



FUNAI ELECTRIC CO., LTD.

**Financial Statements Presentation**  
First Half of FY2005 (April-September 2005)

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**Outline of First Half (Apr.-Sep.) of FY2005  
Financial Results (Consolidated)**

- 1 Summary of Operating Results
- 2 Brief Summary of Business Conditions (April-September, 2005)
- 3 Breakdown of Sales by Equipment
- 4 Sales of Audio and Visual Equipment
- 5 Sales of Information Equipment
- 6 Geographic Breakdown of Sales
- 7 Comparison of Sales by Area and Equipment to Previous 1H
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- 11 Forecast of Operating Results in FY 2005 Ending March 2006

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## 1 Summary of Operating Results

(100 million yen)

	Previous 1H	Projection	Current 1H	Changes from Previous 1H	Changes from Projection
Net Sales	1,689	1,785	1,695	+0.4%	5.0%
Operating Income	175	159	152	13.0%	4.4%
Margin	(10.4%)	(8.9%)	(9.0%)		
Ordinary Income	203	169	176	13.0%	+4.1%
Margin	(12.0%)	(9.5%)	(10.4%)		
Net Income after Tax	133	117	115	13.4 %	1.7%
Margin	(7.9%)	(6.6%)	(6.8%)		

Average USD - JPY Exchange Rate

JPY 110.<sup>31</sup>

JPY 105.<sup>00</sup>

JPY 110.<sup>35</sup>



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## 2 Brief Summary of Business Conditions (Apr.-Sep., 2005)

### Market Environments

- Stronger than expected domestic demand in US centering on private consumption in the midst of gasoline price soaring.
- Crude oil price hike and mark-up of raw material cost.
- Accelerating sales price down in the market due to more fierce competition under new entrant of Chinese or IT manufactures.

### Sales Conditions By Devices (Comparison to Previous 1H)

#### Audio and Visual Equipment

- Slight decline in the aggregate sales of Audio and Visual equipment.
- Sales of DVD related products dropped while LCD TVs jumped up.
- In line with the market shrink of Analog related products, sales of TVCR and VCR equipment fell down, but deep-rooted demand for CRT TVs led strong sales growth.

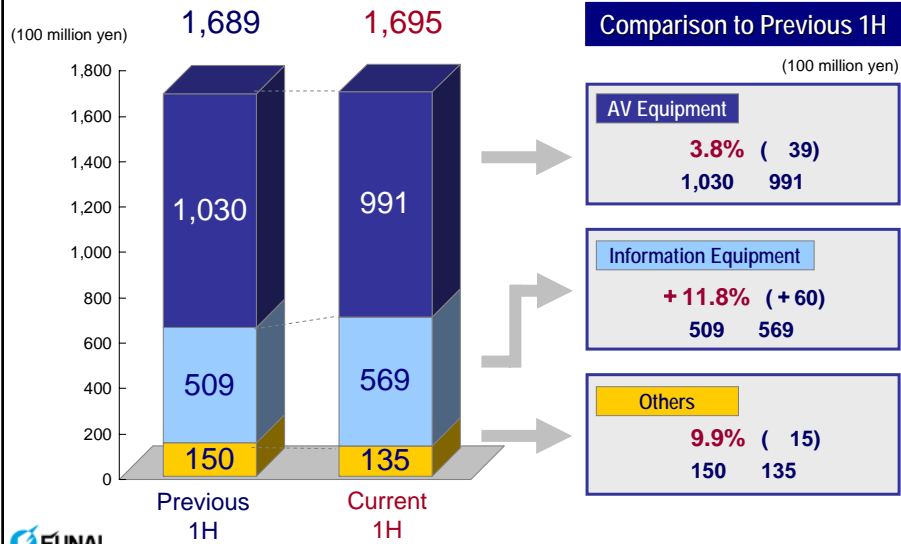
#### Information Equipment

- Printers were adversely affected by the market share decline of an OEM contractor with a slight sales down.
- Robust growth of DSC sales.



