demand from emerging markets. To avoid such situations in other product areas, the management is working to improve and enhance the Group's procurement system across all of its product lines in the future.

Finally, we have plans to execute the above strategies without delay to ensure that an increase in net sales and improvements in profitability are achieved.



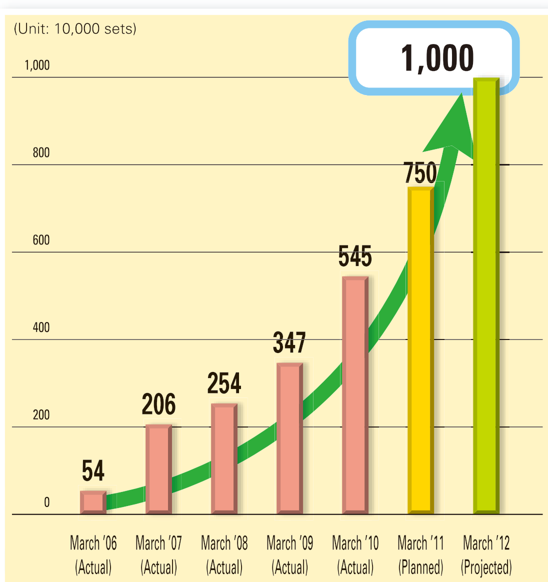
Future Strategy

Achieving sales of 10 million LCD TV units is the most important strategy for the Group to meet our medium-term management objectives.

To marks its 50th anniversary, the Funai Electric has set forth a medium-term management objective of achieving JPY500 billion yen in consolidated net sales and JPY25 billion in operating income (operating profit margin of 5%) by the end of March 2012. With this goal in mind, the Group has formulated the following five strategies:

1. Achieve sales of 10 million LCD TV units
2. Expand the line-up of Blu-ray related products
3. Develop the mechatronics divisions (printers, etc.)
4. Enter new markets and create new business units
5. Foster and recruit talented human resources

Trends in the sale of LCD TVs



Of these five strategies, in order to achieve the goal of selling 10 million LCD TV units, a target of selling 7.5 million units, primarily in the North American market, has been set for the period ending March 2011. We firmly believe that the target of 10 million units is very attainable if sales figures in the existing North American, European and Japan markets improve. Further, the increase in revenues will ensure that profitability levels rise. At the same time, we are actively developing and bringing to market LCD TV units with a variety of features such as LED backlighting, Internet connectivity and 3D compatibility. Further, in the strategically important area of Blu-ray devices, we are starting to enhance the line-up of products by introducing features such as Internet connectivity, 3D compatibility and recording functions. Finally in the field of information devices, we have plans to expand the line-up of products that utilize mechatronics technology where we believe we have a comparative advantage.

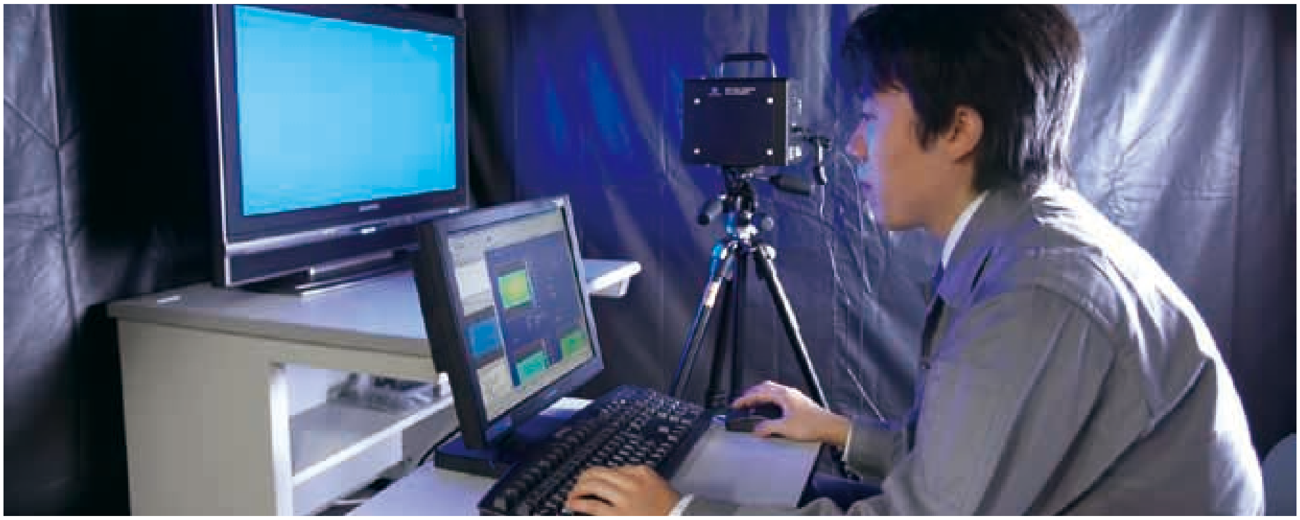
Next, the Funai Electric is looking to enter new markets with a specific focus on the BRICs (Brazil, Russia, India and China) countries in order to diversify the markets that we serve. During the period ending March 2011, the Group is planning to enter the China market and preparations are already being made to ensure that this becomes a reality. The impact of this effort is anticipated to become evident after March 2012.

On the fifth strategy above, we believe that it is essential, particularly in a tough operating environment, to improve the skill sets of every employee and to actively appoint talented staff to posts of larger responsibility. This belief forms the basis of the Group's activities in this area.

Over its approximately 50 years of history, the Group has experienced significant changes in the business environment several times. Every time we face such challenges, the Group has quickly moved to establish new areas of business or open new markets. This historic period of great market turbulence is also seen by the Group as an opportunity to open up new growth paths and to write another page in our corporate history.

To our shareholders and investors, we look forward to receiving your continued support as the management team at Funai Electric engages in these endeavors.

Research and Development



Developing and bringing to market high-quality products offering excellent cost performance in a timely manner, while looking at future markets that combine the AV and IT markets.

With digitalization advancing rapidly on a global scale, there are a lot of signs that a new market is being formed in the consumer electronics industry through a merging of the AV and IT markets. Market needs are becoming more diversified as well. The wave of consumers in developed markets such as Japan, US and Europe switching from analog to digital household consumer appliances is also spreading to the BRICs countries. At the same time, responding to the IT industry's standard specifications regarding the Internet is becoming imperative.

During the current fiscal year, the Group continued to exhibit one of its core strengths; bringing to market high-quality products that offer excellent cost performance and meet market needs in a timely manner. More specifically, new digital TV units and Blu-ray products that feature Internet and home network connectivity were introduced to the market. In regards to the development of optical disk-related technologies, digital image technologies and ultra-high-density display technologies that support the advancement of the Group's core product line-up, investments were made into the continued development of technologies that achieve certain price points and cutting-edge technologies that form the foundation of various brand strategies. Meanwhile, various efforts to develop products that are directly linked to expanding markets and activities to seek out new areas of business are being carried out with one eye always on spotting potential growth markets.

Such research and development activities are being carried out by Funai Electric's R&D Engineering Department and the technology departments located in each of the Group's operating divisions. For the current year, total research and development expenses totaled JPY13,485 million.

Funai Electric is engaged in the manufacturing and sale of consumer electronics. The main research and development activities carried out during the current year are summarized below (not classified by business segment).

Audio and Visual-Related Device Technologies

In optical disk-related devices, as technologies converge in sync with the transition to the next generation of semiconductors for Blu-ray disc players, Funai Electric actively developed ways to commercialize record-and-playback devices, decrease the size of its devices and increase the energy efficiency of its devices. Funai Electric also developed Internet application technologies that are the characteristic of the next generation Profile 2.0 (BD Live) standard.

In TV-related devices, the Group relentlessly worked to develop value-added products with features such as LED backlighting, 3D compatibility, as well as Internet and home network connectivity. Furthermore, the Group continued to pursue cutting-edge technologies that can be applied to new functions that form the basis of various brand strategies as well as enhance the ability to respond to needs of OEM customers. In addition, environmentally-conscious products have also been developed.

Network-Related Technologies

In addition to making a material investment into the development of network infrastructure for home access technologies such as the next-generation cable television platform in the US (Tru2Way) and wireless mobile access technologies for next-generation mobile platforms, Funai Electric also developed access network technologies and devices in this field. In addition, the Group is developing products that directly reflect feedback received from users and industry personnel at the North American CES (Consumer Electronics Show).

New Products

As for wireless network systems, Funai Electric is engaged in the development of wireless device network systems that support both the Wi-Fi and Wi-Max standards. Moreover, preparations to enter the market are being made through such efforts as the testing of terminals at public demonstration events.

Research Institute

Funai Electric manages the Funai Electric Advanced Applied Technology Research Institute Inc. as a laboratory focused on supporting nanotechnology research. At the Institute, researchers look to enhance existing core businesses and intellectual property in areas such as LCD and optimal discs. In addition, researchers are actively developing devices that will form the foundation of products designed for new growth markets such as electronic publishing.

Intellectual Property Strategy

In the digital television sector, Funai Electric is seeking to differentiate itself from other companies by utilizing exclusive rights to specific patents obtained through an alliance with the Thomson Group and the Group's own proprietary patents. Funai Electric is also working to strengthen its personnel and build an organization that is able to strategically pursue efforts to acquire intellectual property and form alliances in order to remain competitive from the standpoint of patent accumulation.

Corporate Governance and CSR Initiatives

The Funai Electric Group operates with the utmost awareness of its corporate social responsibilities (CSR). Taking this to heart, the Company promotes a management approach that always keeps in mind its responsibility towards all stakeholders, both internal and external, ranging from shareholders and customers to vendors, neighboring communities and employees.

Corporate Governance

The Funai Electric Group's basic philosophy on corporate governance is to continuously increase the value of the corporation by:

- **Being transparent to all stakeholders, both internal and external, ranging from shareholders and customers to vendors, neighboring communities and employees;**
- **Ensuring the soundness and efficiency of management; and**
- **Responding to changing operating environments through quick decision making capabilities.**

Based on this philosophy, the Group adopted an executive officer system in 2002, and subsequently transitioned into a "Company with Committees" System in June 2005 with both moves aimed at separating the management and execution functions of its operations. Further, on May 10, 2010, the Board of Directors passed a resolution to change the organizational structure of the Group once again to a "Company with a Board of Corporate Auditors" with the aim to nurture internal management staff and further increase management efficiency. On June 22, 2010, directors and auditors were appointed to each board at the Annual General Shareholders' Meeting.

Board of Directors: As of July 2010, the Funai Electric Group has 12 directors, of whom two are outside directors. By structuring the board in this manner, rapid decision making is achieved because internal directors are well-versed in Group business matters. At the same time, the soundness and transparency of operations is ensured through the independence of the outside directors. As a general rule, scheduled Board of Directors meetings are held once every three months. When necessary, non-scheduled meetings are also held.

Board of Corporate Auditors: As of July 2010, the Funai Electric Group has three corporate auditors, of whom two are outside auditors. The corporate auditors receive monthly audit reports from the audit office. If deemed necessary, the corporate auditors also receive unscheduled results and explanations of internal audits. With this information in hand, the system allows for the corporate auditors to share and exchange ideas and opinions on audit matters.

Executive Officer System: The Funai Electric Group continues to implement an executive officer system to ensure that management decisions can be executed in a timely manner. As of July 2010, there are 19 executive officers, including some of whom are Board of Directors.

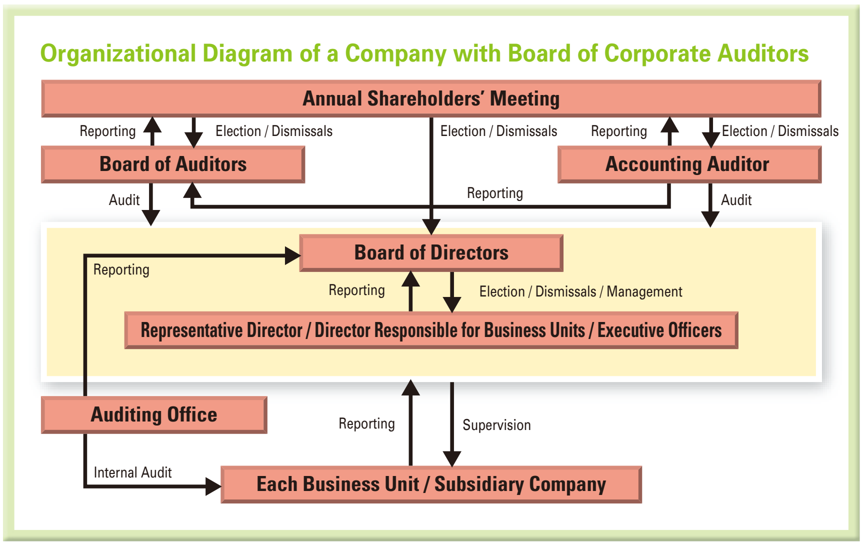
A support system for outside directors and corporate auditors has also been established. Through this system, the administration department sends out reference materials ahead of scheduled Board of Directors of Board of Corporate Auditors meetings. In addition, meeting minutes as well as other necessary information are sent out to those outside directors that were unable to attend the meetings. Further, outside directors and auditors are given the opportunity to meet regularly with the heads of various sections and view internal documents that contain important decision-making matters. In this manner, the system allows outside directors and auditors to sufficiently exhibit their respective management and audit functions.

