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OFFICE OF INTERNATIONAL  
CORPORATE FINANCE

(Excerpt translation)



THE 53RD BUSINESS YEAR

(April 1, 2004 to March 31, 2005)

REPORT OF THE SETTLEMENT OF ACCOUNTS FOR THE SIX MONTH  
PERIOD ENDED SEPTEMBER 30, 2004

(April 1, 2004 to September 30, 2004)

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FUNAI ELECTRIC CO., LTD.

OUTLINE OF THE SETTLEMENT OF INTERIM ACCOUNTS  
FOR THE BUSINESS YEAR ENDING MARCH 31, 2005

November 10, 2004  
Resolved at the meeting of  
the Board of Directors

1. Consolidated operating results:

|                      | Current interim period<br>(From April 1, 2004 to<br>September 30, 2004) |            | Prior interim period<br>(From April 1, 2003 to<br>September 30, 2003) |            | Rate of<br>increase or<br>decrease |
|----------------------|---|------------|---|------------|------------------------------------|
|                      | Amount  | Percentage | Amount  | Percentage |                                    |
| Net sales            | ¥168,916<br>million   | 100.0%     | ¥155,038<br>million   | 100.0%     | 9.0%                               |
| Operating income     | ¥17,566<br>million  | 10.4%      | ¥18,292<br>million  | 11.8%      | (4.0%)                             |
| Ordinary income      | ¥20,317<br>million  | 12.0%      | ¥16,791<br>million  | 10.8%      | 21.0%                              |
| Net income           | ¥13,332<br>million  | 7.9%       | ¥10,988<br>million  | 7.1%       | 21.3%                              |
| Net income per share | ¥372.56   |            | ¥311.69   |            |                                    |

(Note) The Company has 13 consolidated subsidiaries and two equity method companies.

2. Non-consolidated operating results:

|                      | Current interim period<br>(From April 1, 2004 to<br>September 30, 2004) |            | Current interim period<br>(From April 1, 2003 to<br>September 30, 2003) |            | Rate of<br>increase or<br>decrease |
|----------------------|---|------------|---|------------|------------------------------------|
|                      | Amount  | Percentage | Amount  | Percentage |                                    |
| Net sales            | ¥199,389<br>million   | 100.0%     | ¥170,623<br>million   | 100.0%     | 16.9%                              |
| Operating income     | ¥13,475<br>million  | 6.8%       | ¥13,252<br>million  | 7.8%       | 1.7%                               |
| Ordinary income      | ¥15,482<br>million  | 7.8%       | ¥11,228<br>million  | 6.6%       | 37.9%                              |
| Net income           | ¥9,520<br>million   | 4.8%       | ¥5,929<br>million   | 3.5%       | 60.6%                              |
| Net income per share | ¥266.04   |            | ¥168.18   |            |                                    |

November 10, 2004

BRIEF ANNOUNCEMENT OF SETTLEMENT OF INTERIM ACCOUNTS FOR  
THE BUSINESS YEAR ENDING MARCH 31, 2005 (CONSOLIDATED)

|  |  |
|--|--|
| Name of listed company:  | FUNAI ELECTRIC CO., LTD.   |
| Listing exchange:  | Tokyo Stock Exchange<br>Osaka Securities Exchange                            |
| Code number:   | 6839<br>(URL <a href="http://www.funai.co.jp">http://www.funai.co.jp</a> )   |
| Location of head office:   | Osaka  |
| Representative:  | Tetsuo Funai<br>President and Representative Director                        |
| Inquiries to be directed to:   | Toshihiko Morita<br>General Manager of Administration<br>Tel. (072) 870-4304 |
| Date of meeting of the Board of Directors concerning settlement of interim accounts: | November 10, 2004  |
| Adoption of U.S. Generally Accepted Accounting Principles:                           | No   |

1. Operating results for the interim financial period ended September 30, 2004 (April 1, 2004 to September 30, 2004):

(1) Consolidated operating results:

(Note) Figures are stated by discarding fractions of one million yen.

|                                  | Interim financial<br>period ended<br>September 30, 2004 | Interim financial<br>period ended<br>September 30, 2003 | Business year<br>ended March 31,<br>2004 |
|----------------------------------|---|---|--|
| Net sales                        | ¥168,916 million<br>(9.0%)                              | ¥155,038 million<br>(-) 5.3%                            | ¥342,133 million                         |
| Operating income                 | ¥17,566 million<br>(-) 4.0%                             | ¥18,292 million<br>(-) 1.7%                             | ¥36,534 million                          |
| Ordinary income                  | ¥20,317 million<br>(21.0%)                              | ¥16,791 million<br>(-) 2.2%                             | ¥34,667 million                          |
| Net income                       | ¥13,332 million<br>(21.3%)                              | ¥10,988 million<br>(-) 8.5%                             | ¥26,280 million                          |
| Net income per share             | ¥372.56   | ¥311.69   | ¥744.13                                  |
| Fully diluted earnings per share | ¥370.48   | ¥310.69   | ¥741.52                                  |

(Notes)

|  | Interim financial<br>period ended<br>September 30, 2004 | Interim financial<br>period ended<br>September 30, 2003 | Business year<br>ended March 31,<br>2004 |
|--|---|---|--|
| 1) Gain on equity method investments:  | ¥147 million  | ¥138 million  | ¥269 million                             |
| 2) Average number of shares during each period (year) (consolidated):  | 35,785,751 shares                                       | 35,254,981 shares                                       | 35,249,894 shares                        |
| 3) Changes in accounting methods:  | None  |   |  |
| 4) The percentages in the items of net sales, operating income, ordinary income and net income for the interim period (year) indicate the rates of increase or decrease from the previous interim period (year). |   |   |  |

(2) Consolidated financial condition:

|                                | Interim financial<br>period ended<br>September 30, 2004 | Interim financial<br>period ended<br>September 30, 2003 | Business year<br>ended March 31,<br>2004 |
|--------------------------------|---|---|--|
| Total assets                   | ¥276,202 million  | ¥235,373 million  | ¥223,191 million                         |
| Stockholders' equity           | ¥172,402 million  | ¥140,900 million  | ¥149,748 million                         |
| Ratio of stockholders' equity  | 62.4%   | 59.9%   | 67.1%                                    |
| Stockholders' equity per share | ¥4,783.21   | ¥3,998.39   | ¥4,244.78                                |

(Note) Number of shares outstanding at the end of the year (consolidated):

|                   |                   |                   |
|-------------------|-------------------|-------------------|
| 36,043,155 shares | 35,239,314 shares | 35,266,462 shares |
|-------------------|-------------------|-------------------|

(3) State of consolidated cash flows:

|   | Interim financial<br>period ended<br>September 30, 2004 | Interim financial<br>period ended<br>September 30, 2003 | Business year<br>ended March 31,<br>2004 |
|---|---|---|--|
| Cash flows from operating activities            | ¥6,784 million  | ¥13,846 million   | ¥36,538 million                          |
| Cash flows from investing activities            | (¥6,543 million)  | (¥7,478 million)  | (¥9,497 million)                         |
| Cash flows from financing activities            | ¥10,026 million   | (¥1,684 million)  | ¥1,727 million                           |
| Cash and cash equivalents at the end<br>of year | ¥125,419 million  | ¥96,487 million   | ¥113,606 million                         |

(4) Matters relating to the consolidation scope and application of the equity method:

|  |    |
|--|----|
| Number of consolidated subsidiaries:                                     | 13 |
| Number of non-consolidated subsidiaries subject to the<br>equity method: | 0  |
| Number of affiliated companies subject to the equity method:             | 2  |

