

Pioneer Corporation
Onkyo Corporation

***For Immediate Release
September 12, 2014***

**Notice with Respect to Basic Agreement for the Integration
of Pioneer's Home AV Business and Onkyo**

Pioneer Corporation (Head Office: Kawasaki City, Kanagawa Prefecture; President & CEO: Susumu Kotani; hereinafter "Pioneer") and Onkyo Corporation (Head Office: Osaka City; President & CEO: Munenori Otsuki; hereinafter "Onkyo") executed a basic agreement (the "Basic Agreement") today to integrate Pioneer's Home AV business, phone business and headphone-related business, with Onkyo, as follows (the "Integration"). Through the Basic Agreement, Pioneer and Onkyo agreed for Pioneer to acquire a minority stake in Onkyo, for Onkyo to acquire all the outstanding shares of Pioneer Home Electronics Corporation ("PHE") which is a wholly-owned subsidiary of Pioneer, and for PHE and Onkyo to amalgamate.

1. Purposes and Background

Pioneer, Onkyo and Baring Private Equity Asia reached a basic agreement to commence concrete discussions towards integrating a part of the Home AV business of Pioneer and Onkyo as announced on June 24, 2014 in "Basic Agreement for Capital/Business Alliance in Home AV Business," and the three parties intensively discussed to reach a definitive agreement. The three parties, however, ceased discussions as they decided that the Home AV business needs to be considered from a long-term perspective as the business must be developed strategically and flexibly to quickly respond to the continuously changing business environment. The three parties therefore agreed that it would be more efficient for the two strategic parties, Pioneer and Onkyo to directly discuss the Integration without financial sponsor.

Thereafter, as a result of discussions held between Pioneer and Onkyo concerning the Integration, the two parties reached a basic agreement to integrate Pioneer Group's Home AV business, phone business and headphone-related business (hereinafter collectively referred to as "Pioneer's Business") and Onkyo. The parties then executed the Basic Agreement and commenced concrete discussions towards the Integration.

Pioneer and Onkyo will mutually and effectively utilize their advantages in resources such as brand power and the-best-of-its-kind technologies, and thereby improve cost competitiveness and maximize synergies. Each brand continues to stay in the market after the planned transaction.

2. Outline of Integration

(1) Scope of Integration

The scope of the Integration is Pioneer's Business which mainly pertains to PHE, and Onkyo.

(2) Method for Integration

In advance to the Integration, Pioneer will carve out Pioneer's Business from Pioneer and put it into PHE.

After the necessary approvals have been obtained from competent authorities, Pioneer will acquire 14.95% of the ordinary shares of Onkyo.

Subsequently, PHE and Onkyo will amalgamate with Onkyo, the surviving entity right after the entire stake in PHE is transferred from Pioneer to Onkyo.

Through the Integration, Pioneer will take the lead in streamlining the back office functions of sales platforms outside Japan while Pioneer and PHE intend to leverage the manufacturing and purchasing functions of Onkyo under the leadership of Onkyo. The parties agreed that the other functions should be gradually concentrated to maximize the potential merger synergies in the transaction.

With regard to the concrete method for the Integration, the parties will continue to discuss what best suits each party.

(3) Details of the planned partial acquisition of Onkyo and price for the sale of all the outstanding shares of PHE

The details of the partial acquisition of Onkyo and the price for the divestment of PHE shall follow after the negotiation held in good faith between the parties.

3. Future Schedule

Pioneer and Onkyo expect to execute a definitive agreement for the Integration by the end of October 2014. The transaction contemplated in the Basic Agreement will be completed to make the Integration effective in March 2015.

In the course of procedures and discussion for the Integration, however, the parties may consult with each other in good faith to review, reschedule or abandon the Integration if it is expected not to be practically completed for any reason in relation to the necessary clearance from the Japan Fair Trade Commission and the other

relevant government agencies related to anti-trust rules, regulations, directions and laws in other countries, an obtained permits and license unexpected deadlock and failure in the discussion between the parties, or if there are the other material adverse events which seriously affect the completion of the Integration.