Remuneration figures for directors are set based on the range approved at the Annual General Shareholders' Meeting. Specific figures for each director and auditor are determined at their respective meetings after much deliberation.

Basic Philosophy on the Internal Control System and Current Conditions of Such System: The Funai Electric Group has established an internal Investment and Loan Committee that deliberates over matters concerning investments and loans that are not discussed at Board of Directors meetings. The council reviews such matters from a holistic corporate standpoint to ensure that sound management judgment is being carried out. In addition, the Funai Electric Group has formulated compliance rules to ensure that the Group's corporate activities are strictly in compliance with not only governmental rules and regulations but also with internal rules and social norms. Internal rules regarding the protection of whistle-blowers have also been formulated.

In regards to risk management, rules have been formulated with the President and CEO of the Group ultimately being held responsible for appropriately understanding and managing risks facing the company. At the same time, the Internal Audit Office validates such risk management activities. As for disclosure related matters, Funai Electric's objective is to create a comprehensive level of information in an accurate manner. With this in mind, a system whereby the General Manager of Administration is responsible for the handling of information has been established. This ensures that decisions or other important matters from each operating division is understood and managed in an integrated manner, and such information is disclosed in a timely fashion. Further, the system works to prevent information leaks and ensures that accurate information is disclosed in a timely manner through IR-related activities.

Finally, full-time auditors sit within the Internal Audit Office. The Office, which confers with the Board of Corporate Auditors, periodically carries out audits of each internal division as well as subsidiary companies. Further, the Board of Corporate Auditors works with the Group's Accounting Auditors to perform audits of core domestic and international subsidiaries, analyzes the results of such audits, and validates important matters that arise.



Information Security Related Activities

In recent years, there is an ever-increasing dependence on information systems for business transactions. With the understanding that it is the Group's duty to stakeholders to ensure information security, Funai Electric worked to create an information security management system. On November 15, 2005, Funai Electric's Information Systems Department received Britain's information security management system certification "BS7799-Part 2:2002" and Japan's equivalent certification, the "Conformity Assessment Scheme for Information Security Management Systems (Ver.2.0)."

Additionally, to further enhance its information security management systems, efforts were made by the Information Systems Department to simultaneously receive the international information security management system standard "ISO/IEC 27001:2005" and the domestic standard, "JISQ 27001:2006", thus allowing the Group to transition to the most up-to-date standards. Further, the Group passed the examinations to expand the scope of application of both standards in November 2008, and obtained certification for its entire Information Systems Department and all of the Personnel and Administration Department.

Such efforts to improve information security will continue to be made in the future by the Group as the safeguarding of such information becomes even more important.

Environmental Protection Activities

The Funai Electric Group acknowledges the issue of the global environment as an important management topic and has established an Office of Environmental Affairs within the Head Office in order to take action in response to environmental issues. At the same time, the Group is working towards the acquisition of ISO14001 certification (an international standard for an environmental management system), with many of the Group's facilities in and outside of Japan becoming certified in recent years.

In addition, the Group carries out activities that aim to protect the global environment through compliance with the Environmental Charter. As part of these activities, efforts are being made to increase the percentage of materials recycled to comply with the Home Appliance Recycling Law. Other activities being carried out include the promotion of "Green Procurement" that gives priority to suppliers that provide eco-friendly parts, materials and products, the pursuit of reduced power consumption and zero emissions of industrial waste from company locations, efforts to achieve greater energy efficiency in all products, and the voluntarily elimination of harmful toxic substances contained in products.

The Funai Electric Group's Environmental Charter

Basic Philosophy

The Group's slogan is "to make better products, build greater trust, and establish a more meaningful coexistence with society". With this in mind, the Funai Electric Group is delivering on a promise to implement business activities that consider environmental consequences with the understanding that every single employee is responsible for protecting the environment. The Group is also working to realize coexistence between nature and society by providing simple, high quality products to customers, that efficiently use resources, eliminates waste, and minimizes the environmental load.

Environmental Policies

1. Ensure management compliance (statutory compliance).
2. Voluntarily eliminate toxic substances from products and develop environmentally-friendly products.
3. Establish design targets with environmental considerations and provide eco-friendly products.
4. Promote improvement activities to achieve zero emissions.
5. Establish environmental targets and achieve continuous improvement through periodic reviews of such targets.
6. Educate all employees about the environmental matters and steadily work to improve environmental conditions.

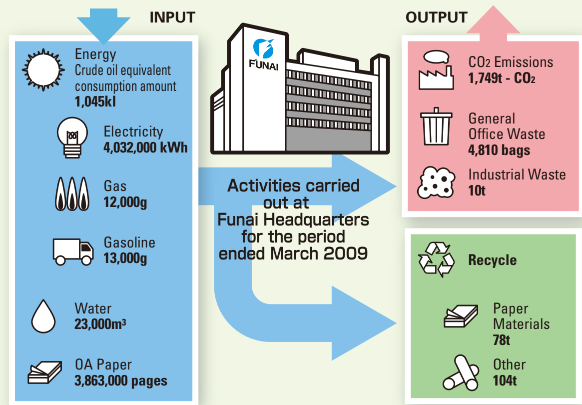
The Funai Electric Group engages in environmental protection activities from both the standpoint of facilities and products. Such efforts are summarized in the annual "Environmental Report" that is provided to the public on a continuing basis. Within the Group, the ISO14001 Promotion Committee drives such activities at the facility level and the Products Environmental Committee drives such activities at the product level.

Activities at the Facility Level: The Funai Electric Group engages in various environmental protection activities at the facility level including efforts to use resources and energy in the most efficient manner possible, reduce waste, and increase the rate of recycling. In order to monitor such efforts, the Group measures and analyzes input levels for resources and energy, output levels of waste, and the amounts of waste that are recycled. During the fiscal year ended March 2009, the recycling activities that were introduced (e.g. recycling of Styrofoam and metal wastes) helped the Group considerably reduce its output of industrial waste.

In addition, the Group participates in the "Team Minus 6%" initiative that aims to cut carbon dioxide (CO_2) emissions. More specifically, work is being carried out to reduce the consumption of

electricity (the main consumption factor) as well as gas, gasoline, water, and printing paper. As part of these activities, the Group participates in the test trials of E3 Gasoline (Gasoline that contains 3% bioethanol) that are being carried out by Osaka Prefecture.

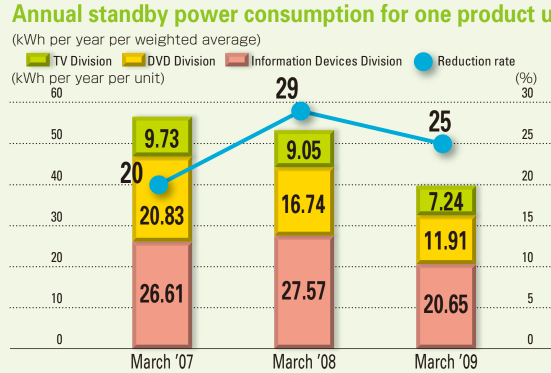
Activities at places of business



Activities at the Product Level: The Funai Electric Group's design philosophy takes environmental protection into account with the aim to satisfy customers. The Group's Products Environmental Committee is responsible for promoting environmentally-friendly product design across all divisions. In recent years, work has been carried out to design various eco-friendly products including simple, lightweight products that reduce the use of resources, products with reduced power consumption levels that enable customers to contribute towards the prevention of global warming, slim products that increase space efficiency during transport thus reducing its environmental load, and products without harmful toxic substances that lowers the potential for environmental pollution in the product life-cycle. Moreover, a Product Environmental Seminar is held every month by the Committee in order to ensure that employees are trained and educated on matters concerning environmental protection.


During a product-related environmental training session

Annual standby power consumption for one product unit



Social Programs

Through the awareness and involvement of its employees, the Funai Electric Group is engaged in developing a cooperative environment with its surrounding communities and actively participates in social activities. For example, Osaka Prefecture has requested its various municipalities to cultivate rape blossoms with the aim to produce bio-diesel from the raw material, prevent global warming and at the same time achieve the efficient use of agricultural land. The Group participates in these efforts through the cultivation of rape blossoms at Nakagaito-hama Koen in collaboration with educational institutions in the area.


Cultivation activities of rape blossoms (for biodiesel fuel)

In addition, employees participate in the annual Clean-Walk held by Daito City (formerly known as Clean Day) which contributes towards the beautification of the city area.


Participation in regional beautification and cleaning activities

Management Discussion and Analysis

FUNAI ELECTRIC CO., LTD. and its Consolidated Subsidiaries

Basic Management Policy

The Funai Electric Group's corporate motto is to "create better products", "earn greater trust" and "co-exist and co-prosper with society". The Group's business philosophy, which is based on this motto, is to establish the most efficient development, production and sales system, and supply the global markets with high quality, appropriately priced products in a stable manner in order to build a greater level of trust and achieve mutual prosperity with stakeholders.

Management Performance Measurement Index

The Funai Electric Group places a highest level of importance on operating margins as its main management performance measurement index. For the medium-term, the target for the Group is to achieve a 5% operating margin.

Basic Policy Concerning Profit Distribution

The Funai Electric Group is fully aware that providing returns to shareholders is one of the most important issues that management faces. With this in mind, the Group's basic policy on profit distribution is to maintain a stable dividend level while ensuring the operating basis of the Group is continuously strengthened. The basic measurement which is used to track the policy is the Dividend-to-Consolidated Net Assets Ratio with the current target figure being set at 1.0%. Based on this target, the Group plans to implement an aggressive dividend policy while taking into consideration the operating environment facing the business.

Based upon the aforementioned policy, the year-end dividend for the period ended March 2010 was set at JPY40 per share (annual dividend of JPY40 per share).

Regarding retained earnings, we will further strengthen the constitution of management by appropriating Company financial resources to maintain future stable shareholders profits and develop Funai's medium to longterm business strategies.

Medium-Term Management Strategies and Issues to be Addressed

In the consumer electronics industry, collaborations between IT firms and contents developers, as well as collaborations between hardware and software providers have resulted in the rapid development of products that evoke new consumer needs. The Funai Electric Group recognizes that is must also respond to this new era of competition by adding a speed component to its new product development activities and its stable of unique strengths including the "setting attainable price points", "maintaining a slim corporate structure" and "the implementation of FPS".

Given such an environment, the following are the issues that must be addressed in order to increase the corporate value of the Group as well as the countermeasures that are being considered to tackle such issues.

Increase Net Sales and Improve Profitability

The most important issue facing the Funai Electric Group is to find a way to increase net sales and improve profitability.

Product Strategy:

In regards to the audio-visual devices category, LCD TV units during the current year saw uplift in sales primarily in the North American markets. This allowed the Group to return to an operating profit as compared to a loss posted in the previous year. Despite this positive turn of events, it will be necessary to develop and bring to market new LCD TV units that come with features such as LED backlighting, 3D readiness and Internet connectivity that are anticipated rise in popularity quickly in the near future. As for Blu-ray disc-related devices, the Group introduced Internet-ready Blu-ray disc players and recorders to the market during the current year. The future strategy is to introduce an even deeper product line-up in this area by adding such products as 3D-ready players and portable players, with the aim to expand sales of such devices. Finally, in the information devices category, the Group is aiming to increase sales of devices in this area through the provision of not only the traditional line-up of products but also products that have high added value to OEM customers. More specifically, the Group plans to develop more products that utilize mechatronics in this product category as it is an area of specialization.

