

April 26, 2016

To Whom It May Concern:

Funai Electric Co., Ltd.

Representative Director

President & CEO: Tomonori Hayashi

(Code No.: 6839 First Section of TSE)

Notice regarding arbitral award

Osaka, Japan— Funai confirms that it has received an arbitral award from the ICC International Court of Arbitration on April 26, 2016 regarding the previously announced arbitration between Funai Electric Co., Ltd. (headquarters: Daito, Osaka; hereinafter, “Funai”) and Koninklijke Philips N.V. (hereinafter, “Philips”).

Details

1. Background and details of filing for arbitration

On January 29, 2013, Funai and Philips announced the signing of a share purchase agreement (the “Agreement”) under which Funai would acquire all the shares in a new company to be incorporated that would hold the Lifestyle Entertainment Business of Philips (the “Business”). In its previous press releases, Funai announced that after signing Philips was unable to timely complete the spin-off of the Business despite several postponements of the completion date, and that the Business Philips intended to transfer to Funai differed markedly from what Philips had presented to Funai prior to the signing of the Agreement.

On October 25, 2013, Philips announced its termination of the Agreement. On that same day, Philips initiated arbitration proceedings before the ICC International Court of Arbitration alleging that Funai had breached the Agreement by not accepting the transfer of the Business in October 2013. As a result of this termination, the completion of the transaction did not occur and Funai never took control of the Business or its management. Funai has set out in previous press releases that it strongly rejects Philips’ claim for damages and maintains that it was Philips and not Funai who breached the Agreement. Funai filed a counterclaim against Philips for the damages it incurred as a result of the Business not being transferred.

2. Summary of arbitral award

- (1) The arbitral tribunal has found partially in favor of Philips regarding its claim. The arbitral tribunal has ordered Funai to pay compensatory damages to Philips in the sum of EUR 134.8M (approximately equivalent to JPY 16.9B when converted at EUR 1 to JPY 125), arbitration costs in the sum of USD 1.35M (approximately equivalent to JPY 150M when converted at USD 1 to JPY 111), and Philips’s legal fees in the sum of EUR 2.5M (approximately equivalent to JPY 300M when converted at EUR 1 to JPY 125) plus interest (2%) for them.
- (2) The arbitral tribunal has dismissed the counterclaim by Funai.

3. Future outlook

Funai is disappointed with this outcome. It will carefully review the written award from the arbitral tribunal and consider its further options.

Funai will record compensatory damages, arbitration cost, Philips's legal fees and interest for them that was determined by this arbitral award in extraordinary loss in the 4th quarter for the fiscal year ending March 31, 2016.

The consolidated financial results forecast for the fiscal year ending March 31, 2016 is currently under examination. If revising its forecast arises is ready, Funai will promptly announce it.

For further information, please contact:

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