

June 24, 2014

Pioneer Corporation  
Onkyo Corporation

## **Basic Agreement for Capital/Business Alliance in Home AV Business**

Japan — Pioneer Corporation (Headquarters: Kawasaki City, Kanagawa Prefecture; President & CEO: Susumu Kotani; hereinafter “Pioneer”), Onkyo Corporation (Headquarters: Osaka City; President & CEO: Munenori Otsuki; hereinafter “Onkyo”) and Baring Private Equity Asia (Headquarters: Hong Kong, Chief Executive and Founding Partner: Jean Eric Salata; hereinafter “Baring”) have reached a basic agreement to commence discussions with an eye to integrating a part of Home AV business operations between Pioneer and Onkyo. Also, a portion of shares in Pioneer Home Electronics Corporation (hereinafter “PHE”), a wholly-owned subsidiary of Pioneer, will be transferred to Baring and Onkyo. After the transfer, Baring will have 51% stake in PHE. The remaining 49% will be determined in consultation between the related parties.

### Background to the basic agreement:

Home AV market is shifting from analog equipment to digital equipment, where music playback by PCs and digital audio players are getting popular, and ways to enjoy music and music playback environment have been greatly changing.

To cope with such changes of the market, Pioneer and Onkyo will make an effort to increase competitiveness by capitalizing on the resources of the two companies such as strong brand power and superior technologies. Also, the capital participation of Baring will maximize synergies including business expansion.

Both companies will retain their existing brands, and increase their corporate value.

#### •Overview of Pioneer Home Electronics Corporation (PHE)

PHE started operations in July 2013 as a wholly-owned subsidiary of Pioneer Corporation for planning, manufacturing, sales and marketing of Home AV products. High quality audio/video and communication-related equipment designed by PHE have been core businesses of Pioneer, and it has introduced many industry-first and world-first products. Those quality is well received from both Japanese and overseas AV magazines such as EISA of Europe, and globally recognized as a high quality AV brand manufacturer.

#### •Overview of Onkyo Corporation

Since 1946 Onkyo has been passionately committed to developing audio products that deliver uncommon performance, quality and value. Bundling proprietary technologies and innovations with other sound-enhancing exclusives, Onkyo continues to create award winning products that are lauded by industry leading audio publications. The company’s philosophy is to deliver products and services that are superbly designed and built to a consistently outstanding standard of excellence. Today, Onkyo is at the forefront of the home theater and digital revolutions. For more information about fine Onkyo products, visit [www.onkyo.com](http://www.onkyo.com).

#### •Overview of Baring Private Equity Asia

Baring Private Equity Asia is one of the largest and most established independent private equity firms in Asia and advise funds with total committed capital of over US\$5 billion. The firm advises on a pan-Asian investment program, specializing in companies requiring capital for expansion, recapitalization or acquisitions. Baring Asia has been investing in Asia since its formation in 1997 and has over 100 employees located in offices in Hong Kong, Shanghai, Beijing, Mumbai, Singapore, Jakarta and Tokyo. The firm currently advises funds that have invested in over 30 portfolio companies across Asia with 95,000 employees and revenues of over US\$25 billion in 2013.