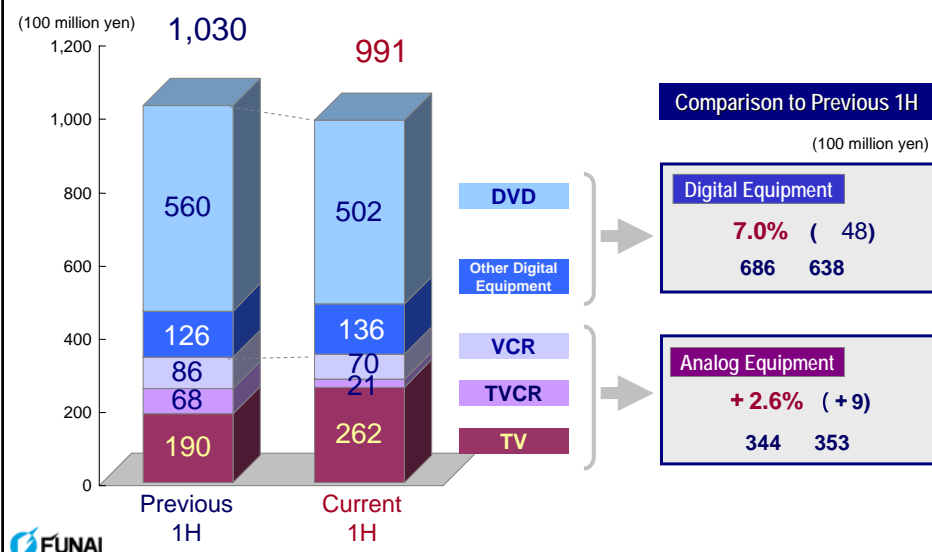
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### 3 Breakdown of Sale by Equipment



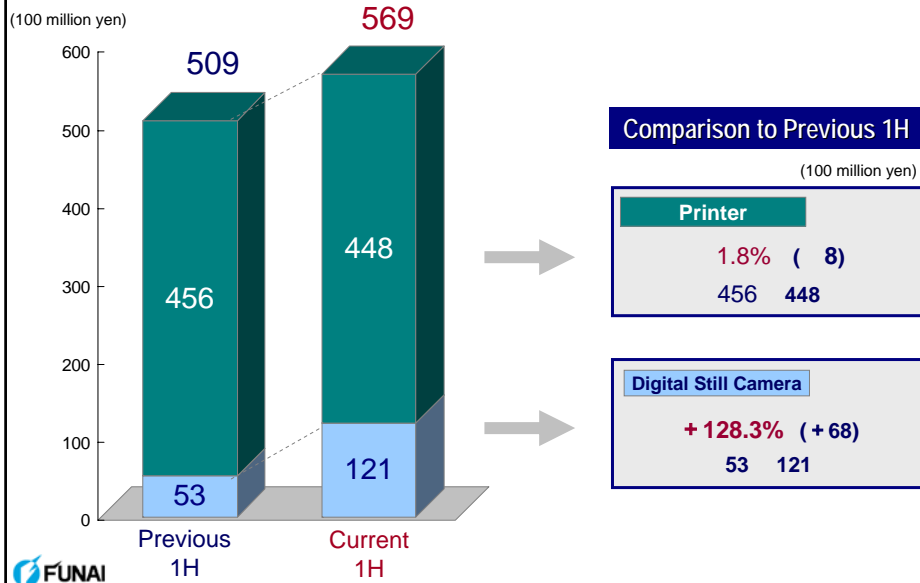
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### 4 Sales of Audio and Visual Equipment



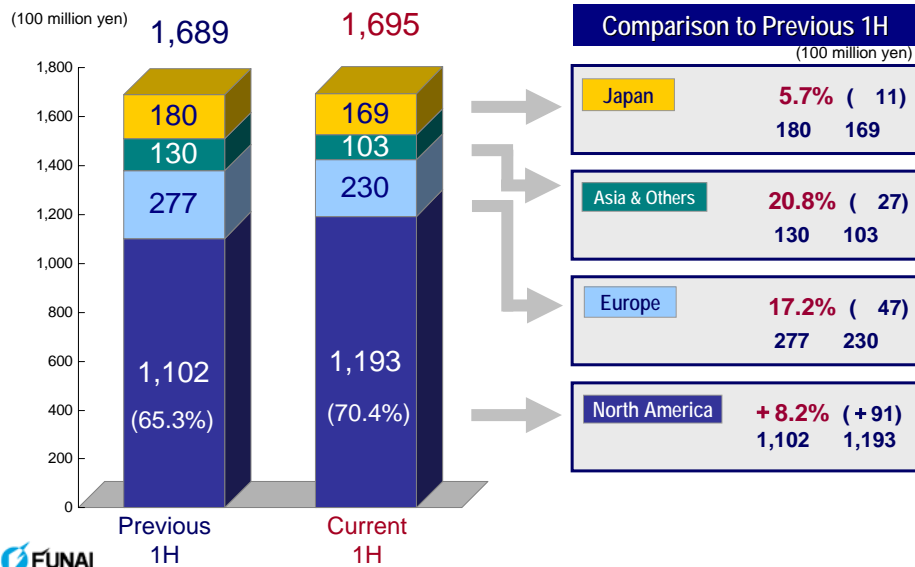
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## 5 Sales of Information Equipment



