

News Release

***For Immediate Release
November 7, 2014***

**Signing of Capital and Business Alliance Agreement with Onkyo,
Subscription to New Onkyo Shares to Be Issued Through
Third-Party Allotment, Company Split of Headphone-Related Business,
and Share Transfer of Subsidiary**

As announced on September 12, 2014, Pioneer Corporation and Onkyo Corporation signed a basic agreement (hereinafter the “Basic Agreement”) to integrate Pioneer’s home AV business, phone business and headphone-related business, with Onkyo.

As a result of intensive consultation held pursuant to the Basic Agreement and by the resolution of Pioneer’s board of directors meeting held today, Pioneer agreed with Onkyo to sign a capital and business alliance agreement (hereinafter the “Capital and Business Alliance 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’s AV business (hereinafter the “Integration”), for Pioneer to subscribe to the new shares of common stock of Onkyo to be issued through third-party allotment (hereinafter the “Third-Party Allotment”), for Pioneer to sell to Onkyo all of the shares in Pioneer Home Electronics Corporation, a wholly-owned subsidiary of Pioneer, (hereinafter “PHE”) (hereinafter the “PHE Share Transfer”), for Pioneer to transfer Pioneer’s Business operated by some of its overseas subsidiaries (hereinafter “Pioneer’s Overseas Business”) to the Onkyo Group (hereinafter “Pioneer’s Overseas Business Transfer”), to succeed Pioneer’s headphone-related business to PHE through an absorption-type company split (hereinafter “Pioneer’s Headphone-Related Business Split”) prior to the PHE Share Transfer and Pioneer’s Overseas Business Transfer, and for PHE and Onkyo to execute, between themselves, a company split agreement to succeed the AV business operated by Onkyo to PHE through an absorption-type company split (the “Onkyo’s AV Business Split”).

On September 12, 2014, it was announced that Onkyo and PHE would be merged where Onkyo should be the surviving company. However, as a result of consultation and review between Pioneer and Onkyo to discuss the method to maximize the synergy of the Integration, it was agreed that the Onkyo’s AV Business Split would be the best method to enable timely decision-making for home AV business, and the contents of the Integration were changed accordingly.

I. Purposes and Outline of the Integration

1. Purposes of the Integration

There is a transition in the audio market from analogue device to digital device where music can be increasingly played via PC and digital audio player devices and the environment for playing music and the style of music enjoyment have changed drastically. To date, Pioneer and Onkyo have been committed to developing and selling high grade audio products and home AV devices, however, in view of this changed environment, the parties agreed to the Integration to enable both parties to mutually and effectively utilize their managerial resources such as their brand power and superior technology, to mutually improve their ability to develop and launch attractive products, and to strengthen their respective managerial base by improving cost competitiveness.

Pioneer and Onkyo will maximize the business synergy while maintaining their respective brands and will continue introducing new ways to enjoy music and launching new products into the market that would further enhance their brands.

2. Outline of the Integration

(1) Scope of the Integration

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

(2) Procedures for the Integration

The Integration shall be attained through the procedures below.

(i) Pioneer's Headphone-Related Business Split

Before the Integration, Pioneer will succeed Pioneer's headphone-related business to PHE through an absorption-type company split.

Please refer to "II. Pioneer's Headphone-Related Business Split" for details of this absorption-type company split.

(ii) The Third-Party Allotment

Pioneer is scheduled to acquire 14.95% of the shares of common stock of Onkyo (i.e., voting rights) after the Third-Party Allotment is implemented by acquiring the shares of common stock of Onkyo to be newly issued through the Third-Party Allotment.

Please refer to "III. The Third-Party Allotment" for details of the Third-Party Allotment.

(iii) PHE Share Transfer and Pioneer's Overseas Business Transfer

Simultaneously upon payment for the Third-Party Allotment, Pioneer will sell all of its PHE shares and Pioneer's Overseas Business to Onkyo.