LCD TV

Market Strategy:

In regards to markets, the Group believes that it is necessary to expand sales globally while reducing its overdependence on the US market (which is the largest source of sales of the Group) and the impact of the annual drop-off period that is seen in January and February. In order to achieve this, the European and Japanese markets must be further developed, while entry into emerging markets such as the BRICs must be achieved. At the same time, the manufacturing and sales structure of the Group must also be standardized. In line with this plan, the Group is currently preparing to enter the China market with one of its core products, the LCD TV unit.

Channel Strategy:

The Group believes that it is necessary to improve customer satisfaction by accurately understanding market needs. This will be achieved by developing a closer level of communication with important existing customers as well as new customers. The Group is also planning to launch Internet sales in the North American market with the aim to increase customer coverage in this important market.

Brand Strategy:

In the audio-visual devices category, it is more important than ever to focus on the positioning of the four brands in the North American market (i.e. SYLVANIA, Emerson, PHILIPS and MAGNAVOX) and the Funai brand in Europe as the Group plans to build on the comparative dominance of its existing product line-up and also challenge competitors with the development of new products. Another important issue is the manner in which the brand is positioned in markets such as Japan where the Group plans to boost sales, and China where the Group plans to enter in the near future.

Supply Products in a Timely Manner by Accurately Responding to Market Needs

In order to realize the goal of "Making Products that Sell at Affordable Price Points", the Funai Electric Group must aim to speed up every step of the product development process from product planning, development, raw materials procurement, production, and sales while also reducing costs at each stage of the cycle. This can be achieved by having a closer level of communication with customers and at the same time applying IT to more parts of the Group in order to minimize the time-lag between operating divisions. Taking such measures will enable the Group to supply products that accurately meet markets needs in a timely basis.

Foster Human Resources and Appoint Personnel to Positions of Responsibility

The Funai Electric Group recognizes that measures to improve employee skill levels and linking such efforts to the strengthening of the organization are critical if medium to long-term business strategies are to be executed properly, and if the Group wants to beat out the competition in this new age of global competition. With this in mind, the Group's policy is to actively foster its human resources, regardless of whether they are inexperienced or mid-career, and appoint personnel to positions of responsibility. One plan for achieving this is by enhancing and strengthening the internal and external training systems established by the Group.

Business Performance

Business Environment:

The uncertain business environment in the Group's main US market continued during the current year as unemployment rates remained high despite an increase in part-time and temporary employment, and a full-fledged recovery of the housing market did not become evident. However, as a result of the large-scale fiscal support policy introduced by the US government, signs of improvement in certain economic indicators including capital investments and personal consumption were seen at the start of 2010. Further, almost all concerns regarding a further bottoming out of the economy were eliminated and hints of an economic recovery became apparent. In the consumer electronics industry, the demand for LCD TV units, a core product for the Group, significantly increased not only in the major existing markets of Japan, US and Europe but also in China where there marked economic growth was seen. On the other hand, the price of such products continued to decline and the cost of the LCD panel, the main component of a LCD TV unit, hovered at high levels. In the future, the Group anticipates a shift in the business environment as popularity for LCD TV units with new features such as LED backlighting and 3D readiness will rapidly grow when they are introduced to the market.

Net Sales:

Net Sales for the current year totaled JPY314,912 million, a 4.0% increase from the previous year. This was mainly due to growth in sales of LCD TV units and Blu-ray disc-related devices, as well as an increase in OEM orders for printers.

Operating Income:

As part of its efforts to increase its competitive edge, the Group continued to look for ways to reduce selling, general and administrative expenses. At the same time, the Group worked to thoroughly implement inventory management and made progress in improving productivity through the further implementation of FPS. In addition, the increase in revenues from LCD TV units in the North American market significantly contributed to improved profitability during the current year. As a result, the Group posted operating income of JPY11,148 million for the current year, a 690.9% increase from the previous year.

Net Income:

In the previous year, the Group posted a net loss of JPY17,365 million after it was forced to record a JPY16,838 million expense for prior period income taxes relating to claims made by authorities under the Anti-Tax Haven Law. For the current year, no such extraordinary amount needed to be recorded. Further, the improvement in operating income led to the Group posting a net income amount of JPY10,329 million for the current year.

Performance by Product Category

Audio-Visual Devices

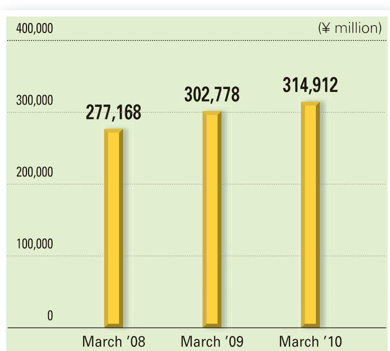
Main Product Line-Up:

In this product category, the Funai Electric Group engages in the development and sales of LCD TV units and DVD-related devices. In the area of DVD-related devices, progress is being made to enhance the Group’s product line-up in the areas of DVD players, DVD recorders and Blu-ray disc players. In the area of LCD TV units, the Group boasts a broad line-up of sizes that range from 19” to 52” to ensure that it is able to meet a wide spectrum of customer needs. In addition, other market needs are met through the introduction of unique LCD TV “combo” models that come equipped with a built-in DVD player.

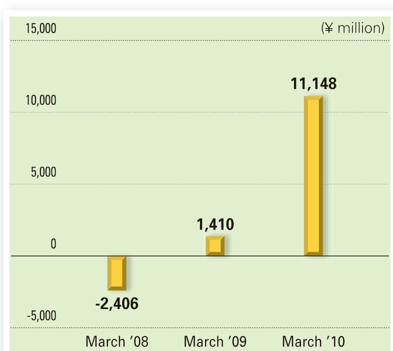
Current Year Performance:

As competition increases and consumption cools off in the LCD TV market, prices for such products have continued to fall. Despite this, sales in the North American market showed growth during the current period. In the DVD-related devices sub-category, sales of Blu-ray disc-related devices, an area where

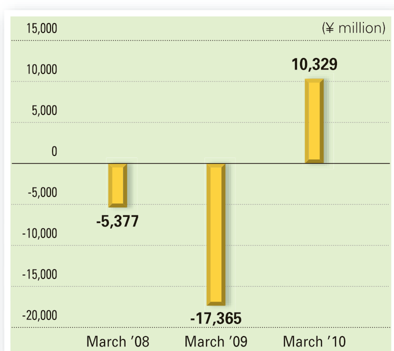
Net sales



Operating income (loss)



Net income (loss)




Blu-ray Disc Player


HDD/VCR/Blue-ray Disc Recorder


Home Theater System

the Group sees significant potential, showed signs of growth. However, in overall terms, sales in this sub-category fell as sales for TV set-top boxes for the US market declined mainly because production was halted for this product in June 2009. As a result, sales for the Audio-Visual Devices category as a whole during the current year increased by 1.3% from the previous year to finish at JPY233,528 million.

Information-Related Devices

Main Product Line-Up:

In this product category, the Funai Electric Group's main products are ink-jet printers and laser printers.

Current Year Performance:

No digital still camera sales were recorded during the current year as orders were not received from OEM customers. On the other hand, growth in printer sales was achieved as the orders from OEM customers increased. As a result, sales for the Information-Related Devices category as a whole during the current year increased by 21.4% from the previous year to finish at JPY54,629 million.

Other Products

Sales of other products during the current year fell by 1.5% as compared to the previous year to finish at JPY26,755 million.

Performance by Region

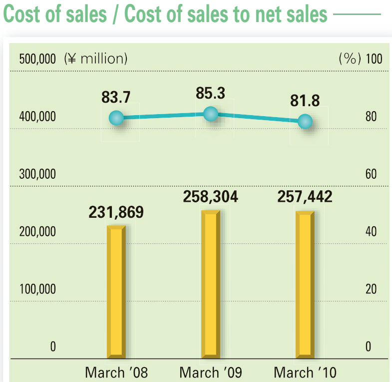
Progress by Region:

In the Group's main North American market, efforts are being made to strategically develop the LCD TV business through the four trusted brands (SYLVANIA, Emerson, PHILIPS, and MAGNAVOX) that are being currently in the market. In Europe as well, the Group proceeded to build on its relationship with power retailers such as France's Carrefour, the largest retain chain store in the region, and Germany's Metro AG. In addition, the Group's Germany-based sales subsidiary was integrated into FUNAI ELECTRIC EUROPE Sp.z o.o., its Poland-based manufacturing subsidiary. Through such efforts, the organization is readying itself for future sales expansion in the region. In the future, an even broader global sales network will be established by the Group as it adds relationships in China into the mix.

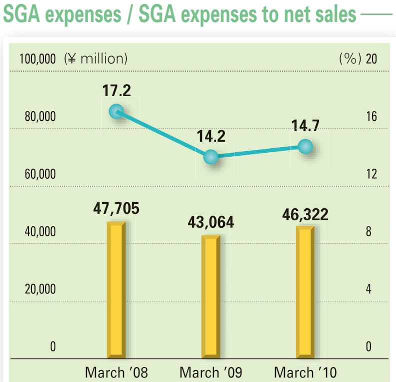
Results for the Current Fiscal Year:

In the North American market, sales of TV set-top boxes declined while sales of LCD TV units increased. As a result, net sales from this market for the current year increased by 0.1% from the previous year to finish at JPY216,454 million. Further, in the current year, net sales in the Japan market increased by 30.5% from the previous year to finish at JPY48,380 million, the Asia (ex Japan) market increased by 28.2% from the previous year to finish at JPY8,822 million, and other markets increased by 70.5% from the previous year to finish at JPY10,766 million. On the other hand, sales of core LCD TV units and DVD-related devices fell in

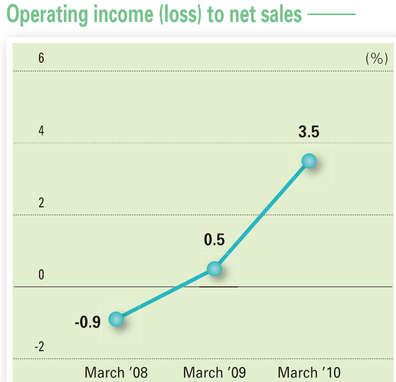
Cost of sales / Cost of sales to net sales



SGA expenses / SGA expenses to net sales



Operating income (loss) to net sales



Management Discussion and Analysis

FUNAI ELECTRIC CO., LTD. and its Consolidated Subsidiaries

the European market, leading to net sales in the region decreasing by 16.2% from the previous year to finish at JPY30,490 million.

Financial Condition

Assets:

Current assets at the end of the current year totaled JPY167,156 million, a JPY3,447 million increase from the end of the previous year. This was primarily due to a JPY7,740 million increase in inventories compared to the end of the previous year. In addition, property, plant and equipment fell by JPY372 million from the end of the previous year to total JPY15,654 million at the end of the current year. Meanwhile, investments and other assets rose by JPY1,100 million compared to the end of the previous year to total JPY21,248 million at the end of the current year. As a result of the above factors, total assets increased by JPY4,175 million compared to the end of the previous year to total JPY204,058 million.

Liabilities:

Current liabilities at the end of the current year totaled JPY56,208 million, a JPY4,175 million decrease from the end of the previous year. This was mainly due to a JPY5,713 decrease in short-term bank loans countering the effects of a JPY3,148 million increase in trade accounts payable as a result of a recovery in sales. Long-term liabilities at the end of the current year totaled JPY5,070 million, a JPY1,166 million increase from the end of the previous year. As a result of the above factors, total liabilities fell by JPY3,009 million from the end of the previous year to total JPY61,278 million for the current year.

Equity:

Total equity at the end of the current year totaled JPY142,780 million, an increase of JPY7,184 million compared to the previous year. This was primarily because retained earnings increased by JPY9,225 million from the end of the previous year while foreign currency translation adjustments fell by JPY2,937 million from the end of the previous year.

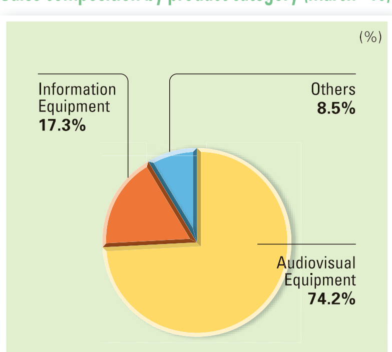
Cash Flow

Net cash provided by operating activities totaled JPY3,640 million for the current year. More specifically, trade accounts receivable and inventory increased by JPY7,103 and JPY8,587 million, respectively, while a JPY10,878 million amount was posted for income before taxes and minority interests and JPY5,757 million was used for depreciation and amortization.