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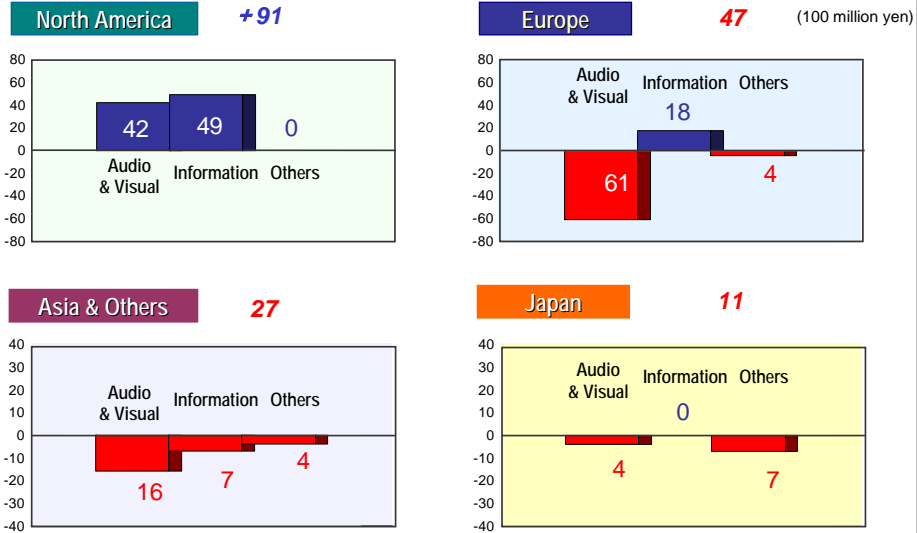
## 6 Geographic Breakdown of Sales



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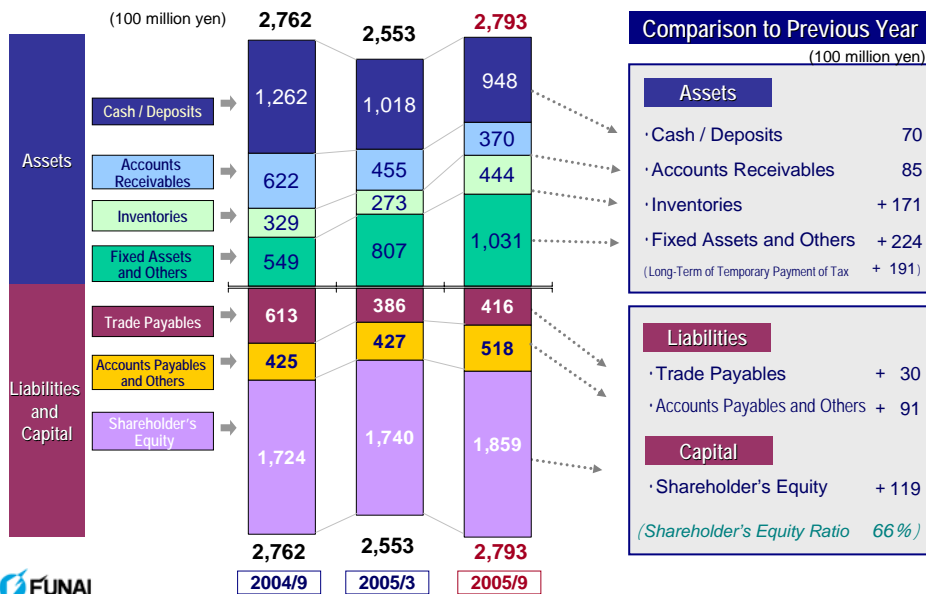
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## Comparison of Sales by Area and Equipment to Previous 1H