4. Outline of the Parties

(1) Corporate Profile of Pioneer

(i)	Trade name	Pioneer Corporation	
(ii)	Location of headquarters	1-1, Shin-ogura, Saiwai-ku, Kawasaki-shi, Kanagawa, Japan	
(iii)	Representative	Susumu Kotani, Representative Director, President and CEO	
(iv)	Principal businesses	Manufacture and sale of car electronics products and home electronics products, etc.	
(v)	Stated capital	91,732 million yen	
(vi)	Date of incorporation	May 8, 1947	
(vii)	Number of issued shares	372,223,436 shares	
(viii)	Fiscal year end	March 31	
(ix)	Number of employees	22,193 (on a consolidated basis)	
(x)	Major business partners	Car goods stores, home electric appliance mass merchandisers	
(xi)	Major transaction banks	The Bank of Tokyo-Mitsubishi UFJ, Ltd., Sumitomo Mitsui Banking Corporation, and Mizuho Bank, Ltd.	
(xii)	Major share-holders and their shareholding ratio	Sharp Corporation	8.05%
		Mitsubishi Electric Corporation	7.49%
		NTT DOCOMO, INC.	6.92%
		The Chase Manhattan Bank, N.A. London S.L. Omnibus Account	4.38%
		Honda Motor Co., Ltd.	3.94%
(xiii)	Relationship between Pioneer and Onkyo	Capital relationship	Not applicable
		Personnel relationship	Not applicable
		Business relationship	Not applicable
		Related party relationship	Not applicable

(xiv) Consolidated business results for the last three years

(In millions of yen except per share information)

	Year ended March 31		
	2012	2013	2014
Shareholders' equity	89,037	81,576	77,816
Total assets	322,012	311,325	327,913
Shareholders' equity per share (yen)	261.98	237.97	197.33
Net sales	436,753	451,841	498,051
Operating income	12,514	5,997	11,169
Ordinary income	9,863	812	5,111
Net income (loss)	3,670	(19,552)	531
Net income (loss) per share (yen)	11.43	(60.90)	1.49
Dividend per share (yen)	-	-	-

Note: The aforementioned stated capital, number of issued shares, number of employees, and major shareholders and their shareholding ratio are as of March 31, 2014.

(2) Corporate Profile of Onkyo

(i) Trade name	Onkyo Corporation
(ii) Location of headquarters	2-1, Nisshin-cho, Neyagawa City, Osaka, Japan
(iii) Representative	Munenori Otsuki, Representative Director, President and CEO
(iv) Principal businesses	Manufacture and sale of audio-visual related products, PC and other IT related products, and speakers installed in vehicles and home appliances
(v) Stated capital	2,659 million yen
(vi) Date of incorporation	October 1, 2010
(vii) Number of issued shares	62,387,465 shares
(viii) Fiscal year end	March 31
(ix) Number of employees	1,875 (on a consolidated basis)
(x) Major business partners	Home electric appliance mass merchandisers
(xi) Major transaction banks	Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Bank, Ltd., and Resona Bank, Limited

	Otsuki Strategic Holding Co. Ltd.	27.66%	
(xii) Major shareholders and their shareholding ratio	Gibson Brands, Inc.	21.54%	
	Naoto Otsuki	6.41%	
	SIIX Corporation	3.20%	
	Tadashi Tanimoto	1.98%	
(xiii) Relationship between Onkyo and Pioneer	Capital relationship	Not applicable	
	Personnel relationship	Not applicable	
	Business relationship	Not applicable	
	Related party relationship	Not applicable	
(xiv) Consolidated business results for the last three years			
(In millions of yen except per share information)			
Year ended March 31			
	2012	2013	2014
Shareholders' equity	4,447	6,179	7,402
Total assets	30,541	27,287	28,596
Shareholders' equity per share (yen)	71.02	92.31	112.18
Net sales	43,414	35,538	36,060
Operating income (loss)	(2,283)	740	291
Ordinary income (loss)	(2,464)	384	(451)
Net income (loss)	(3,394)	437	(459)
Net income (loss) per share (yen)	(67.98)	7.11	(7.47)
Dividend per share (yen)	-	-	-

Note: The aforementioned stated capital, number of issued shares, number of employees, and major shareholders and their shareholding ratio are as of March 31, 2014.

(3) Outline of Pioneer's Business

(i) Net sales amount of Pioneer's Business

	(In millions of yen)		
	Pioneer's Business (a)	Pioneer Group (b)	Ratio (a/b)
Year ended March 31, 2014	40,006	498,051	8.0%

Note: Figure for Pioneer's Business represents the consolidated sales (unaudited) of Pioneer Group's Home AV business, phone business, and headphone-related business.

(ii) Items and amounts of assets and liabilities of Pioneer's Business

The details of the assets and liabilities to be transferred of Pioneer's Business in the transaction are yet to be determined by the parties.

5. Future Prospects

The anticipated impact of the Integration on the performance of Pioneer and Onkyo shall be announced when it becomes available.

#

For further information, please contact:

Hideki Okayasu

Representative Director and Senior Managing Executive Officer

Pioneer Corporation, Japan

Phone: +81-44-580-3211 / Fax: +81-44-580-4064

E-mail: pioneer_shr@post.pioneer.co.jp

IR Website: <http://pioneer.jp/ir-e/>