(5) Situation of changes in the consolidation scope and application of the equity method:

|   |   |
|---|---|
| Consolidated subsidiaries (inclusion):          | 0 |
| Consolidated subsidiaries (exclusion):          | 0 |
| Companies subject to equity method (inclusion): | 0 |
| Companies subject to equity method (exclusion): | 0 |

2. Forecast of consolidated operating results for the business year ending March 31, 2005 (from April 1, 2004 to March 31, 2005):

|                 | <u>Full-year period</u> |
|-----------------|-------------------------|
| Net sales       | ¥377,300 million        |
| Ordinary income | ¥36,100 million         |
| Net income      | ¥25,300 million         |

(Reference) Forecast of net income per share (full-year period): ¥700.56

(Translation omitted)

## (4) CONSOLIDATED BALANCE SHEETS

(million yen)

|  | Interim financial<br>period ended<br>September 30, 2004 | Interim financial<br>period ended<br>September 30, 2003 | Business year ended<br>March 31, 2004 |
|--|---|---|---------------------------------------|
| <b>ASSETS:</b>                               |   |   |                                       |
| Current assets:                              | 227,803   | 185,712   | 176,085                               |
| Cash and deposits                            | 126,222   | 97,250  | 114,439                               |
| Trade notes and trade accounts<br>receivable | 62,213  | 50,618  | 34,599                                |
| Inventories                                  | 32,992  | 30,973  | 19,147                                |
| Deferred tax assets                          | 3,455   | 2,970   | 3,569                                 |
| Others                                       | 4,078   | 5,049   | 5,518                                 |
| Allowance for doubtful receivables           | (1,158)   | (1,151)   | (1,188)                               |
| Fixed assets:                                | 48,399  | 49,661  | 47,105                                |
| Tangible fixed assets:                       | 18,635  | 15,797  | 14,800                                |
| Buildings and structures                     | 5,170   | 5,157   | 5,062                                 |
| Machinery, equipment and<br>motor vehicles   | 4,283   | 2,931   | 2,124                                 |
| Tools, furniture and fixtures                | 5,560   | 4,352   | 4,206                                 |
| Lands  | 3,358   | 3,345   | 3,398                                 |
| Others                                       | 262   | 10  | 8                                     |
| Intangible fixed assets                      | 1,011   | 1,250   | 1,115                                 |
| Investments and other assets:                | 28,752  | 32,613  | 31,189                                |
| Investment securities                        | 24,987  | 23,024  | 27,476                                |
| Long-term loans receivable                   | 342   | 532   | 315                                   |
| Deferred tax assets                          | 550   | 5,454   | 45                                    |
| Others                                       | 3,138   | 4,852   | 3,983                                 |
| Allowance for doubtful<br>receivables        | (266)   | (1,251)   | (631)                                 |
| <b>TOTAL ASSETS</b>                          | <b>276,202</b>  | <b>235,373</b>  | <b>223,191</b>                        |

(million yen)