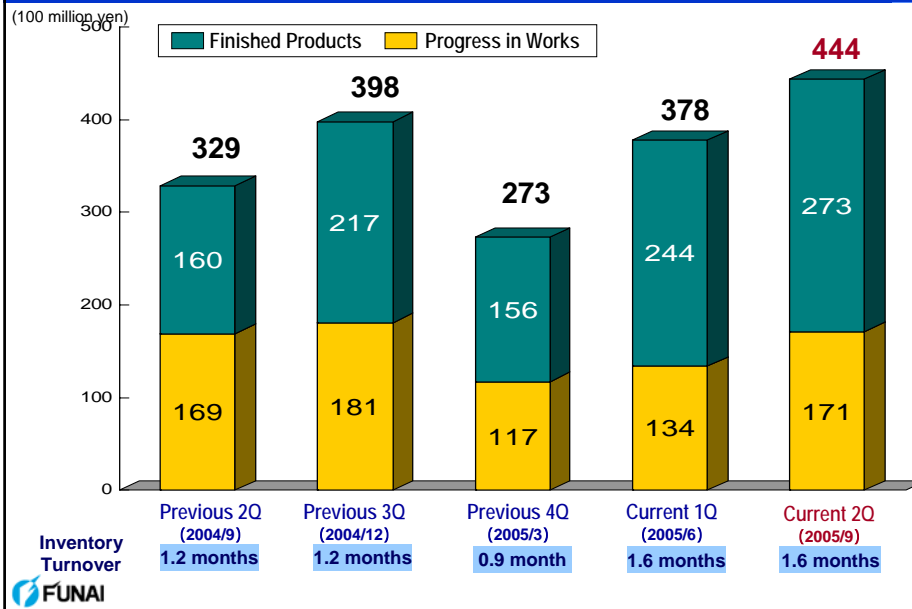


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## Financial Conditions

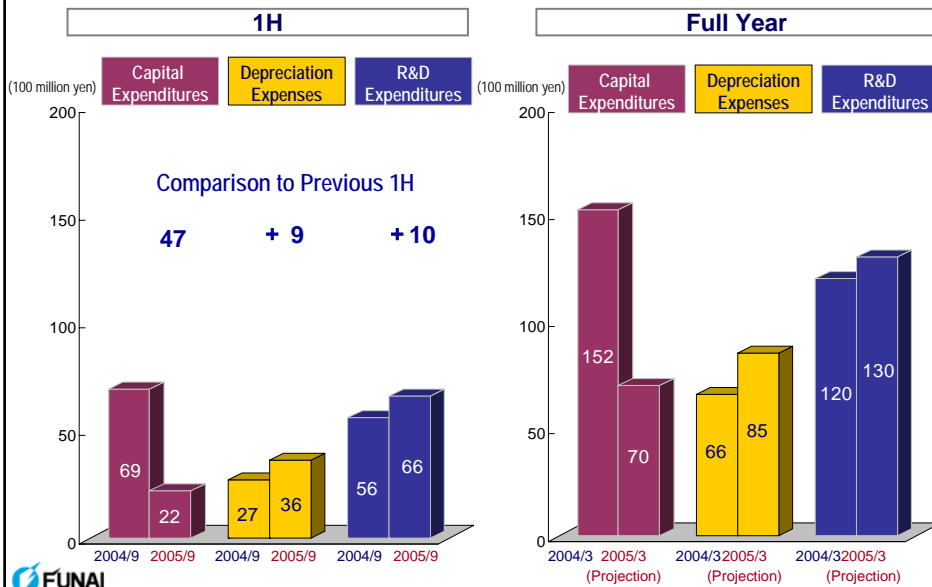


## 9 Changes of Inventories



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## 10 Capital Expenditures, Depreciation Expenses and R&D Expenditures



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## 11 Forecast of Operating Results in FY2005 Ending March 2006

(100 million yen)


	Results of FY2004	Previous Forecast of FY2005	Revised Forecast of FY2005	Changes from FY2004	Changes from Previous Forecast
Net Sales	3,830	4,200	3,873	+ 1.1%	7.8%
Operating Income	333	360	335	+ 0.5%	6.9%
Margin	(8.7%)	(8.6%)	(8.6%)		
Ordinary Income	366	377	365	0.3%	3.2%
Margin	(9.6%)	(9.0%)	(9.4%)		
Net Income after Tax	257	264	272	+ 5.7%	+ 3.0%
Margin	(6.7%)	(6.3%)	(7.0%)		

Average USD - JPY Exchange Rate	JPY 107.65	JPY 105.00	JPY 111.67
			(100 million yen)