After the implementation of PHE Share Transfer and Pioneer's Overseas Business Transfer, certain number of directors of PHE, including representative

director and executive vice president, will be elected from those designated by Pioneer.

Please refer to “IV. PHE Share Transfer” for details of the PHE Share Transfer.

(iv) Onkyo’s AV Business Split

Onkyo will succeed Onkyo’s AV business to PHE through an absorption-type company split.

Promptly after the PHE Share Transfer and Pioneer’s Overseas Business Transfer are implemented, PHE and Onkyo will execute an absorption-type company split agreement to take effect on July 1, 2015. Furthermore, the Onkyo’s AV Business Split is scheduled to be implemented when it is approved at the ordinary general meeting of shareholders of Onkyo to be held in late June 2015.

3. Schedule

Execution of the Capital and Business Alliance Agreement	November 7, 2014
Date of Pioneer’s Headphone-Related Business Split	February 28, 2015 (Scheduled)
Date of payment for the Third-Party Allotment	March 2, 2015 (Scheduled)
Date of the PHE Share Transfer	March 2, 2015 (Scheduled)
Date of Pioneer’s Overseas Business Transfer	March 2, 2015 (Scheduled)
Date of the ordinary general meeting of shareholders of Onkyo to approve the Onkyo’s AV Business Split	Late June, 2015 (Scheduled)
Date of Onkyo’s AV Business Split	July 1, 2015 (Scheduled)

II. Pioneer’s Headphone-Related Business Split

1. Summary of Pioneer’s Headphone-Related Business Split

(1) Schedule for the company split

Board resolution concerning the company split	November 7, 2014
Date of execution of the absorption-type company split agreement	By January 31, 2015 (Scheduled)
Date when Pioneer’s Headphone-Related Business Split takes effect	February 28, 2015 (Scheduled)

Note: Pursuant to the provisions concerning simplified absorption-type company split stipulated in Article 784, paragraph 3 of the Companies Act of Japan, Pioneer’s Headphone-Related Business Split will be implemented without resolution at its general meeting of shareholders.

(2) Form of the company split

The form of the company split is absorption-type company split where Pioneer is the splitting company and PHE is the succeeding company.

(3) Allotments relating to the company split

PHE will issue shares of common stock at the time the Pioneer's Headphone-Related Business Split is implemented and all of these shares shall be allotted to Pioneer.

(4) Handling of stock acquisition rights and bonds with stock acquisition rights of the splitting company

Not applicable.

(5) Change in capital as a result of the company split

Pioneer's capital will not change as a result of the Pioneer's Headphone-Related Business Split.

(6) Rights and obligations to be succeeded by the succeeding company

PHE will succeed to the rights and obligations with respect to Pioneer's Headphone-Related Business within the scope stipulated in the company split agreement scheduled to be executed between Pioneer and PHE.

(7) Prospects for the performance of obligations

It is expected that PHE, the succeeding company in the absorption-type company split, will properly perform its obligations from the effective date of the Pioneer's Headphone-Related Business Split.

2. Outline of the parties to the Pioneer's Headphone-Related Business Split

Please refer to "V. Outline of the Parties" for the corporate profile of PHE.

3. Outline of the business to be split

(1) The business to be split

Pioneer's headphone-related business

(2) Performance of the business to be split

		(In millions of yen)	
	Pioneer's headphone-related business (a)	Pioneer Group (b)	Ratio (a/b)
Sales for the year ended March 31, 2014	¥2,200	¥498,051	0.4%

(3) Assets and liabilities to be split and their amounts (As of March 31, 2014)

(In millions of yen)

Assets		Liabilities	
Item	Book value	Item	Book value
Current assets	¥234	Current liabilities	-
Noncurrent assets	-	Long-term liabilities	-
Total	¥234	Total	-

Note: The above amounts are as of March 31, 2014 and the assets and liabilities to be actually split shall be finalized by increasing or reducing the above amounts by the day before the day the Pioneer's Headphone-Related Business Split takes effect.