|   | Interim financial<br>period ended<br>September 30, 2004 | Interim financial<br>period ended<br>September 30, 2003 | Business year ended<br>March 31, 2004 |
|---|---|---|---------------------------------------|
| <u>LIABILITIES:</u>   |   |   |                                       |
| Current liabilities:  | 90,560  | 80,817  | 59,450                                |
| Trade notes and trade accounts payable                                | 61,352  | 54,553  | 37,400                                |
| Short-term loans payable  | 5,404   | 1,639   | 5,181                                 |
| Accounts payable  | 15,112  | 16,680  | 13,252                                |
| Accrued corporate taxes, etc.   | 6,034   | 4,929   | 534                                   |
| Deferred tax liabilities  | 7   | 7   | 4                                     |
| Reserve for products guarantee  | 135   | 149   | 211                                   |
| Other current liabilities   | 2,512   | 2,857   | 2,863                                 |
| Long-term liabilities:  | 13,010  | 13,459  | 13,795                                |
| Long-term loans payable   | 6,409   | 7,063   | 6,491                                 |
| Deferred tax liabilities  | 539   | 373   | 1,097                                 |
| Reserve for retirement benefits                                       | 4,733   | 4,473   | 4,634                                 |
| Allowance for officers' retirement gratuities                         | 911   | 903   | 923                                   |
| Other long-term liabilities   | 416   | 646   | 648                                   |
| <b>TOTAL LIABILITIES</b>  | <b>103,570</b>  | <b>94,277</b>   | <b>73,245</b>                         |
| Minority interests:   |   |   |                                       |
| Minority interests  | 229   | 196   | 197                                   |
| <u>STOCKHOLDERS' EQUITY:</u>  |   |   |                                       |
| Common stock  | 30,990  | 30,810  | 30,940                                |
| Additional paid-in capital  | 32,954  | 32,336  | 32,466                                |
| Retained earnings   | 112,856   | 84,987  | 100,278                               |
| Revaluation difference of other securities                            | 4,035   | 3,343   | 5,293                                 |
| Foreign exchange translation adjustment                               | (8,430)   | (568)   | (9,220)                               |
| Treasury stock  | (3)   | (10,008)  | (10,010)                              |
| <b>TOTAL STOCKHOLDERS' EQUITY</b>                                     | <b>172,402</b>  | <b>140,900</b>  | <b>149,748</b>                        |
| <b>TOTAL LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY</b> | <b>276,202</b>  | <b>235,373</b>  | <b>223,191</b>                        |

CONSOLIDATED STATEMENTS OF INCOME

(million yen)

|  | Interim financial<br>period ended<br>September 30, 2004 | Interim financial<br>period ended<br>September 30, 2003 | Business year<br>ended March 31,<br>2004  |
|--|---|---|---|
|  | (from April 1, 2004 to<br>September 30, 2004)           | (from April 1, 2003 to<br>September 30, 2003)           | (from April 1, 2003<br>to March 31, 2004) |
| Net sales  | 168,916   | 155,038   | 342,133                                   |
| Cost of sales  | 130,219   | 118,031   | 266,261                                   |
| Selling, general and administrative<br>expenses                      | 21,130  | 18,714  | 39,338                                    |
| Operating income   | 17,566  | 18,292  | 36,534                                    |
| Non-operating income:  |   |   |   |
| Interest income  | 667   | 592   | 1,190                                     |
| Gain from equity method investments                                  | 147   | 138   | 269                                       |
| Exchange gain  | 1,866   | -   | -   |
| Other income   | 449   | 305   | 688                                       |
| Non-operating income   | 3,130   | 1,036   | 2,148                                     |
| Non-operating expenses:  |   |   |   |
| Interest expenses  | 133   | 133   | 272                                       |
| Exchange loss  | -   | 2,140   | 3,123                                     |
| Other expenses   | 245   | 263   | 618                                       |
| Non-operating expenses   | 379   | 2,537   | 4,015                                     |
| Ordinary income  | 20,317  | 16,791  | 34,667                                    |
| Special income:  |   |   |   |
| Income from sales of fixed assets                                    | 15  | 19  | 21  |
| Income from transfer back from<br>allowance for doubtful receivables | 65  | 218   | 263                                       |
| Other special income   | 358   | 123   | 182                                       |
| Special income   | 439   | 360   | 468                                       |
| Special loss:  |   |   |   |
| Loss from disposition of fixed assets                                | 308   | 37  | 143                                       |
| Valuation loss of investment securities                              | 612   | 40  | 39  |
| Loss from disposition of associated<br>companies                     | -   | 572   | 574                                       |
| Other special loss   | 498   | 404   | 488                                       |
| Special loss   | 1,419   | 1,054   | 1,245                                     |
| Income before income taxes, etc. for the<br>interim period (year)    | 19,337  | 16,097  | 33,889                                    |
| Corporate, inhabitant and enterprise taxes                           | 6,061   | 4,607   | 2,965                                     |
| Adjustment to corporate taxes, etc.                                  | (87)  | 447   | 4,569                                     |
| Minority interests   | 31  | 54  | 75  |
| Net income for the interim period (year)                             | 13,332  | 10,988  | 26,280                                    |