		Previous Forecast	Revised Forecast	Changes from Forecast
(Reference) Sales Breakdown by Equipment	AV	666	712	+ 6.9%
	Equipment	2,108	1,865	11.5%
	Sub Total	2,774	2,577	7.1%
Information Equipment	1,112	984	11.5%	
Others	314	312	0.6%	
Total	4,200	3,873	7.8%	



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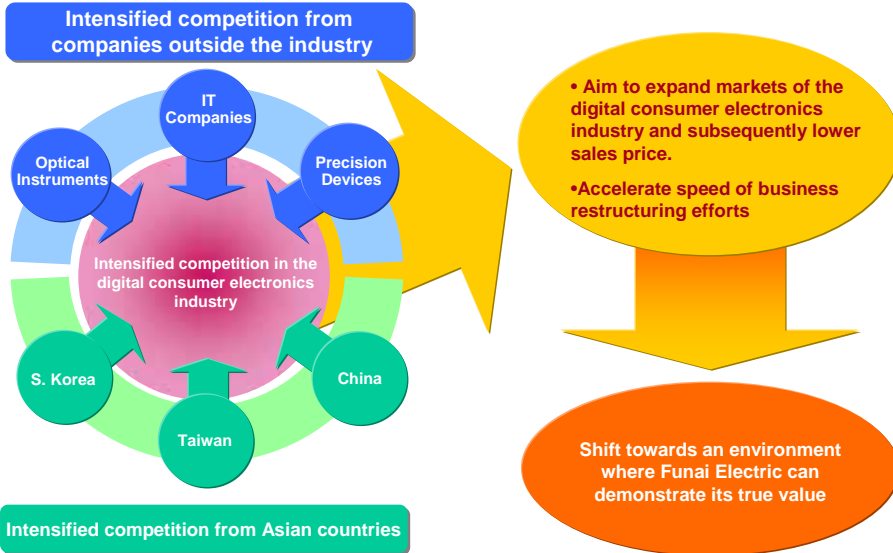


## Strategies for the Future

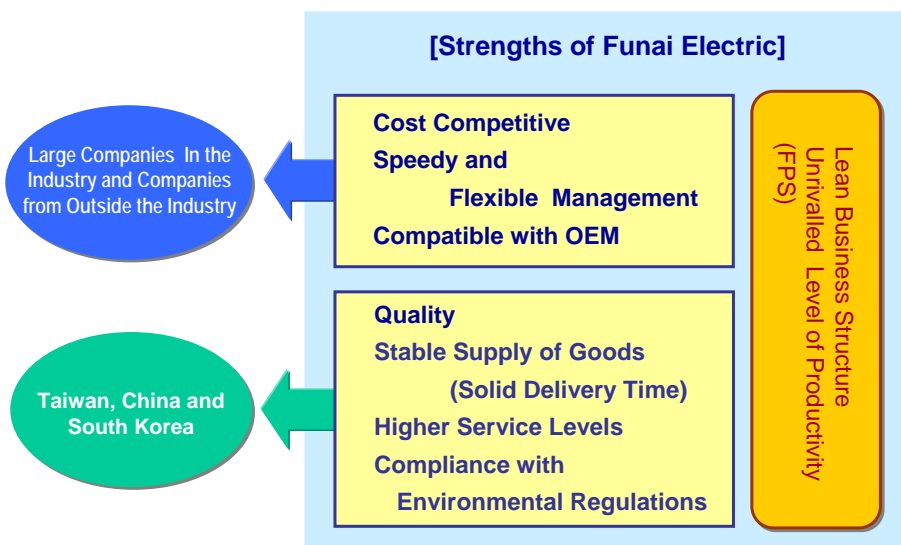
1. Business Environment and Growth Scenario for Funai Electric
2. Funai's Strengths as Compared to its Competitors
3. Basic Strategy
4. Core Products Strategy I - DVD Related Products
5. Core Products Strategy II - Flat Panel TVs (1)
6. Core Products Strategy II - Flat Panel TVs (2)
7. Core Products Strategy III - DSC
8. Planning Towards the Capturing of Global Market Share in the Future
9. Building a Strong Foundation for the Next Growth Stage

