

December 6, 2013

To Whom It May Concern:

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

Funai to File Counterclaim (Compensation for Damages) Against PHILIPS for a Breach of Contract and Misrepresentation

Osaka, Japan December 6, 2013 – Funai Electric Co. Ltd (TSE 6839) has filed a counterclaim (compensation for damages) against Koninklijke Philips N.V. (headquarters, the Netherlands, NYSE: PHG, AEX: PHIA) in the pending arbitration procedure inter alia due to the following reasons.

- (1) Philips was unable to timely complete the spin-off of Philips' Lifestyle Entertainment Business ("Business") despite two postponements of the completion date of the transaction in which Funai was to acquire from Philips all shares in the company that would hold the operations of the Business ("Transaction").**
- (2) The Business Philips intended to sell to Funai differed markedly from what Philips explained to Funai, and the profitability of the Business has been notably declining this business year.**
- (3) Despite the situation above, Philips insisted that Funai complete the Transaction.**
- (4) Although Funai was continuing with negotiations to complete the Transaction based on its good business relationship of mutual trust with Philips for over 25 years, Philips suddenly and unilaterally broke off negotiations and filed a petition for arbitration with the International Court of Arbitration on October 25, 2013.**

Due to these and other actions attributable to Philips, Funai is of the opinion that Philips is in breach of its agreement with Funai.

1. The circumstances of Funai to file counterclaim

Shortly after the signing of the share purchase agreement dated January 29, 2013 (the "Agreement"), Philips requested a postponement of the date of the completion initially scheduled on June 30, 2013, due to the reason that Philips was unable complete the spin-off of the Business to be transferred. The date of the completion again had to be postponed to November 3, 2013, due to a continuing delay in the spin-off.

Furthermore, although Philips had repeatedly represented to Funai that the Business would be substantially profitable, the profitability of the business has been notably declining this business year and differs markedly from what Philips explained to Funai before the signing of the Agreement. Philips proposed several times certain financial support packages to address the several issues which would be obstacles for the completion of the Transaction, but the packages were entirely insufficient.

Funai nevertheless continued to work with Philips toward completion of the Transaction. Funai made a counterproposal to Philips on October 24, 2013, to ensure the completion of the Transaction. However, on the very next day, October 25, 2013, without responding to Funai's counterproposal, Philips suddenly and unilaterally broke off negotiations and notified Funai that it would terminate the Agreement, alleging that Funai was in breach of the Agreement. Philips also filed a petition for arbitration with the International Court of Arbitration. Funai is extremely disappointed by Philips' series of actions that have undermined a relationship of mutual trust between Funai and Philips for over 25 years. Funai finds these actions by Philips to be entirely impermissible.

It was Philips' inability to complete the timely spin-off of the Business that resulted in the failure of completion of the Transaction pursuant to the Agreement. As previously announced by Funai in its October 26, 2013 press release ("Notice regarding global licensing agreement for Philips Audio, Video, Multimedia and Accessories business"), Funai

has not breached the Agreement with Philips and firmly rejects Philips' assertions. Funai will vigorously defend itself in the arbitration and pursue its counterclaims against Philips.

2. Prospects

Funai will make further disclosures with respect to this arbitration when required.

For further information, please contact
Toru Fujii
Investors and Public Relations
E-mail: investor_relations@funai.co.jp