

January 29, 2013

To Whom It May Concern:

Funai Electric Co., Ltd.
Representative Director
President and CEO: Tomonori Hayashi
(Code No.: 6839 First Section of TSE/OSE)

Notice of Acquisition of Lifestyle Entertainment Businesses of PHILIPS

Funai Electric Co., Ltd. (headquarters: Daito, Osaka; hereinafter, the “Company”) hereby provides notice that the Company reached an agreement with Royal Philips Electronics (headquarters, the Netherlands; NYSE: PHG; AEX: PHIA, hereinafter, “PHILIPS”) to acquire all shares (hereinafter, the “Transaction”) in the company (hereinafter, the “New Company”) assuming operations (hereinafter, the “Operation”) of PHILIPS’ Lifestyle Entertainment Business (Note).

(Note) The Lifestyle Entertainment Business involves the development and design, sales and (partial) manufacture of the following PHILIPS-brand products.

Audio Video Multimedia products

Home Audio, Headphone, Speaker, In-car Audio, Video related products, Portable Audio, Portable Video Player, Home Media Player etc.

Home Communication products

DECT Phone

Accessories products

Batteries, Cables/Connectors, Storage Products, Power Solutions, Portable Chargers for Cell-phone, Antennas etc.

The Transaction does not include the acquisition of business related to general-purpose remote control equipment within the Lifestyle Entertainment Business. In addition, as part of the Transaction, it has been agreed that the Optical Video Business will transfer in 2017.

1. Reasons for Acquiring the Shares

In September 2008, the Company entered into a brand licensing agreement maintaining responsibility for the sourcing, distribution, marketing and sales activities of PHILIPS consumer televisions in the United States and Canada. Following this, in July 2012 the Company entered an agreement with PHILIPS involving the sale in the United States, Canada and Mexico of products that PHILIPS designed and developed through the Operation. The Company has positioned the “strengthening and expanding existing businesses,” “making forays into new markets” and “developing new businesses” as the three pillars of its growth strategy. To achieve this growth strategy, in addition to reinforcing existing management resources the Company has searched for growth opportunities through business alliances and M&A activities with other companies such as those outlined above. The Transaction to assume the Operation will enable the Funai Group to expand the lineup of products that it handles and expand its sales region to include Asia, South America and other emerging markets, as well as advanced countries in Europe. The Company decided to acquire shares in the New Company, based on the belief that the acquisition would foster sustained growth of the Funai Group’s business.

2. Stock Acquisition Method

In the first half of FY 2013, PHILIPS will establish the New Company that will assume and manage the Operation, and at the same time establish local subsidiaries and other bases under the New Company to handle the Operation in individual regions. Thereafter, these bases that are currently operating under PHILIPS will be transferred as functions of the Operation. By acquiring shares in the New Company as of the share transaction

date, the Company plans to assume the business handled by the Operation.

Through the New Company, the Company and PHILIPS aim to maintain the PHILIPS brand. For this purpose, the two companies plan to enter into a license agreement involving the use of trademarks for the initial term of five and a half years. Under this agreement, the Company will pay a fixed percentage to PHILIPS as a licensing fee.

3. Overview of the New Company

(1)	Name	Not yet determined (Note 1)		
(2)	Location	Not yet determined (Note 1)		
(3)	Name and Position of Representative	Not yet determined (Note 1)		
(4)	Businesses	Development, design, selling, and (partial) involvement in manufacturing of products of the Operation		
(5)	Capital	Not yet determined (Note 1)		
(6)	Expected Date of Establishment	In the first half of FY 2013		
(7)	Principal Shareholders and Ownership Ratios	Royal Philips Electronics 100%		
(8)	Relationships between the Listed Company and Said Company	Capital Relationships	No capital relationships requiring mention exist between the Company and said company. Furthermore, no particularly notable capital relationships exist between affiliated persons or affiliated companies of the Company and said company.	
		Personal Relationships	No personal relationships requiring mention exist between the Company and said company. Furthermore, no particularly notable personal relationships exist between affiliated persons or affiliated companies of the Company and said company.	
		Transactional Relationships	No transactional relationships requiring mention exist between the Company and said company. Furthermore, no particularly notable transactional relationships exist between affiliated persons or affiliated companies of the Company and said company.	
(9)	Consolidated Operating Performance and Consolidated Financial Position of Said Company in Most Recent Three Years (Note 2,3)			
	Fiscal Year-End	December 31, 2009	December 31, 2010	December 31, 2011
	Net Sales	€ 1,861 million	€ 1,774 million	€ 1,575 million
	Total Assets	€ 532 million	€ 574 million	€ 513 million

(Note 1) As the New Company is to be established in the first half of FY 2013, these decisions are not in place at present.

(Note 2) As the New Company is to be established in the first half of FY 2013, no such information is available.

(Note 3) The Operation is a division of PHILIPS and does not maintain its own financial statements as an individual company. However, sales and total assets for the most recent three years are provided above as reference figures.