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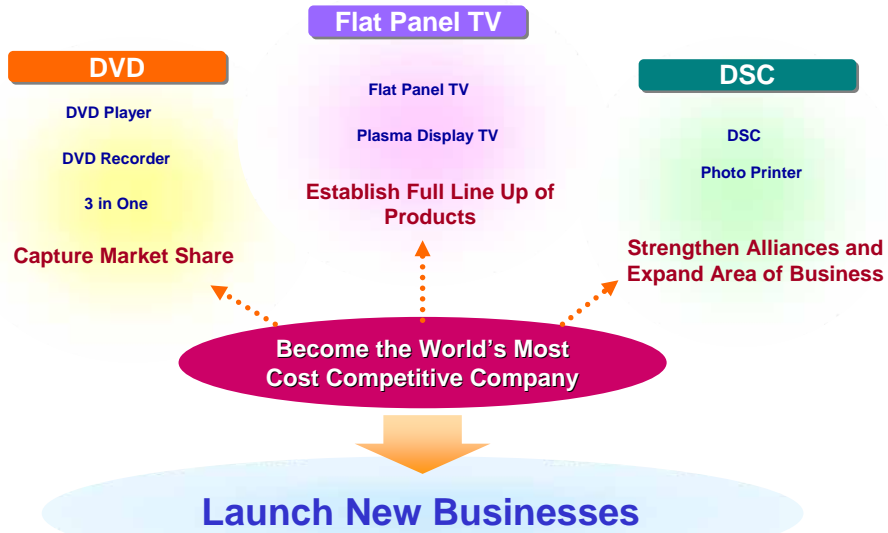
# 1 Business Environment and Growth Scenario for Funai Electric



# 2 Funai's Strengths as Compared to its Competitors



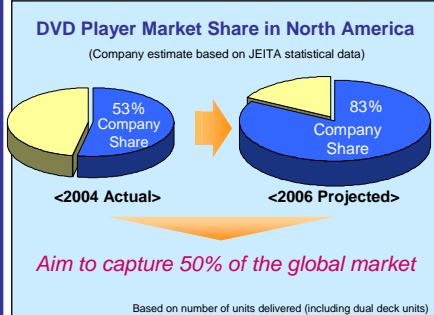
### 3 Basic Strategy



### 4 Core Products Strategy I – DVD Related Products

#### DVD Player Related Products

- Introduce world's strongest business model to further increase cost competitiveness
- Expand sales in European markets



#### DVD Recorder Related Products

- Aggressively promote HDD inclusive DVD recorders
- Further improve cost-down strategies
- Strengthen OEM order taking system
- Focus on Europe and domestic (Japanese) market

Move towards high-vision digital broadcast enabled models

*Develop next generation of DVD models*

## 5 Core Products Strategy II – Flat Panel TVs (1)

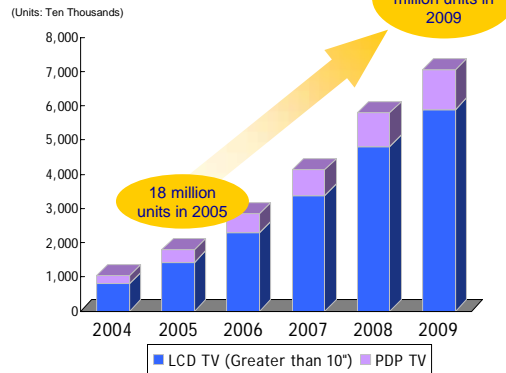
Rapid expansion of demand

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Enter era of high cost competitiveness

Establish improved business structure with the goal to become a full fledged competitor in this field

Outlook of Global Demand for Flat Panel TVs (LCD and PDP)



Source: JEITA "Global Demand Projections for Main AV Products"

## 6 Core Products Strategy II – Flat Panel TVs (2)

### Flat Panel TVs (LCD/PDP) Strategy

- 1 Enhance Panel Procurement Capabilities
- 2 Expand Product Line Up
  - Upgrade size variations
  - Introduce combination products
- 3 Differentiation Through Better Picture Quality
- 4 Build Highly Competitive Digital Tuners In-house
  - Make products compatible with high vision digital broadcasting
- 5 Cultivation of European Market

## 7 Strategy for New Digital Products III - DSC

**DSC**



**Photo Printer**

(For introduction into market during next fiscal year)

- Strengthen business relationships with OEM customer
- Expand sales by improving manufacturing model
- Speed up in-house manufacturing of key components
- Establish new revenue stream by establishing consumer supply products business

**Expand Synergy Driven Sales**



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## 8 Planning Towards the Capturing of Global Market Share in the Future