4. Status after the split

	The splitting company in company split	The succeeding company in company split
(1) Trade name	Pioneer Corporation	Pioneer Home Electronics Corporation
(2) Location	1-1, Shin-ogura, Saiwai-ku, Kawasaki-shi, Kanagawa, Japan	1-1, Shin-ogura, Saiwai-ku, Kawasaki-shi, Kanagawa, Japan
(3) Representative	Susumu Kotani, Representative Director, President and CEO	Satoshi Matsumoto, President and Representative Director
(4) Principal businesses	Manufacture and sale of car electronics products and home electronics products	Development, manufacture and sale of home electronics products
(5) Stated capital	¥91,732 million	To be determined
(6) Fiscal year end	March 31	March 31

III. The Third-Party Allotment

1. Outline of the Third-Party Allotment

Pioneer and Onkyo executed a share subscription agreement for the Third-Party Allotment upon the Integration pursuant to which Pioneer will subscribe to Onkyo's Third-Party Allotment. The outline of the Third-Party Allotment is as follows.

(1) Number of shares to be subscribed	Number of shares equal to 14.95% of the total voting rights with respect to the shares of common stock of Onkyo after the Third-Party Allotment (Note 1)
(2) Amount to be paid in	To be determined (Note 2)
(3) Total amount to be paid in	The amount obtained by multiplying the number of subscribed shares by the amount to be paid in
(4) Scheduled payment date	March 2, 2015

Notes: 1. The number of shares to be subscribed is scheduled to be determined at a meeting of the board of directors of Onkyo which is scheduled to be held on February 13, 2015. Based on the current total number of issued shares of Onkyo, the number of shares equivalent to 14.95% of total voting rights with respect to the shares of common stock of Onkyo after the Third-Party Allotment is 10,835,900 shares.

2. The paid-in amount shall be the amount equivalent to the amount to be determined by resolution of the board of directors of Onkyo at a meeting which is scheduled to be held on February 13, 2015. This paid-in amount shall be the amount (amount less than one yen shall be rounded up to the nearest yen) equivalent to the simple average of the closing price of Onkyo's shares of common stock traded at the Tokyo Stock Exchange's JASDAQ market in the one month retrospectively from the date immediately before the date of the relevant board meeting, provided that such paid-in amount is not an amount that is "particularly favorable to subscribers" as stipulated in Article 199, paragraph 3 of the Companies Act of Japan. However, if there is a possibility that the amount so calculated is "particularly favorable to subscribers" as stipulated in Article 199, paragraph 3 of the Companies Act, Pioneer and Onkyo shall hold mutual consultations in good faith.

2. Outline of the other party

Please refer to "V. Outline of the Parties" for the corporate profile of Onkyo.

IV. PHE Share Transfer

1. Outline of the subsidiary subject to change

Please refer to "V. Outline of the Parties" for the corporate profile of PHE.

2. Outline of the other party

Please refer to "V. Outline of the Parties" for the corporate profile of Onkyo.

3. Shares to be transferred, transfer price, and ownership of the shares before and after the transfer

(1) Holding ratio of the voting rights before transfer	100%
(2) Ratio of voting rights to be transferred	100%
(3) Transfer price	The transfer price of PHE Share Transfer, together with the transfer price of Pioneer's Overseas Business Transfer, is 2 billion yen (Note). The allocation of this amount respectively to PHE Share Transfer and Pioneer's Overseas Business Transfer shall be reviewed and determined in the future.
(4) Holding ratio of the voting rights after transfer	0%

Note: The transfer price is scheduled to be adjusted depending on the assets and liabilities of PHE and Pioneer's Overseas Business at the time of implementing the PHE Share Transfer and Pioneer's Overseas Business Transfer.