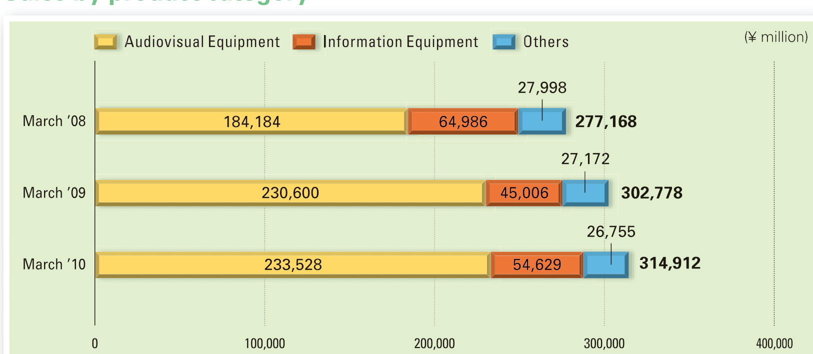
Net cash used in investing activities totaled JPY2,714 million for the current year, as the JPY100,157 million proceed from time deposits was offset by a JPY98,887 million payment for time deposits and a JPY3,547 million outlay associated with purchases of property, plant and equipment.

Net cash used in financing activities totaled JPY7,871 million for the current year. A decrease in short-term bank loans in the amount of JPY6,280 million, a JPY700 million repayment of long-term debt and JPY1,364 million used for paying dividends

Sales composition by product category (March '10)



Sales by product category



contributed to this figure.

As a result of the above factors, the balance of cash and cash equivalents at the end of the current year totaled JPY34,063 million, a JPY6,117 million decrease compared to the end of the previous year.

Capital Investment

Capital investment by the Funai Group in the current period totaled 4,309 million yen, a 704 million yen decrease compared with the previous period. Capital investments by manufacturing companies totaled 2,908 million yen, while sales companies invested 1,400 million yen. This capital investment was mainly for the expansion of production facilities. During the current year Funai did not dispose of or sell any important facilities.

Business Risk

Risks that may have a significant impact on the Group's financial situation and operating results are outlined below. Forward-looking statements in this text are based on decisions made by the Group as of June 22, 2010.

The Funai Group's management policy

The Group has adopted a policy of providing high-quality, low cost products to consumers based upon optimized production and sales systems on a global scale. We manufacture and sell our principal products, such as audio-visual equipment (DVD-related products, LCD TVs, etc.) and information equipment (printers, etc.), in addition to other products (receiver-related electronic equipment).

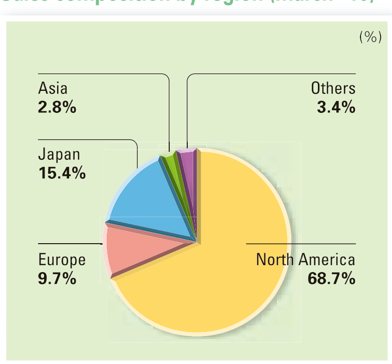
Price competition in these product areas is intense. Additionally, the lifecycle of digital products is short and the competition to develop new technologies and functions is also intensifying. Accordingly, these factors may affect the Group's financial situation and operating results.

1. Product cost and market prices

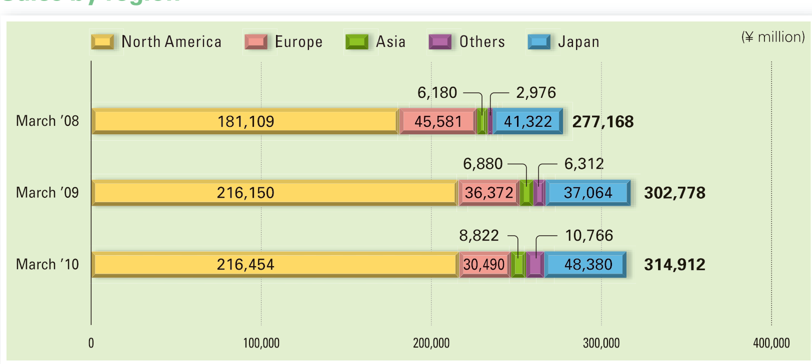
The Group's primary target is customers of mass merchandisers such as Wal-Mart and therefore we must deliver low prices. Consequently the Group is working to cut costs through measures such as establishing production systems in optimal locations, pursuing further application of FPS (Funai Production System), the unique productivity improvement system developed by Funai, and utilizing internal production of parts and centralized purchasing.

However, competition in the home electronic appliance industry is intense and when the cost of parts and raw materials rise, cost pressures may affect the Group's financial situation and operating results regardless of the fact that we have implemented these measures.

Sales composition by region (March '10)



Sales by region



Management Discussion and Analysis

FUNAI ELECTRIC CO., LTD. and its Consolidated Subsidiaries

2. Product supply through OEM (Producing partner brands)

As part of the effort to create collaborations with distributors and electronic appliance manufacturers, particularly overseas, OEMs accounted for 26.0% of the Group's production supply in the current consolidated fiscal year.

While our OEM strategy is to efficiently increase our market share and improve productivity through mass production, entrusting the sales strategy to our partners may also result in unforeseen changes. Additionally, individual OEM contracts are relatively short in duration and Funai must be able to accurately respond to the needs of our partners. We must strengthen our OEM strategy and, at the same time, strengthen marketing in order to complement that strategy from a long-term perspective, and create a proposal-based sales strategy through the establishment of the Funai brand. However, the progress of these measures may affect the Group's financial situation and operating results.

3. New technologies

As the number of digital products in the home electronic appliance industry increases and the needs of the market become more diverse, Funai must improve the quality, volume and speed of its new product development.

The Group must be able to respond to such issues and we will improve our technical capabilities, primarily in the digital product area, by collaborating with other companies, industry and academia, and through personnel training. We also will consider mergers and acquisitions among our options. However, a diversification of market needs or technological innovation beyond our expectations may affect the Group's financial situation and operating results.

4. Defects Relating to Products and Services

The Group efforts to increase quality are centered on the departments that are responsible for quality management and technologies. In addition, a service platform consisting of service companies in both domestic and international markets has been established. However, if there is a defect in a product that requires the Group to respond by repairing or replacing such product, the impact of the warranty and/or the resultant decrease in corporate reputation may have negative implications for the Group's financial situation and operating results.

The effects of overseas market trends

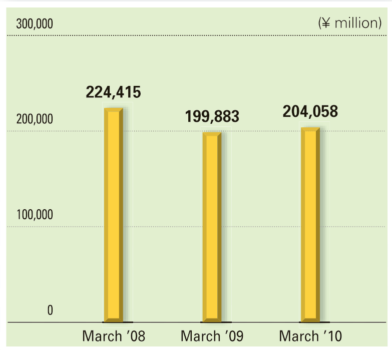
Dependence on the North American market

A large portion of the Group's net sales originates in overseas markets. The North American market in particular accounted for 68.7% of net sales in the current consolidated fiscal year. Should the North American economy rapidly enter a recession, this may affect the Group's financial situation and operating results.

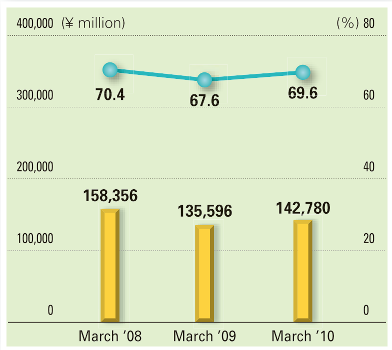
Dependence on Chinese production

The Group is working to improve the cost competitiveness of its products by concentrating production in positive cost-benefit regions and purchasing parts in bulk. In the current consolidated fiscal year 99.0% of our products were produced overseas, with 81.9% produced under consignment fabrication in China. Changes in the Chinese government, the outbreak of conflict or

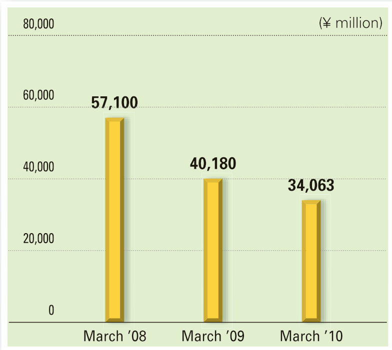
Total assets



Total Equity / Shareholders' equity ratio



Cash and cash equivalents at the end of year



natural disasters or other unforeseen circumstances may affect the Group's financial situation and operating results.

Foreign currency risk

The Funai Group selects production sites for its principal products after giving consideration to optimal production sites and sales systems.

DVD-related products, LCD TVs, and printers are produced at Funai Electric (Hong Kong) Ltd., LCD TVs and DVD-related products are produced at FUNAI ELECTRIC EUROPE Sp.z o.o., and LCD TVs are produced at Funai (Thailand) Co., Ltd.

Funai purchases products from these production subsidiaries and sells them in overseas markets, particularly North America, either through Funai's overseas sales subsidiaries or through direct sales to OEM supply partners. Domestic sales are also conducted through direct sales and sales subsidiaries.

Purchases from these three overseas production subsidiaries accounted for 78.7% of gross purchases during the current consolidated fiscal year. Likewise, overseas net sales accounted for 84.6% of net sales. The majority of our purchasing and sales are conducted in US dollars. We believe this reduces the risks that accompany currency fluctuations.

However, it is impossible to completely eliminate foreign currency risk, and large currency fluctuations may affect the Group's financial situation and operating results.

Tax assessment based upon the anti-tax haven system

Information concerning the supplementary tax assessment based on application of the anti-tax haven system for the current period is provided below. There is a possibility this assessment will affect the Group's financial situation and operating results if the assertions made by Funai are not recognized as a result of legal procedures.

1. Funai received a rectification notice from the Osaka Regional Taxation Bureau on June 28, 2005. The Bureau determined that Funai's Hong Kong subsidiary does not meet the requirements for exclusion under the anti-tax haven system and the Hong Kong subsidiary's income for the three fiscal years from March 2002 through March 2004 will be considered, and taxed as, Funai's income. Funai objected to this supplementary tax assessment, and filed a petition seeking a review of the decision with the Osaka Regional Tax Tribunal on July 25, 2006, and filed a suit in the Osaka District Court on November 16, 2006 to overturn the supplementary tax assessment order.

On July 3, 2008, Funai received the written ruling of the Osaka Regional Tax Tribunal stating it will dismiss the Company's assertion. Funai believes this judgment is indeed regrettable and is not a ruling to which it can agree. Currently, Funai is asserting the validity of its arguments to the tribunal.

The additional tax of 16,651 million yen (19,184 million yen including incidental taxes) includes corporate, enterprise and residence taxes. Because the "Accounting Practices, Disclosure and Audit Treatment for Various Taxes" (Japanese Institute of Certified Public Accountants, Auditing and Assurance Practice Committee, Audit Committee Report No. 63) was revised on March 8, 2007 and the accounting treatment for supplementary tax assessments was clarified in writing, Funai charged the tax assessment to income as "prior year's taxes" in the fiscal year ended March 31, 2007.

2. Funai received a rectification notice from the Osaka Regional Taxation Bureau on June 16, 2008. The Bureau determined that Funai's Hong Kong subsidiary does not meet the requirements for exclusion under the anti-tax haven system and the Hong Kong subsidiary's income for the three fiscal years from March 2005 through March 2007 will be considered, and taxed as Funai's income.

Funai strongly objects to the submission of another claim and for this reason submitted an appeals application to the Osaka Regional Taxation Bureau's Board of Tax Appeals on August 6, 2008. In addition, Funai filed a request to the Osaka District Court for the rescission of the supplementary tax assessment order on November 14, 2008. On July 23, 2009, Funai received a written ruling from the Osaka Regional Taxation Bureau stating it will dismiss the Company's assertion. Funai believes this judgment is regrettable and is not a ruling to which it can agree. In the future, the Group plans to continue to assert the validity of its arguments to the courts. Currently, the Osaka District Court is reviewing both the current request made on November 14, 2008 along with the previous one filed on November 16, 2006.

The additional tax of 15,038 million yen (16,838 million yen including incidental taxes) includes corporate, enterprise and residence taxes. Funai charged the tax assessment to income as "prior year's taxes" in the fiscal year ended March 2009.