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(million yen)

|   | Interim financial<br>period ended<br>September 30,<br>2004<br><small>(from April 1, 2004 to<br/>September 30, 2004)</small> | Interim financial<br>period ended<br>September 30,<br>2003<br><small>(from April 1, 2003 to<br/>September 30, 2003)</small> | Business year<br>ended March 31,<br>2004<br><small>(from April 1, 2003 to<br/>March 31, 2004)</small> |
|---|---|---|---|
| (Additional paid-in Capital)  |   |   |   |
| Balance of additional paid-in capital at beginning of the period (year)   | 32,466  | 32,332  | 32,332  |
| Increase in additional paid-in capital                                    | 488   | 4   | 134   |
| Issue of new shares upon exercise of new share subscription rights        | 49  | 4   | 134   |
| Income from disposition of its own shares                                 | 438   | -   | -   |
| Balance of additional paid-in capital at end of the interim period (year) | 32,954  | 32,336  | 32,466  |
| (Retained earnings)   |   |   |   |
| Balance of retained earnings at beginning of the period (year)            | 100,278   | 74,771  | 74,771  |
| Increase in retained earnings   |   |   |   |
| Net income for the interim period (year)                                  | 13,332  | 10,988  | 26,280  |
| Decrease in retained earnings   | 754   | 773   | 773   |
| Cash dividends  | 705   | 705   | 705   |
| Officers' bonuses   | 49  | 67  | 67  |
| Balance of retained earnings at end of the interim period (year)          | 112,856   | 84,987  | 100,278   |

|  | Interim financial<br>period ended<br>September 30,<br>2004<br>(from April 1, 2004<br>to September 30,<br>2004) | Interim financial<br>period ended<br>September 30,<br>2003<br>(from April 1, 2003<br>to September 30,<br>2003) | Business year<br>ended March 31,<br>2004<br>(from April 1,<br>2003 to March 31,<br>2004) |
|--|--|--|--|
| <b>I. Cash flows from operating activities</b>                                 |  |  |  |
| Net income before income taxes, etc.   | 19,337   | 16,097   | 33,889   |
| Depreciation   | 2,746  | 3,025  | 5,673  |
| Increase (decrease) in allowance for doubtful receivables                      | (403)  | (211)  | (685)  |
| Increase (decrease) in reserve for retirement benefits                         | 99   | 203  | 364  |
| Interest and dividend income   | (772)  | (617)  | (1,220)  |
| Interest expense   | 133  | 133  | 272  |
| (Gain) loss from equity method investments                                     | (147)  | (138)  | (269)  |
| (Gain) loss from sale of tangible fixed assets                                 | (3)  | (12)   | 41   |
| Valuation loss of investment securities  | 612  | 40   | 39   |
| (Increase) decrease in trade accounts receivable                               | (26,866)   | (16,024)   | (3,093)  |
| Decrease (increase) in inventories   | (13,749)   | (10,657)   | (585)  |
| Increase (decrease) in trade accounts payable                                  | 23,544   | 23,117   | 10,774   |
| Others   | (733)  | 4,195  | (1,069)  |
| Subtotal   | 3,797  | 19,151   | 44,130   |
| Interest and dividends received  | 749  | 654  | 1,209  |
| Interest paid  | (132)  | (135)  | (283)  |
| Refund (payment) of income taxes, etc.   | 2,368  | (5,823)  | (8,517)  |
| Cash flows from operating activities   | 6,784  | 13,846   | 36,538   |
| <b>II. Cash flows from investing activities</b>                                |  |  |  |
| Placing of time deposits   | -  | -  | (173)  |
| Withdrawal of time deposits  | 44   | 524  | 559  |
| Sale of securities   | -  | 100  | 686  |
| Acquisition of tangible fixed assets   | (6,778)  | (4,571)  | (7,659)  |
| Sale of tangible fixed assets  | 112  | 70   | 385  |
| Acquisition of investment securities   | (831)  | (2,053)  | (4,228)  |
| Sale of investment securities  | 353  | 49   | 139  |
| Making of loans  | (29)   | (4)  | (24)   |
| Collection of loans  | 35   | 67   | 2,429  |
| Others   | 548  | (1,660)  | (1,612)  |
| Cash flows from investing activities   | (6,543)  | (7,478)  | (9,497)  |
| <b>III. Cash flows from financing activities</b>                               |  |  |  |
| Net increase (decrease) in short-term loans payable                            | 623  | 149  | 3,669  |
| Repayment of long-term loans payable   | (432)  | (363)  | (725)  |
| Proceeds from issuance of shares   | 98   | 8  | 269  |
| Acquisition of its own shares  | (3)  | (754)  | (756)  |
| Proceeds from sales of its own shares  | 10,448   | -  | -  |
| Cash dividends paid  | (705)  | (705)  | (705)  |
| Others   | (4)  | (18)   | (23)   |
| Cash flows from financing activities   | 10,026   | (1,684)  | 1,727  |
| <b>IV. Translation gain/loss related to cash and cash equivalents</b>          |  |  |  |
|  | 1,545  | (194)  | (7,160)  |
| <b>V. Net increase (decrease) in cash and cash equivalents</b>                 | 11,812   | 4,488  | 21,608   |
| <b>VI. Cash and cash equivalents at beginning of the interim period (year)</b> | 113,606  | 91,998   | 91,998   |
| <b>VII. Cash and cash equivalents at end of the interim period (year)</b>      | 125,419  | 96,487   | 113,606  |