4. Overview of Counterparty to the Share Acquisition

(1)	Name	Royal Philips Electronics
(2)	Location	Amstelplein 2 Breitner Center P.O. Box 77900 1070 MX Amsterdam The Netherlands
(3)	Name and Position of Representative	CEO Frans van Houten
(4)	Businesses	Development, design, selling, and (partial) involvement in manufacturing of healthcare, lighting and consumer products

(5)	Capital	€ 191 million (As of September 30, 2012)	
(6)	Established	May 15, 1891	
(7)	Net Assets	€ 12,081 million (As of September 30, 2012)	
(8)	Total Assets	€ 29,077 million (As of September 30, 2012)	
(9)	Principal Shareholders and Ownership Ratios	Southeastern Asset Management	5.05%
		Dodge & Cox	4.80%
		Royal Philips Electronics	3.38%
		Franklin Resources	1.94%
		Blackrock	1.36%
		Vanguard Group	1.25%
		Harris Associates	0.99%
		ING Investment Management	0.72%
		Fidelity Management Research	0.65%
	Artisan Partners Holdings	0.54%	
(10)	Relationships between the Listed Company and Said Company	Capital Relationships	No capital relationships requiring mention exist between the Company and said company. Furthermore, no particularly notable capital relationships exist between affiliated persons or affiliated companies of the Company and said company.
		Personal Relationships	No personal relationships requiring mention exist between the Company and said company. Furthermore, no particularly notable personal relationships exist between affiliated persons or affiliated companies of the Company and said company.
		Transactional Relationships (Note)	The Company has entered into licensing agreements with this company involving the PHILIPS and Magnavox brands. In addition, the Company's subsidiaries—P&F USA Inc. and P&F MEXICANA, S.A. DE C.V.—conduct sales activities in the United States, Canada, Mexico, etc of PHILIPS-brand consumer televisions and video-related equipment (DVD players and recorders, Blu-ray disc players and other products).
		People with Relevant Relationships	Said company has no people with relevant relationships to the Company. Furthermore, no affiliated persons or affiliated companies of said company have people with relevant relationships to the Company.

(Note) The transactional relationship was as described above during the Company's most recent fiscal year. However, since the end of the most recent fiscal year, the Company's subsidiary, P&F USA Inc., entered into an exclusive distribution agreement with this company's subsidiary involving the Operation's products. Based on this agreement, P&F USA Inc. accepts supplies from this company of the Operation's products, which it sells in the United States, Canada and Mexico.

5. Number of Shares Acquired, Acquisition Price and Status of Held Shares Before and After Acquisition

(1)	Ratio of the number of shares held to the number of shares issued prior to transfer	0.0% (Ratio of voting rights: — %)
(2)	Ratio of the number of shares acquired to the number of shares issued	100%
(3)	Acquisition Price	Shares of the New Company's stock ¥ 17,250 million (Note 1,2) Advisory fees, etc. (approximate amount) ¥ 830 million (Note 1,3)

	Total (approximate amount)	¥ 18,080 million
(4) Ratio of the number of shares held to the number of shares issued after transfer	100.0% (Ratio of voting rights: 100.0%)	

(Note 1) These calculations assume an exchange rate of ¥115 to the euro.

(Note 2) The acquisition price of the New Company's shares is expected to be as indicated above.

However, this figure is expected to be adjusted based on the Operation's cash and deposits, interest-bearing liabilities, tangible fixed assets, working capital as of the share transfer date.

(Note 3) Advisory fees, etc., are approximations. This total includes amounts for the payment of advisory fees for the services of financial advisors, legal advisors, accounting advisors and tax advisors, as well as other costs related to the acquisition of the New Company's shares.

6. Method of Procuring Funds

Costs for this acquisition are all to be funded through resources on hand.

7. Schedule

(1) Conclusion of Share Transaction Agreement	January 29, 2013
(2) Expected Date of Share Transfer	Within 2013 (Note)

(Note) The share transfer date is expected to be during 2013, after conforming items related to competition laws in various regions, including most probably the United States, Germany, Ukraine, Russia, Poland, Turkey, and Taiwan.

8. Future Outlook

Through the Transaction, the New Company is expected to become a consolidated subsidiary of the Company. At present, the likely impact of these operations on the Company's operating performance in future fiscal years is under consideration. Notification will be provided promptly once this information is confirmed.

(Reference) Forecast of Consolidated Operating Performance for the Current Fiscal Year (As Announced November 2, 2012) and Consolidated Operating Performance for the Preceding Fiscal Year

(million yen)

	Consolidated Net Sales	Consolidated Operating Income (Loss)	Consolidated Ordinary Income (Loss)	Consolidated Net Income (Loss)
Forecast of Consolidated Operating Performance for the Current Fiscal Year (Year Ending March 31, 2013)	205,000	(2,500)	(4,100)	(5,800)
Consolidated Operating Performance for the Preceding Fiscal Year (Year Ended March 31, 2012)	246,147	461	174	(4,629)

Toru Fujii

Investors and Public Relations

E-mail: investor_relations@funai.co.jp