Global Network / Directory

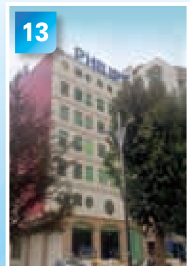
Places of Business, Research Center
TOKYO BRANCH (JAPAN)
FUNAI TOKYO TECHNOLOGY CENTER (JAPAN)
FUNAI ELECTRIC ADVANCED APPLIED TECHNOLOGY RESEARCH INSTITUTE INC.

Manufacturing Subsidiaries
CHUGOKU FUNAI ELECTRIC CO., LTD. (JAPAN)
FUNAI ELECTRIC (H.K.) LTD. (HONG KONG)
Consignment manufacturing plants
DONG GUAN PLANT1,2,3 (CHINA)
HUANG JIANG PLANT (CHINA)
ZHONG SHAN PLANT 1 (CHINA)
ZHONG SHAN PLANT 2 (CHINA)
H.F.T. INDUSTRIAL LTD. (HONG KONG)
FUNAI (THAILAND) CO., LTD. (THAILAND)
FUNAI ELECTRIC EUROPE Sp.z o.o.

Sales Subsidiaries
DX ANTENNA CO., LTD. (JAPAN)
FUNAI CORPORATION, INC. (U.S.A)
P&F USA, Inc. (U.S.A)
P&F MEXICANA, S.A. DE C.V. (MEXICO)

Development Subsidiary
FUNAI ELECTRIC ADVANCED APPLIED TECHNOLOGY RESEARCH INSTITUTE INC. (JAPAN)

Affiliated Subsidiary
FUNAI SERVICE CO., LTD. (JAPAN)
FUNAI SERVICE CORPORATION (U.S.A)



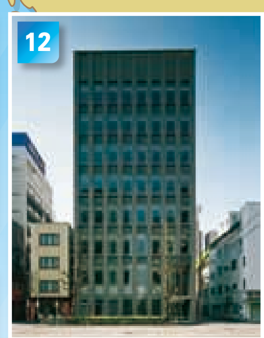
P&F MEXICANA, S.A. DE C.V. (MEXICO)

FUNAI SERVICE CORPORATION (U.S.A)

P&F USA, Inc. (U.S.A)

Funai Corporation, Inc. (U.S.A)

Funai Electric Co., Ltd. Head Office (Japan)



Funai Electric Co., Ltd. Tokyo Branch (Japan)

Chugoku Funai Electric Co., Ltd. (Japan)

A total of three companies in Japan and eleven overseas are included in the Funai Group's consolidated business results for March 2010 period. In addition, the Group has one oversea affiliate that is accounted for by the equity method. Funai Electric Co., Ltd. is mainly responsible for the intangible aspects of the Group's operations (development, design, etc) while the subsidiaries undertake the tangible aspects (production, sales, etc).

Funai's manufacturing operations are characterized by global procurement and a global production system. The company currently operates manufacturing facilities in three countries: China, Thailand and Poland. In China, production of our leading digital devices is shared among the Dong Guan, Huang Jiang and Zhong Shan plants. Production of LCD TVs in Thailand is handled by Funai (Thailand) Co., Ltd., which was established in July 2003. To provide a base to achieve sales growth in Europe, which is the world's largest LCD television market, we established Funai Electric (Polska) Sp.z o.o. in Poland in October 2006. In 2009, the Germany-based sales subsidiary of the Group was integrated into the FUNAI ELECTRIC (POLSKA) Sp.z o.o. and in July 2010, this entity was renamed FUNAI ELECTRIC EUROPE Sp.z o.o. Overall, the Group employs 2,553 individuals (as of March 31, 2010).

Funai's well-established global sales system consists of the overseas subsidiaries Funai Corporation Inc. (USA), P&F USA, Inc., FUNAI ELECTRIC EUROPE Sp.z o.o. and DX Antenna Co., Ltd. (Japan). Additionally, FUNAI SERVICE CORPORATION was established as a service company in October 2007 in order to strengthen the sales system within the US and is under the direct control of Funai Electric Co., Ltd. Domestic sales system has been integrated into DX Antenna since the transfer of business from Funai Sales Co., Ltd. to the company.

Members of the Board and Corporate Auditors and Officers

as of June 22, 2010

Members of the Board

Tetsuro Funai ··········· Chairman

Tomonori Hayashi ····· Representative Director
President and CEO

Takashi Kiyomoto ······ Director
Senior Executive Officer

Hideo Nakai ············· Director
Senior Executive Officer

Shinji Seki ··············· Director
Executive Officer

Toshio Otaku ············ Director
Executive Officer

Yoshikazu Uemura ····· Director
Officer

Jyoji Okada ·············· Director
Officer

Hideaki Funakoshi ····· Director
Officer

Shigeki Saji ·············· Director
Officer

Mitsuo Yonemoto ······ Director

Yasuhisa Katsuta ······· Director

Corporate Auditors

Akitaka Inoue ················· Corporate Auditor

Shinichi Komeda ·············· Corporate Auditor

Masahide Morimoto ·········· Corporate Auditor

Officers

Masahiko Naito ··············· Officer

Fumiaki Kidera ················ Officer

Nobuhisa Uchikawa ·········· Officer

Kenji Sakata ···················· Officer

Susumu Nojii ··················· Officer

Kazuo Uga ······················· Officer

Takeshi Ito ······················ Officer

Hisao Tatsumi ················· Officer

Katsumi Hino ·················· Officer

Financial Statements

FUNAI ELECTRIC CO., LTD. and its Consolidated Subsidiaries

Contents

Consolidated Balance Sheets

FUNAI ELECTRIC CO., LTD. and Consolidated Subsidiaries

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	March 31,		March 31,
ASSETS	2010	2009	2010
CURRENT ASSETS:			
Cash and cash equivalents (Note 12)	¥ 34,063	¥ 40,180	$ 366,111
Short-term investments (Note 12)	51,982	56,323	558,706
Receivables:			
Trade (Note 12)	35,154	28,845	377,837
Other	942	2,409	10,125
Inventories (Note 3)	38,418	30,678	412,919
Deferred tax assets (Note 9)	4,131	2,763	44,400
Prepaid expenses and other current assets	2,645	2,784	28,429
Allowance for doubtful receivables	(179)	(273)	(1,923)
Total current assets	167,156	163,709	1,796,604
PROPERTY, PLANT AND EQUIPMENT:			
Land	5,181	5,194	55,686
Buildings and structures	13,870	13,370	149,076
Machinery, equipment and other	55,519	55,249	596,721
Lease assets (Note 11)	537	295	5,772
Construction in progress	25	484	269
Total	75,132	74,592	807,524
Accumulated depreciation	(59,478)	(58,566)	(639,274)
Net property, plant and equipment	15,654	16,026	168,250
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 4 and 12)	4,064	3,424	43,680
Investments in and advances to unconsolidated subsidiaries and associated companies	2,238	2,610	24,054
Patents	3,666	4,328	39,402
Long-term loans	248	218	2,666
Deferred tax assets (Note 9)	4,804	4,329	51,634
Other assets	6,228	5,239	66,939
Total investments and other assets	21,248	20,148	228,375
TOTAL	¥ 204,058	¥ 199,883	$ 2,193,229

See notes to consolidated financial statements.

	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
	March 31,		*March 31,*
LIABILITIES AND EQUITY	2010	2009	*2010*
CURRENT LIABILITIES:			
Short-term bank loans (Note 5 and 12)	¥ 5,806	¥ 11,519	*$ 62,403*
Current portion of long-term debt (Note 5 ,11 and 12)	695	1,512	*7,470*
Payables:			
Trade (Note 12)	31,305	28,157	*336,468*
Other	11,035	12,132	*118,605*
Income taxes payable	1,799	1,624	*19,336*
Other current liabilities	5,568	5,439	*59,845*
Total current liabilities	56,208	60,383	*604,127*
LONG-TERM LIABILITIES:			
Long-term debt (Note 5 ,11 and 12)	954	945	*10,254*
Liability for retirement benefits (Note 6)	2,429	2,343	*26,107*
Deferred tax liabilities (Note 9)	22	27	*236*
Other	1,665	589	*17,896*
Total long-term liabilities	5,070	3,904	*54,493*
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 9 and 11)			
EQUITY (Notes 7, 8 and 14):			
Common stock, authorized, 80,000,000 shares; issued, 36,104,196 shares in 2010 and 2009	31,280	31,280	*336,199*
Capital surplus	33,245	33,245	*357,319*
Stock acquisition rights	62	18	*666*
Retained earnings	119,273	110,048	*1,281,955*
Unrealized gain (loss) on available-for-sale securities	471	(99)	*5,062*
Foreign currency translation adjustments	(17,936)	(14,999)	*(192,776)*
Treasury stock – at cost 2,011,531 shares in 2010 and 2,011,321 shares in 2009 respectively	(24,341)	(24,340)	*(261,619)*
Total	142,054	135,153	*1,526,806*
Minority interests	726	443	*7,803*
Total equity	142,780	135,596	*1,534,609*
TOTAL	¥ 204,058	¥ 199,883	*$ 2,193,229*

See notes to consolidated financial statements.

Consolidated Statements of Operations

FUNAI ELECTRIC CO., LTD. and Consolidated Subsidiaries

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	Years Ended March 31,		Years Ended March 31,
	2010	2009	2010
NET SALES	¥ 314,912	¥ 302,778	$ 3,384,695
COST OF SALES (Note 10)	257,442	258,304	2,767,004
Gross profit	57,470	44,474	617,691
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 10)	46,322	43,064	497,872
Operating income	11,148	1,410	119,819
OTHER INCOME (EXPENSES):			
Interest and dividend income	690	3,439	7,416
Interest expense	(84)	(351)	(903)
Foreign exchange loss, net	(103)	(2,893)	(1,107)
Provision for doubtful receivables	(1)	(94)	(11)
Loss on impairment of investment securities	(10)	(3,087)	(107)
Loss on liquidation of an associated company	(14)	(644)	(150)
Gain on sales of investment securities ,net	88	26	946
Other – net	(836)	(1,069)	(8,986)
Other income (expenses) – net	(270)	(4,673)	(2,902)
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	10,878	(3,263)	116,917
INCOME TAXES (Note 9):			
Current	2,520	614	27,085
Prior years		16,838	
Deferred	(2,205)	(3,560)	(23,699)
Total income taxes	315	13,892	3,386
MINORITY INTERESTS	(234)	(210)	(2,514)
NET INCOME (LOSS)	¥ 10,329	¥ (17,365)	$ 111,017
	(Yen)		(U.S. Dollars)
PER SHARE OF COMMON STOCK (Notes 2.q and 13):			
Basic net income (loss)	¥ 302.97	¥ (509.33)	$ 3.26
Diluted net income	¥ 300.77		$ 3.23
Cash dividends applicable to the year	¥ 40.00	¥ 40.00	$ 0.43

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

FUNAI ELECTRIC CO., LTD. and Consolidated Subsidiaries

	(Thousands)	(Millions of yen)									
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Unrealized Gain(loss) on Available for-sale Securities	Foreign Currency Trans-lation Adjust-ments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2008	34,093	¥ 31,280	¥ 33,245	¥	¥ 129,813	¥ (64)	¥ (12,064)	¥ (24,339)	¥ 157,871	¥ 485	¥ 158,356
Adjustment of retained earnings due to an adoption of PITF No.18 (Note 2 b)					(695)		122		(573)		(573)
Net loss					(17,365)				(17,365)		(17,365)
Cash dividends, ¥ 50.00 per share					(1,705)				(1,705)		(1,705)
Purchase of treasury stock	(0)							(1)	(1)		(1)
Net change in the year				18		(35)	(3,057)		(3,074)	(42)	(3,116)
BALANCE, MARCH 31, 2009	34,093	31,280	33,245	¥ 18	110,048	(99)	(14,999)	(24,340)	135,153	443	135,596
Net Income					10,329				10,329		10,329
Cash dividends, ¥ 40.00 per share					(1,364)				(1,364)		(1,364)
Purchase of treasury stock	(0)							(1)	(1)		(1)
Take-over of retained earning for merger of the unconsolidated subsidiaries					260				260		260
Net change in the year				44		570	(2,937)		(2,323)	283	(2,040)
BALANCE, MARCH 31, 2010	34,093	¥ 31,280	¥ 33,245	¥ 62	¥ 119,273	¥ 471	¥ (17,936)	¥ (24,341)	¥ 142,054	¥ 726	¥ 142,780