**US Market**

Further share expansion

- ▶ Strengthen marketing and product planning capabilities
- ▶ Develop new customers and strengthen relationships with existing clients
- ▶ Improve supply chain management system (complete inventory management)

**European Market**

Improve current locations and expand sales channels

- ▶ Move towards becoming a four location operation (Hamburg, London, Warsaw, Paris)
- ▶ Establish direct sales to major local retailers
- ▶ Strengthen competitiveness by manufacturing locally
- ▶ Increase awareness of the Funai Brand

**Domestic Market**

Reorganize and Strengthen

- ▶ Improve new sales channels
- ▶ Establish WIN-WIN relationships
- ▶ Increase awareness of the Funai Brand

**New Markets**

Capture Markets in Russia and India

- ▶ Promote strategy to expand sales channels
- ▶ Expand sales of analog as well as digital products
- ▶ Achieve globalization of the FUNAI Brand



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## Building a Strong Foundation for the Next Growth Stage

### Growth Strategies

Strengthen alliances

Aggressively pursue M&A activities

(Effectively Distribute Available Funds)

### Focus Areas

Flat Panel Display TV

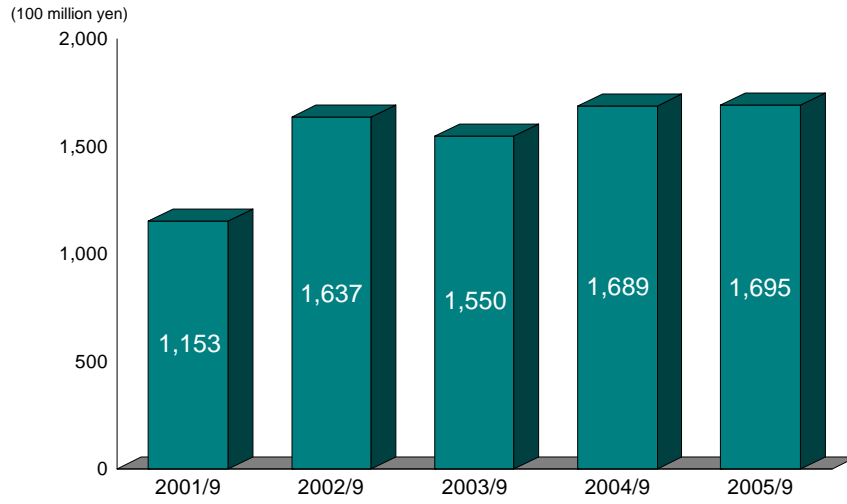
Networking Devices

*Increase competitiveness in the digital products industry*

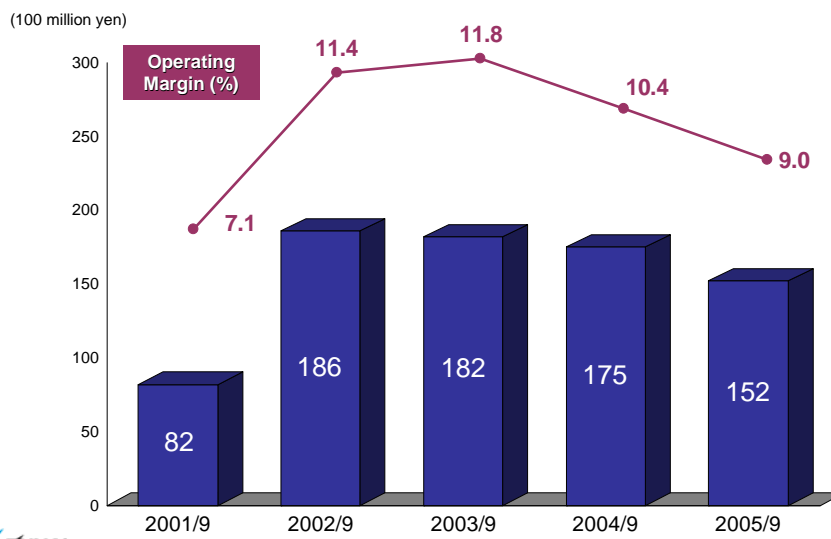
## Supplement Data

- 1 Change of Sales Amount
- 2 Changes of Operating Income
- 3 Changes of Sales Amount by Equipment
- 4 Changes of Geographic Sales Amount