(Translation omitted hereinafter)

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(Translation)

*Press Release*

**FUNAI**

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November 10, 2004

Dear Sirs:

FUNAI ELECTRIC CO., LTD.

Name of the  
Representative: Tetsuro Funai  
President and  
Representative Director

(Code No. 6839; The 1st Sections of the Tokyo Stock  
Exchange and the Osaka Securities Exchange)

Person to contact: Toshihiko Morita  
General Manager of  
Administration  
(Tel: 072-870-4304)

Notice of Acquisition by the Company of its Own Shares

(Acquisition by the Company of its own shares pursuant to Article  
211-3, paragraph 1, item 2 of the Commercial Code of Japan)

Notice is hereby given that Funai Electric Co., Ltd. (the "Company"), at the meeting of its Board of Directors held on November 10, 2004, resolved that the Company would acquire its own shares pursuant to Article 211-3, paragraph 1, item 2 of the Commercial Code of Japan, as described below:

Description

1. Reason for the acquisition by the Company of its own shares:

To allow management to carry out capital policies with agility in response to changing business situations, the Company desires to acquire its own shares within the following limit whenever the necessity arises.

2. Details of the acquisition:

- |   |  |
|---|--|
| (1) Class of shares to be acquired:         | Shares of common stock of the Company  |
| (2) Total number of shares to be acquired:  | (Not exceeding) 1,000,000 shares<br>(Ratio thereof to the total number of issued shares: 2.8%) |
| (3) Aggregate acquisition prices of shares: | (Not exceeding) ¥14,000,000,000  |
| (4) Acquisition period:                     | From November 11, 2004 to March 31, 2005   |

(Reference) Number of its own shares held by the Company as of September 30, 2004:

|  |                   |
|--|-------------------|
| Total number of issued shares<br>(excluding its own shares held by the Company): | 36,043,155 shares |
| Own shares held by the Company:  | 241 shares        |

- END -