	(Thousands of U.S. Dollars) (Note.1)									
	Common Stock	*Capital Surplus*	*Stock Acquisition Rights*	*Retained Earnings*	*Unrealizd Gain(loss) on Available for-sale Securities*	*Foreign Currency Trans-lation Adjust-ments*	*Treasury Stock*	*Total*	*Minority Interests*	*Total Equity*
BALANCE, MARCH 31, 2009	*$ 336,199*	*$ 357,319*	*$ 193*	*$1,182,803*	*$ (1,064)*	*$ (161,210)*	*$ (261,608)*	*$1,452,632*	*$ 4,762*	*$1,457,394*
Net income				*111,017*				*111,017*		*111,017*
Cash dividends, $0.43 per share				*(14,660)*				*(14,660)*		*(14,660)*
Purchase of treasury stock							*(11)*	*(11)*		*(11)*
Take-over of retained earning for merger of the unconsolidated company				*2,795*				*2,795*		*2,795*
Net change in the year			*473*		*6,126*	*(31,566)*		*(24,967)*	*3,041*	*(21,926)*
BALANCE, MARCH 31, 2010	*$ 336,199*	*$ 357,319*	*$ 666*	*$1,281,955*	*$ 5,062*	*$ (192,776)*	*$ (261,619)*	*$1,526,806*	*$ 7,803*	*$1,534,609*

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

FUNAI ELECTRIC CO., LTD. and Consolidated Subsidiaries

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	Years Ended March 31,		Years Ended March 31,
	2010	2009	2010
OPERATING ACTIVITIES:			
Income (loss) before income taxes and minority interests	¥ 10,878	¥ (3,263)	$ 116,917
Adjustments for:			
Income taxes – paid	(2,266)	(5,053)	(24,355)
Prior year's income taxes – paid		(16,838)	
Income taxes – refund	1,504		16,165
Depreciation and amortization	5,757	4,929	61,877
Loss (Gain) on sale or disposal of property, plant and equipment	1	(5)	11
Equity in losses of unconsolidated subsidiaries and associated companies	34	171	365
Gain on sales of investment securities, net	(88)	(26)	(946)
Changes in assets and liabilities, net of effects			
Increase in trade accounts receivable	(7,103)	(3,892)	(76,344)
(Increase) decrease in inventories	(8,587)	2,820	(92,294)
Increase in trade accounts payable	5,308	6,182	57,051
Increase (decrease) in liability for employees' retirement benefits	43	(148)	462
Other – net	(1,841)	14,394	(19,786)
Total adjustments	(7,238)	2,534	(77,794)
Net cash provided by (used in) operating activities	3,640	(729)	39,123
INVESTING ACTIVITIES:			
Payments for time deposits	(98,887)	(80,481)	(1,062,844)
Proceeds from time deposits	100,157	33,992	1,076,494
Proceeds from sale of property, plant and equipment	9	721	97
Purchases of property, plant and equipment	(3,547)	(4,752)	(38,123)
Purchases of intangible assets	(791)	(758)	(8,502)
Proceeds from sales of investment securities	540	1,147	5,804
Purchases of investment securities	(439)	(750)	(4,718)
Payments for loans receivable	(17)	(106)	(183)
Proceeds from collection of loans receivable	93	40,151	1,000
Other – net	168	41	1,805
Net cash used in investing activities	(2,714)	(10,795)	(29,170)
FINANCING ACTIVITIES:			
Decrease in short-term bank loans – net	(6,280)	(171)	(67,498)
Repayments of long-term debt	(700)	(1,419)	(7,524)
Purchase of treasury stock	(1)	(1)	(11)
Dividends paid	(1,364)	(1,705)	(14,660)
Other – net	474	733	5,095
Net cash used in financing activities	(7,871)	(2,563)	(84,598)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	461	(2,833)	4,955
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,484)	(16,920)	(69,690)
CASH AND CASH EQUIVALENTS INCREASED BY MERGER	367		3,944
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	40,180	57,100	431,857
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 34,063	¥ 40,180	$ 366,111

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

FUNAI ELECTRIC CO., LTD. and Consolidated Subsidiaries

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan, ("Japanese GAAP") which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2009 consolidated financial statements to conform to the classifications used in 2010.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which FUNAI ELECTRIC Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen mounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥ 93.04 to $ 1, the approximate rate of exchange at March 31, 2010. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a **Consolidation**—The consolidated financial statements as of March 31, 2010 include the accounts of the Company and its 14 significant (13 in 2009) subsidiaries (together, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investment in 1 (0 in 2009) unconsolidated subsidiaries and 1 (2 in 2009) associated company are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is being amortized over a period of 5 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b **Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements**—In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements". PITF No. 18 prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained. PITF No. 18 was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

The Company applied this accounting standard effective April 1, 2008.

c **Cash Equivalents**—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificate of deposits, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

d **Inventories**—Inventories of the Company and its consolidated domestic subsidiaries are mainly stated at the lower of cost, determined by the average method for finished products and work in process, and by the first-in, first-out method for raw materials, or net selling value.

Inventories of the consolidated foreign subsidiaries are mainly stated at the lower of cost, determined by the first-in, first-out method, or net selling value.

e **Property, Plant and Equipment**—Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998, at rates based on the estimated useful lives of the assets. Depreciation of property, plant and equipment of consolidated foreign subsidiaries is principally computed by the straight-line method at rates based on the estimated useful lives assets. The range of useful lives is principally from 3 to 50 years for buildings and structures and from 1 to 20 years for machinery ,equipment and other.

f **Investment Securities**—Investment securities are classified and accounted for, depending on management's intent. All investment securities are classified as available-for-sale securities.

Marketable available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

g **Patents**—Patents are carried at cost less accumulated amortization, which is computed by the straight-line method over the estimated useful lives.

h **Long-lived assets**— The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured at the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

i **Retirement and Pension Plans**—The Company and certain consolidated subsidiaries have non-contributory funded defined benefit pension plans and unfunded retirement benefit plans for employees. Certain consolidated foreign subsidiaries also have defined pension plans.

Effective April 1, 2000, the Group adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The total transitional obligation determined as of April 1, 2000, was charged to income when adopted, except that of a certain domestic subsidiary which is amortized over 15 years.

Actuarial gains or losses are amortized by the straight line method over a period within the average remaining years of service of the employee (10 years) starting from the following period. Prior service cost is amortized by the straight line method over a period within the average remaining years of service of the employee (10 years).

Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)

On July 31, 2008, the ASBJ issued an Accounting Standard-ASBJ Statement No. 19 "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)". The Company and its consolidated domestic subsidiaries have adopted this Statement No. 19 beginning this fiscal year. There is no effect of this change on consolidated statements of operations.

Retirement allowances for directors and executive officers are recorded to state the liability at the amount that would be required if all directors and executive officers retired at each balance sheet date.

j **Stock Options**—The Company recognizes compensation expense for directors, executive officers and employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. A certain domestic subsidiary also measures options at their intrinsic value if they cannot reliably estimate fair value. In the consolidated balance sheet, the stock option is presented as stock acquisition right as a separate component of equity until exercised.

k **Research and Development Costs**—Research and development costs are charged to income as incurred.

l **Leases**—In March 2007, the ASBJ issued ASBJ Statement No. 13, “Accounting Standard for Lease Transactions”, which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain “as if capitalized” information is disclosed in the note to the lessee’s financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Group applied the revised accounting standard effective April 1, 2008. In addition, the Group accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

m **Income Taxes**— The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

n **Foreign Currency Transactions**—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of operations to the extent that they are not hedged by forward exchange contracts.

o **Foreign Currency Financial Statements**—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate.

Differences arising from such translation were shown as “Foreign currency translation adjustments” in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

p **Construction Contracts**—In December 2007, the ASBJ issued ASBJ Statement No. 15 “Accounting Standard for Construction Contracts” and ASBJ Guidance No. 18 “Guidance on Accounting Standard for Construction Contracts”. Under the previous Japanese GAAP, either the completed-contract method or the percentage-of-completion method was permitted to account for construction contracts. Under this new accounting standard, the construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts. This standard is applicable to construction contracts and software development contracts and effective for fiscal years beginning on or after April 1, 2009. The Company applied the new accounting standard effective April 1, 2009. The effect of this change on the consolidated statements of operations is immaterial.

q Per Share Information—Basic net income (loss) per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share reflects the potential dilution that could occur if stock options were exercised into common stock. Diluted net income per share of common stock assumes full conversion of full exercise of outstanding warrants. Diluted net income per share is not disclosed because of the Company's net loss position in 2009.

Cash dividends per share presented in the accompanying consolidated statements of operations are dividends applicable to the respective years including dividends to be paid after the end of the year.

r New Accounting Pronouncements

Asset Retirement Obligations—In March 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations". Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

Accounting Changes and Error Corrections—In December 2009, ASBJ issued ASBJ Statement No. 24 "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24 "Guidance on Accounting Standard for Accounting Changes and Error Corrections". Accounting treatments under this standard and guidance are as follows:

(1) Changes in Accounting Policies:

When a new accounting policy is applied with revision of accounting standards, a new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in Presentations

When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior Period Errors

When an error in prior period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

Segment Information Disclosures—In March 2008, the ASBJ revised ASBJ Statement No. 17 "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No. 20 "Guidance on Accounting Standard for Segment Information Disclosures". Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

3. INVENTORIES

Inventories at March 31, 2010 and 2009 consisted of the following:

	(Millions of Yen)		*(Thousands of U.S. dollars)*
	2010	2009	*2010*
Merchandise and finished products	¥ 20,850	¥ 20,926	*$ 224,097*
Work in process	1,510	1,635	*16,230*
Raw materials and supplies	16,058	8,117	*172,592*
Total	¥ 38,418	¥ 30,678	*$ 412,919*

4. INVESTMENT SECURITIES

The carrying amounts and aggregate fair values of investment securities at March 31, 2010 and 2009 were as follows:

	(Millions of yen)			
March 31, 2010	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 2,116	¥ 869	¥ (76)	¥ 2,909
March 31, 2009				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 2,262	¥ 174	¥ (170)	¥ 2,266

	(Thousands of U.S. dollars)			
March 31, 2010	*Cost*	*Unrealized Gains*	*Unrealized Losses*	*Fair Value*
Securities classified as:				
Available-for-sale:				
Equity securities	*$ 22,743*	*$ 9,340*	*$ (817)*	*$ 31,266*

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2010 and 2009 were as follows:

	Carrying amount		
	(Millions of yen)		*(Thousands of U.S. dollars)*
	2010	2009	*2010*
Available-for-sale:			
Equity securities	¥ 595	¥ 591	*$ 6,395*
Investments in limited partners	560	567	*6,019*
Total	¥ 1,155	¥ 1,158	*$ 12,414*

Proceeds from sales of available-for-sale securities for the years ended March 31, 2010 and 2009 were ¥ 216 million ($ 2,322 thousand) and ¥ 26 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥ 40 million ($ 430 thousand) and ¥ 0 million, respectively, for the year ended March 31, 2010 and ¥ 26 million and ¥ 0 million, respectively, for the year ended March 31, 2009.

The impairment losses on available-for-sale equity securities for the years ended March 31, 2010 and 2009 were ¥ 10 million ($ 107 thousand) and ¥ 3,087 million, respectively.

5. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans bore interest at an annual average rate of 1.7% and 1.6% at March 31, 2010 and 2009, respectively.
Long-term debt at March 31, 2010 and 2009 consisted of the following:

	(Millions of yen)		(Thousands of U.S. dollars)
	2010	2009	2010
Unsecured loans from banks and other financial institutions, due serially to 2013 with average interest rates 0.7%(2010) and 1.3% (2009):	¥ 1,099	¥ 2,086	$ 11,813
Obligations under finance leases	550	371	5,911
Total	1,649	2,457	17,724
Less current portion	(695)	(1,512)	(7,470)
Long-term debt, less current portion	¥ 954	¥ 945	$ 10,254

Annual maturities of long-term debt, excluding finance leases (see Note 11), at March 31, 2010, were as follows:

Year Ending March 31	(Millions of yen)	(Thousands of U.S. dollars)
2011	¥ 533	$ 5,729
2012	533	5,729
2013	33	355
Total	¥ 1,099	$ 11,813

6. RETIREMENT AND PENSION PLANS

The Company and certain consolidated subsidiaries have severance payment plans for employees ,directors and executive officers. Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The Company and certain consolidated subsidiaries have non-contributory funded defined benefit pension plans and unfunded retirement benefit plans for employees. Certain consolidated foreign subsidiaries also have defined pension plans.