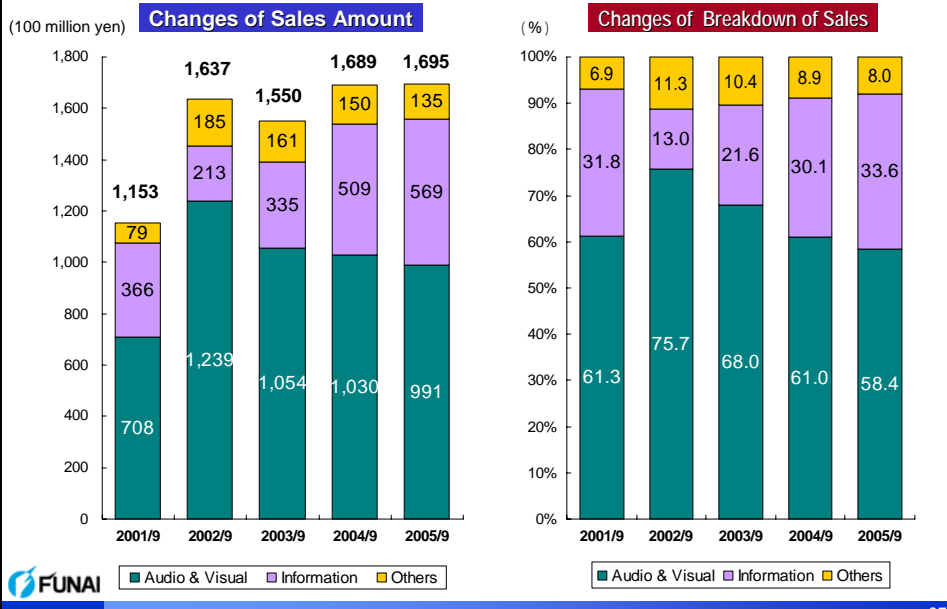
## 1 Changes of Sales Amount



## 2 Changes of Operating Income

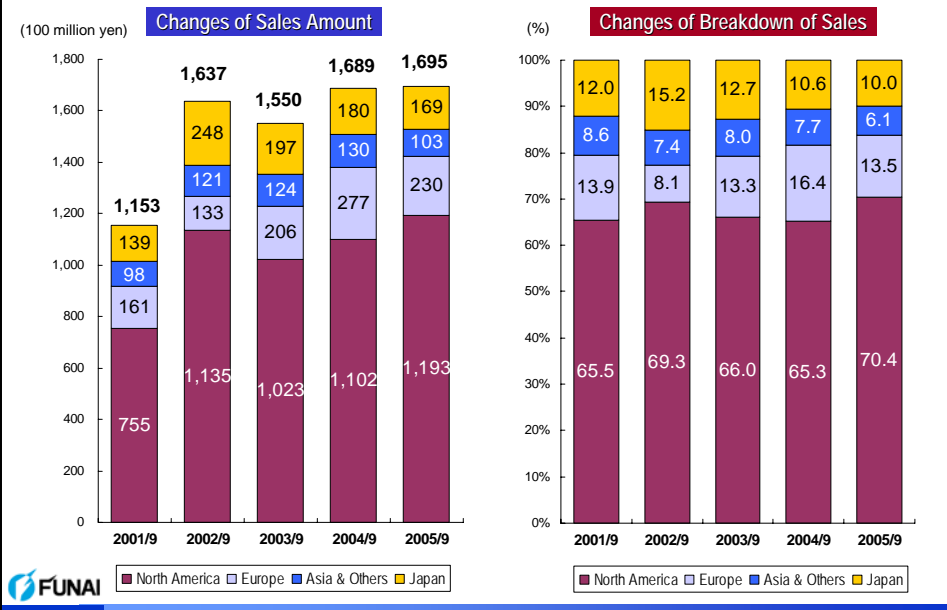


### 3 Changes of Sales Amount by Equipment



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### 4 Changes of Geographic Sales Amount



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## Disclaimer

- This document contains forward-looking statements and projections regarding business performance which are not historical facts. Please note that these statements are based on information relating to factors that may impact future business performance that was available for analysis at the time this document was printed. These factors include industry trends relating to the business areas of Funai Electric Co., Ltd. or the Funai Group, such as audio-visual devices and information communication equipment, the economic conditions of both domestic and international markets, and fluctuations in currency exchange rates. Actual performance may greatly differ from projections included in this document because of the impacts of uncertainty in such areas as the competitive conditions of the electronics industry, market trends, currency exchange rate, introduction and success of new products, and various other global conditions that may affect the tax system and other systems.