V. Outline of the Parties

1. Corporate profile of Onkyo

(1) Trade name	Onkyo Corporation
(2) Location of headquarters	2-1, Nisshin-cho, Neyagawa City, Osaka, Japan
(3) Representative	Munenori Otsuki, Representative Director, President and CEO

(4) Principal businesses	Manufacture and sale of audio-visual related products, PC and other IT related products, and speakers installed in vehicles and home appliances		
(5) Stated capital	2,659 million yen (as of March 31, 2014)		
(6) Date of incorporation	October 1, 2010		
(7) Number of issued shares	62,387,465 shares (as of March 31, 2014)		
(8) Fiscal year end	March 31		
(9) Number of employees	1,875 (consolidated) (as of March 31, 2014)		
(10) Major business partners	Home electric appliance mass merchandisers		
(11) Major transaction banks	Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Bank, Ltd., and Resona Bank, Limited		
(12) Major shareholders and their shareholding ratio (as of September 30, 2014)	Otsuki Strategic Holding Co. Ltd.	27.66%	
	Gibson Brands, Inc.	21.54%	
	Naoto Otsuki	6.41%	
	Tadashi Tanimoto	4.35%	
	SIIX Corporation	3.20%	
(13) Relationship between Onkyo and Pioneer	Capital relationship	Not applicable	
	Personnel relationship	Not applicable	
	Business relationship	Not applicable	
	Related party relationship	Not applicable	
(14) 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)	-	-	-
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2. Corporate profile of PHE

(1) Trade name	Pioneer Home Electronics Corporation		
(2) Location	1-1, Shin-ogura, Saiwai-ku, Kawasaki-shi, Kanagawa, Japan		
(3) Representative	Satoshi Matsumoto, President and Representative Director		
(4) Principal businesses	Development, manufacture and sale of home electronics products		
(5) Stated capital	¥310 million (as of March 31, 2014)		
(6) Date of incorporation	July 1, 2005		
(7) Number of issued shares	5,002 shares (as of March 31, 2014)		
(8) Fiscal year end	March 31		
(9) Major shareholders and their shareholding ratio	Pioneer Corporation	100%	
(10) Relationship between PHE and Pioneer	Capital relationship	Pioneer holds 100% of the issued shares of PHE	
	Personnel relationship	Currently, two directors and one employee of Pioneer serve as directors of PHE and one employee of Pioneer serves as an auditor of PHE. Also, as of March 31, 2014, 268 employees of Pioneer are seconded to PHE.	
	Business relationship	Pioneer and subsidiaries/affiliates of Pioneer have transactions with PHE to sell and purchase home electronics products and car electronics products. Pioneer also provides financing to PHE.	
	Related party relationship	PHE is a consolidated subsidiary of Pioneer and PHE is therefore a related party of Pioneer.	

(11) Business results for the last three years

(In millions of yen except per share information)

	Year ended March 31		
	2012	2013	2014 (Note)
Shareholders' equity	(8,051)	(8,713)	(8,507)
Total assets	2,081	2,414	4,820
Shareholders' equity per share (yen)	(1,609,898.42)	(1,742,154.44)	(1,700,745.44)
Net sales	13,411	12,578	27,563
Operating loss	(213)	(440)	(2,198)
Ordinary loss	(405)	(649)	(2,415)
Net loss	(429)	(661)	(2,573)

Net loss per share (yen)	(85,797.57)	(132,256.02)	(514,332.81)
Dividend per share (yen)	-	-	-

Note: PHE succeeded to Pioneer's home AV business through an absorption-type company split on July 1, 2013, and it acquired and merged with Pioneer Communications Corporation (Pioneer's wholly-owned subsidiary) on October 1, 2013.

VI. Outlook

Pioneer projects an extraordinary loss of approximately 2 billion yen as an impact of the PHE Share Transfer and Pioneer's Overseas Business Transfer. Please refer to the news release "Pioneer Announces Business Results for 2Q Fiscal 2015" separately announced today for the consolidated business forecasts for fiscal 2015, ending March 31, 2015.

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