The liability for employees' retirement benefits at March 31, 2010 and 2009 consisted of the followings:

	(Millions of yen)		(Thousands of U.S. dollars)
	2010	2009	2010
Projected benefit obligation	¥ 8,580	¥ 8,792	$ 92,218
Fair value of plan assets	(7,100)	(6,021)	(76,311)
Unrecognized prior service cost	376	444	4,041
Unrecognized actuarial loss	(986)	(2,442)	(10,598)
Unrecognized transitional obligation	(808)	(933)	(8,684)
Prepaid pension cost	1,324	1,476	14,231
Net liability	¥ 1,386	¥ 1,316	$ 14,897

The components of net periodic benefit costs for the years ended March 2010 and 2009 are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2010	2009	2010
Service cost	¥ 509	¥ 554	$ 5,471
Interest cost	181	186	1,945
Expected return on plan assets	(135)	(176)	(1,451)
Amortization of prior service cost	(68)	(68)	(731)
Recognized actuarial loss	321	137	3,450
Amortization of transitional obligation	125	125	1,344
Net periodic benefit costs	¥ 933	¥ 758	$ 10,028

Assumptions used for the years ended March 31, 2010 and 2009 are set forth as follows:

	2010	2009
Discount rate	1.4～2.5%	1.4～2.5%
Expected rate of return on plan assets	1.4～2.5%	1.4～2.5%
Amortization period of prior service cost	10 years	10 years
Recognition period of actuarial gain / loss	10 years	10 years

Retirement allowance for directors and executive officers at March 31, 2010 and 2009 were ¥ 1,043 million ($ 11,210 thousand) and ¥ 1,027 million, respectively, which were included in liability for retirement benefits. Retirement allowance for directors and executive officers are paid subject to the approval of the Compensation Committee or shareholders' meeting.

7. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria. The Board of Directors of companies with board committees (an appointment committee, compensation committee and audit committee) can also do so because such companies with board committees already, by nature, meet the above criteria under the

Companies Act, even though such companies have an audit committee instead of the Board of Corporate Auditors. The Company is organized as a company with board committees.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases / decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

8. STOCK OPTIONS

The stock options outstanding as of March 31, 2010 are as follows:

(The Company)

Stock Option	Persons Granted	Number of Options granted	Date of Grant	Exercise Price	Exercise Period
2001 Stock Option	4 directors 284 employees	421,400 shares	2001.7.26	¥ 9,549 ($ 103)	From January 1, 2004 to December 31, 2010
2002 Stock Option	6 directors 381 employees 18 other persons	399,700 shares	2002.7.23	¥ 15,150 ($ 163)	From August 1, 2004 to July 31, 2011
2003 Stock Option	4 directors 313 employees 6 other persons	378,500 shares	2003.7.22	¥ 13,646 ($ 147)	From August 1, 2005 to July 31, 2012
2004 Stock Option ①	2 directors 293 employees 5 other persons	359,900 shares	2004.7.21	¥ 16,167 ($ 174)	From August 1, 2006 to July 31, 2013
2004 Stock Option ②	20 employees 1 other person	25,600 shares	2004.8.13	¥ 16,836 ($ 181)	From August 1, 2006 to July 31, 2013
2005 Stock Option	2 directors 293 employees 5 other persons	346,400 shares	2005.7.12	¥ 12,369 ($ 133)	From August 1, 2007 to July 31, 2014
2008 Stock Option	1 directors 10 executive officers 315 employees	431,700 shares	2008.11.20	¥ 1,609 ($ 17)	From August 1, 2010 to July 31, 2017

(DX ANTENNA)

Stock Option	Persons Granted	Number of Options granted	Date of Grant	Exercise Price	Exercise Period
2010 Stock Option	4 directors 29 employees	152,000 shares	2010.2.13	¥ 384 ($ 4)	From February 1, 2012 to February 10, 2019

The stock option activity is as follows:

(The Company)

	2001 Stock Option	2002 Stock Option	2003 Stock Option	2004 Stock Option①	2004 Stock Option②	2005 Stock Option	2008 Stock Option
	(Shares)	(Shares)	(Shares)	(Shares)	(Shares)	(Shares)	(Shares)
For the year ended March31, 2009							
Non-vested	311,600	399,600	378,500	359,900	25,600	346,400	
March 31, 2008 – Outstanding							
Granted							431,700
Canceled							9,800
Vested							
March 31, 2009 – Outstanding							421,900
Vested							
March 31, 2008 – Outstanding	311,600	399,600	378,500	359,900	25,600	346,400	
Vested							
Exercised							
Canceled							
March 31, 2009 – Outstanding	311,600	399,600	378,500	359,900	25,600	346,400	
For the year ended March31, 2010							
Non-vested							
March 31, 2009 – Outstanding							421,900
Granted							
Canceled							4,200
Vested							
March 31, 2010 – Outstanding							417,700
Vested							
March 31, 2009 – Outstanding	311,600	399,600	378,500	359,900	25,600	346,400	
Vested							
Exercised							
Canceled							
March 31, 2010 – Outstanding	311,600	399,600	378,500	359,900	25,600	346,400	
Exercise price	¥ 9,549 ($ 103)	¥ 15,150 ($ 163)	¥ 13,646 ($ 147)	¥ 16,167 ($ 174)	¥ 16,836 ($ 181)	¥ 12,369 ($ 133)	¥ 1,609 ($ 17)
Average stock price at exercise	—	—	—	—	—	—	—
Fair value price at grant date	—	—	—	—	—	—	—
a							¥ 440 ($ 5)
b							¥ 447 ($ 5)
c							¥ 454 ($ 5)
d							¥ 458 ($ 5)
e							¥ 475 ($ 5)
f							¥ 487 ($ 5)
g							¥ 510 ($ 5)

Exercise Period

a: From August 1, 2010 to July 31, 2017

b: From August 1, 2011 to July 31, 2017

c: From August 1, 2012 to July 31, 2017

d: From August 1, 2013 to July 31, 2017

e: From August 1, 2014 to July 31, 2017
f: From August 1, 2015 to July 31, 2017
g: From August 1, 2016 to July 31, 2017

(DX ANTENNA)

	2010 Stock Option
	(Shares)
For the year ended March31, 2010	
Non-vested	
March 31, 2009 – Outstanding	
Granted	152,000
Canceled	
Vested	
March 31, 2010 – Outstanding	152,000
Vested	
March 31, 2009 – Outstanding	311,600
Vested	
Exercised	
Canceled	
March 31, 2010 – Outstanding	
Exercise price	¥ 384
	($ 4)

The assumption used to measure fair value of the 2010 stock option

(DX Antenna)

On February 13, 2010, DX ANTENNA CO., Ltd., one of the subsidiaries granted stock options. As the company was a non-public company, the fair unit value of the stock options was measured at their intrinsic value.

Estimated method of number of vested options

(The Company)

Estimated number of vested options of the Company is determined based on the historical data.

(DX Antenna)

Estimated number of vested options of a certain subsidiary is determined based on the actual cancellation data, because the number of options cancelled in the future is reasonably estimated.

9. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.7% for the years ended March 31, 2010 and 2009.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2010 and 2009 are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2010	2009	2010
Deferred tax assets :			
Liability for retirement benefits	¥ 988	¥ 954	$ 10,619
Accounts payable	1,191	790	12,801
Allowance for doubtful receivables	3,876	3,650	41,660
Accrued employees' bonuses	550	470	5,911
Impairment loss on investment securities	295	331	3,171
Inventories	1,022	1,579	10,985
Intercompany profit	30	118	322
Tax loss carryforwards	10,350	5,091	111,242
Previous taxed income of foreign subsidiaries		4,660	
Other	1,691	3,872	18,175
Less valuation allowance	(9,864)	(12,990)	(106,019)
Total	¥ 10,129	¥ 8,525	$ 108,867
Deferred tax liabilities:			
Unrealized gain (loss) on available-for-sale securities	¥ 313	¥	$ 3,364
Prepaid pension cost	539	601	5,793
Other	364	859	3,912
Total	¥ 1,216	¥ 1,460	$ 13,069
Net deferred tax assets	¥ 8,913	¥ 7,065	$ 95,798

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of operations for the year ended March 31, 2010 is as follows (2009 was not presented because of the net loss for the period):

	2010
Normal effective statutory tax rate	40.7%
Expenses not deductible for income tax purposes	0.2
Elimination of dividend earned from subsidiaries	(1.5)
Reduction of earnings retained by tax haven company	(7.0)
Lower income tax rates applicable to income in certain foreign countries	(18.5)
Valuation Allowance	(16.0)
Other – net	4.9
Actual effective tax rate	2.8%

On June 28, 2005 and June 16, 2008, the Company received notices of supplementary tax assessment to the additional tax on the income of its subsidiary in Hong Kong under the anti-tax haven rules for three financial years ended from March 31, 2002 to March 31, 2004 and three financial years ended from March 31, 2005 to March 31, 2007 from the Osaka Regional Taxation Bureau, respectively, as the subsidiary in Hong Kong did not satisfy the conditions to exclude from the application of anti-tax haven rules. The Company has contested the validity in court, as the Company disagreed with this assessment and considered it to be unacceptable.

The additional tax payment amounts were ¥ 16,651 million (¥ 19,184 million including incidental taxes) and ¥ 15,038 million (¥ 16,838 million including incidental taxes), respectively, including corporate income taxes, inhabitant taxes and enterprise taxes. They were respectively recognized as "income taxes for prior periods" for the fiscal year ended March 31, 2007 and the fiscal year ended March 31, 2009 in accordance with the "Treatment of Accounting and Presentation of Taxes for the Purpose of Audits" (JICPA Audit and Assurance Practice Committee Report No. 63).

The taxation is judged based on the status of any relevant foreign subsidiary at the end of each financial year end. Hence, for the reference, the effects of the application by this unti-tax haven rules on the income of a subsidiary in Hong Kong for the year ended March 31, 2008 and subsequent years upto March 31, 2010, less dividend income received by the Company for the years ended March 31, 2008 and 2009 are estimated at approximately ¥ 700 million ($ 7,524 thousand) in total.

The Company has not accounted for this effects due to the aforementioned reasons.

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥ 13,486 million ($ 144,948 thousand) and ¥ 13,057 million for the years ended March 31, 2010 and 2009, respectively.

11. LEASES

The Group leases certain machinery, computer equipment, office space and other assets.

Obligations under finance leases was as follows:

	(Millions of Yen)		(Thousands off U.S. Dollars)
	2010	2009	2010
Due within one year	¥ 162	¥ 93	$ 1,741
Due after one year	388	279	4,170
Total	¥ 550	¥ 371	$ 5,911

Pro forma information of leased property whose lease inception was before March 31, 2008

ASBJ Statement No. 13, "Accounting Standard for Lease Transactions" requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. However, the ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to the lessee whose lease inception was before March 31, 2008 to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the financial statements. The Company applied the ASBJ Statement No. 13 effective April 1, 2008 and accounted for such leases as operating lease transactions. Pro forma information of leased property whose lease inception was before March 31, 2008 such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, depreciation expense, interest expense and other information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis was as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2010	2009	2010
Acquisition cost	¥ 902	¥ 1,262	$ 9,695
Accumulated depreciation	734	916	7,889
Net leased property	¥ 168	¥ 346	$ 1,806

Obligations under finance leases:

	(Millions of yen)				(Thousands of U.S. dollars)	
	2010		2009		2010	
Due within one year	¥	104	¥	178	$	1,118
Due after one year		71		175		763
Total	¥	175	¥	353	$	1,881

Depreciation expense, interest expense and other information under finance leases:

	(Millions of yen)				(Thousands of U.S. dollars)	
	2010		2009		2010	
Depreciation expense	¥	177	¥	260	$	1,902
Interest expense		5		9		54
Total	¥	182	¥	269	$	1,956
Lease payments	¥	183	¥	268	$	1,967

Depreciation expense and interest expense, which are not reflected in the accompanying statements of operations, are computed by the straight-line method and the interest method, respectively.

The minimum rental commitments under noncancellable operating leases at March 31,2010 and 2009 are follows:

	(Millions of yen)				(Thousands of U.S. dollars)	
	2010		2009		2010	
Due within one year	¥	1,162	¥	1,419	$	12,489
Due after one year		1,361		2,257		14,628
Total	¥	2,523	¥	3,676	$	27,117

12. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

On March 10, 2008, the ASBJ revised ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No. 19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures". This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010 with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. The Group applied the revised accounting standard and the new guidance effective March 31, 2010.

1. The situation of financial instruments

(1) Group policy for financial instruments

The Group uses bank loans for fund raising and short deposits to fund operations. The Group doesn't use derivatives in principle. In principle, derivatives are not permitted.

(2) Nature and extent of risks arising from financial instruments and risk management for financial instruments

Receivables such as trade notes and trade accounts are exposed to customer credit risk.

To avoid such a risk, the Company sets up sales management regulations, and determine trading conditions and credit limit by each customer.

The Company has many debits and credits based on foreign currencies due to our overseas development. Basically the Company doesn't make forward foreign currency contracts because of our US dollar basis trading.

Investment securities and equity instruments are exposed to the market risk. Marketable and investment securities are managed by monitoring market values and financial position of issuers on a regular basis. This risk should be reported to investment committee internally.

Payment terms of payables, such as trade notes and trade accounts are less than one year.

Loans, both short-term and long term are financed from sales operations. Basically derivatives are not permitted. Although the variable interest rates of loans are exposed to market risks, those risks may be mitigated by using interest-rate swap derivatives. This derivative transaction should be executed and managed by corporate regulations. To decrease credit risks, the Company only makes the relationships with highly rated financial institutions.

Sales credit and loans are exposed to liquidity risks. The group manages to have our associated companies make monthly financial plans.

2. Fair value of financial instruments

Fair values of financial instruments are based on quoted price in active markets. If quoted price is not available, other rational valuation techniques are used instead. The list below doesn't contain financial instruments which fair value are difficult to recognize.

(a) Fair Value of financial instruments

	(Millions of yen)		
March 31, 2010	Carrying amount	Fair Value	Unrealized gain/loss
Cash and cash equivalents	¥ 86,045	¥ 86,045	
Receivables	35,154	35,154	
Investment securities	2,909	2,909	
Total	¥ 124,108	¥ 124,108	
Short-term bank loans (excluding finance lease obligation)	¥ 6,339	¥ 6,339	
Payables	31,305	31,305	
Long-term debt (excluding finance lease obligation)	567	567	
Total	¥ 38,211	¥ 38,211	

	(Thousands of U.S. dollars)		
March 31, 2010	*Carrying amount*	*Fair Value*	*Unrealized gain/loss*
Cash and cash equivalents	*$ 924,817*	*$ 924,817*	
Receivables	*377,837*	*377,837*	
Investment securities	*31,267*	*31,267*	
Total	*$ 1,333,921*	*$ 1,333,921*	
Short-term bank loans (excluding finance lease obligation)	*$ 68,132*	*$ 68,132*	
Payables	*336,468*	*336,468*	
Long-term debt (excluding finance lease obligation)	*6,094*	*6,094*	
Total	*$ 410,694*	*$ 410,694*	

Assets

(1) Cash and cash equivalents (2) Receivables

The carrying values of cash, cash equivalents and receivables approximate fair values because of their short maturities.

(3) Investment securities

The investment securities are measured at the quoted market price of the stock exchange for the equity instruments.

Liabilities

(1) Short-term bank loans (2) Payables

The carrying value of short-term bank loans and payables approximate fair value because of their short maturities.

(3) Long-term debt

The fair value of long-term debt are determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate.

Derivatives

No comments is described because derivatives are not permitted .

(b) Financial instruments whose fair value cannot be reliably determined

March 31, 2010	Carrying amount (Millions of yen)	*(Thousands of U.S. dollars)*
Investments in equity instruments that do not have a quoted market price in an active market	¥ 1,155	$ 12,413

(c) Maturity analysis for financial assets and securities with contractual maturities

March 31, 2010	(Millions of yen) Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	¥ 86,045			
Receivables	35,154			
Investment securities				
Held-to-maturity securities				
Total	¥ 121,199			

March 31, 2010	*(Thousands of U.S. dollars) Cost*	*Unrealized gains*	*Unrealized losses*	*Unrealized losses*
Cash and cash equivalents	*$ 924,817*			
Receivables	*377,838*			
Investment securities				
Held-to-maturity securities				
Total	*$ 1,302,655*			

Please See Notes 5 for annual maturities of long-term debt and Note 11 for obligations under finance leases, respectively.

13. NET INCOME (LOSS) PER SHARE

Reconciliation of the differences between basic and diluted net income (loss) per share ("EPS") for the years ended March 31, 2010 and 2009 is as follows:

	Millions of yen	Thousands of shares	Yen	Dollars
	Net Income (Loss)	Weighted average shares	EPS	
For the year ended March 31, 2010:				
Basic EPS				
Net income available to common shareholders	¥ 10,329	34,093	¥ 302.97	$ 3.26
Effect of Dilutive Securities				
Stock options		249		
Diluted EPS				
Net income for computation	¥ 10,329	34,342	¥ 300.77	$ 3.23
For the year ended March 31, 2009:				
Basic EPS				
Net loss available to common shareholders	¥ (17,365)	34,093	¥ (509.33)	

Diluted net income per share in 2009 is not disclosed due to the loss position.

14. SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2010 was approved at the Company's Board of Directors held on May 31, 2010:

	(Millions of yen)	*(Thousands of U.S. dollars)*
Year-end cash dividends, ¥ 40.00 ($ 0.43) pershare	¥ 1,364	$ 14,660

15. SEGMENT INFORMATION

(1) Industry Segments

The Group operates in a single business segment of manufacturing and sales of electrical products in Japan and overseas. Therefore, industry segment information is not disclosed.

(2) Geographical Segments

The geographical segments of the Group for the years ended March 31, 2010 and 2009 is summarized as follows:

	(Millions of yen)					
	2010					
	Japan	North America	Asia	Europe	Elimination	Conso-lidated total
Sales:						
Sales to outside customers	¥ 114,180	¥ 191,855	¥ 1,049	¥ 7,828	¥	¥ 314,912
Inter-segment sales	163,001	30	183,813	3	(346,847)	
Total	277,181	191,885	184,862	7,831	(346,847)	314,912
Operating expenses	272,770	188,239	178,873	9,036	(345,154)	303,764
Operating income (loss)	¥ 4,411	¥ 3,646	¥ 5,989	¥ (1,205)	¥ (1,693)	¥ 11,148
Identifiable assets	¥ 120,425	¥ 35,735	¥ 102,814	¥ 9,966	¥ (64,882)	¥ 204,058
	2009					
Sales:						
Sales to outside customers	¥ 103,933	¥ 182,991	¥ 769	¥ 15,085	¥	¥ 302,778
Inter-segment sales	120,413	39	166,481	13	(286,946)	
Total	224,346	183,030	167,250	15,098	(286,946)	302,778
Operating expenses	223,296	180,846	165,800	17,631	(286,205)	301,368
Operating income (loss)	¥ 1,050	¥ 2,184	¥ 1,450	¥ (2,533)	¥ (741)	¥ 1,410
Identifiable assets	¥ 108,739	¥ 40,495	¥ 92,999	¥ 11,163	¥ (53,513)	¥ 199,883

	(Thousands of U.S. dollars)					
	2010					
	Japan	*North America*	*Asia*	*Europe*	*Elimination*	*Conso-lidated total*
Sales:						
Sales to outside customers	*$ 1,227,214*	*$ 2,062,070*	*$ 11,275*	*$ 84,136*	*$*	*$ 3,384,695*
Inter-segment sales	*1,751,945*	*323*	*1,975,634*	*32*	*(3,727,934)*	
Total	*2,979,159*	*2,062,393*	*1,986,909*	*84,168*	*(3,727,934)*	*3,384,695*
Operating expenses	*2,931,750*	*2,023,206*	*1,922,539*	*97,119*	*(3,709,738)*	*3,264,876*
Operating income (loss)	*$ 47,409*	*$ 39,187*	*$ 64,370*	*$ (12,951)*	*$ (18,196)*	*$ 119,819*
Identifiable assets	*$ 1,294,336*	*$ 384,082*	*$ 1,105,052*	*$ 107,115*	*$ (697,356)*	*$ 2,193,229*

(3) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2010 and 2009 are summarized as follows:

	(Millions of yen)		*(Thousands of U.S. dollars)*
	2010	2009	*2010*
North America	¥ 216,454	¥ 216,150	*$ 2,326,462*
Asia	8,822	6,880	*94,819*
Europe	30,490	36,372	*327,709*
Other	10,766	6,312	*115,713*
Total	¥ 266,532	¥ 265,714	*$ 2,864,703*

Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Funai Electric Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Funai Electric Co., Ltd. and consolidated subsidiaries (the "Company") as of March 31, 2010 and 2009, and the related consolidated statements of operations, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Funai Electric Co., Ltd. and consolidated subsidiaries as of March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 9 to the consolidated financial statements, the Company received notices of supplementary tax assessment on the income of a subsidiary in Hong Kong based on the application of anti-tax haven rules.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 4, 2010

Member of
Deloitte Touche Tohmatsu

Company Data

Company Outline

Name	FUNAI ELECTRIC CO., LTD.
Foundation	August 1961
Address	7-7-1 Nakagaito Daito city, Osaka 574-0013, Japan
Tel	81-72-870-4303
Fax	81-72-871-1112
URL	http://www.funaiworld.com/
Capital	¥ 31,280 million
Sales	¥ 314,912 million (March 2010 / Consolidated)
Employees	2,553 (March 2010 / Consolidated)

Business Operations

Audio-visual Equipment

LCD TV, DVD player, DVD recorder,
Blu-ray disc player, Blu-ray disc recorder

Information Equipment

Printer

Company History

Aug. 1961	Funai Electric Co., Ltd. was established in Ikuno-ku, Osaka City capitalized at ¥20 million.
Mar. 1964	Chugoku Funai Electric Co., Ltd. was established as a manufacturing company in Fukayasu-gun(now Fukuyama City), Hiroshima.
Sep. 1976	The head office was relocated to Daito City, Osaka.
Jun. 1980	Funai Electric Trading (Europe) GmbH (now Funai Europe GmbH), a sales firm, was established in Hamburg, Germany.
May. 1991	Funai Corporation, Inc. was established as a sales firm in New Jersey, U.S.A.
Mar. 1992	Highsonic Industrial Ltd. (now Funai Electric (H.K.) Ltd.) was established in Hong Kong as a management company of processing on commission to consignment manufacturing plants in Guang Dong province, China.
Apr. 1992	Dong Guan Plant in Dong Guan City, Guang Dong Province started operations as a consignment manufacturing plant in China.
Aug. 1994	Zhong Shan Plant in Zhong Shan City, Guang Dong Province started operations as a consignment manufacturing plant in China.
Jan. 1996	Funai Service Co., Ltd. was established in Higashi-Osaka City, Osaka.
May. 1996	Highsonic Industrial Ltd. (now Funai Electric (H.K.) Ltd.) established H.F.T Industrial Ltd. by joint investment with a Japan company.
Feb. 1999	Funai Electric Co., Ltd. was listed on the Second Section of Osaka Securities Exchange.
Mar. 2000	Funai Electric Co., Ltd. was listed on the First Section of Tokyo Stock Exchange and the First Section of Osaka Securities Exchange.
Mar. 2001	Closing date for the fiscal year ending on June 15 was changed to March 31.
Nov. 2001	Acquired the majority stocks of DX Antenna Co., Ltd. in Japan.
Jul. 2003	Funai (Thailand) Co., Ltd. a manufacturing company, was established in Nakornratchasima, Kingdom of Thailand.
Dec. 2003	Huang Jiang Plant in Dong Guan City, Guang Dong Province started operations as a consignment manufacturing plant in China.
Apr. 2004	Funai Electric Advanced Applied Technology Research Institute Inc. was established in Kawasaki City, Kanagawa (moved in Tsukuba City, Ibaraki in May, 2008).
Oct. 2006	Funai Electric (Polska) Sp.z o.o. was established as a production company in the city of Nowa Sol, Poland.
Oct. 2007	Funai Service Corporation was established in Ohio, U.S.A.
Jan. 2008	Funai Electric Co., Ltd. and Victor Company of Japan, Ltd. agreed to a business alliance in the audiovisual equipment market.
Jun. 2008	P&F USA, Inc. was established in Georgia, U.S.A., as a sales subsidiary for Philips brand consumer TVs.
Jun. 2008	Tetsuro Funai, President and CEO, assumed the post of Chairman. Tomonori Hayashi, Senior Executive Officer, assumed the post of President and CEO.
Apr. 2010	P&F Mexicana S.A. de C.V. (current consolidated subsidiary) was established as a sales office responsible for Mexico.

FUNAI ELECTRIC CO., LTD.