Pioneer

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News Release

For Immediate Release
December 7, 2018

Pioneer Announces Issuance of New Shares through Third Party Allotment (Debt-Equity Swap and Cash Contribution) and Partial Amendments to Articles of Incorporation, Share Consolidation and Abolition of Unit Share System, and Change in Parent Company and Largest Shareholder

Pioneer Corporation (hereinafter "Pioneer") hereby announces that Pioneer has resolved, at a meeting of its Board of Directors held on December 7, 2018, to issue new shares of common stock of Pioneer (hereinafter "New Shares") through third party allotment, the aggregate amount to be paid in for which is 77 billion yen, to Wolfcrest Limited (hereinafter the "Allottee") under Baring Private Equity Asia (hereinafter "BPEA") (hereinafter the "Third Party Allotment"), as follows. In addition, Pioneer has resolved, at the meeting of its Board of Directors held on December 7, 2018, to submit proposals concerning the Third Party Allotment and the partial amendments to the Articles of Incorporation relating to an increase in the total number of shares authorized to be issued that would be necessary for the implementation of the Third Party Allotment (hereinafter the "Third Party Allotment Related Proposals") to the extraordinary general meeting of shareholders, which is scheduled to be held on January 25, 2019 (hereinafter the "Extraordinary General Meeting of Shareholders"). A portion of the New Shares, the amount to be paid in for which is 25 billion yen, will be issued through the Third Party Allotment in the form of a debt-equity swap (hereinafter "DES"; hereinafter such portion of the Third Party Allotment shall be referred to as "Third Party Allotment (DES)," and the remaining portion of the Third Party Allotment, in which payment for the New Shares will be made by cash, shall be referred to as "Third Party Allotment (cash contribution)").

Further, Pioneer has resolved, at the meeting of its Board of Directors held on December 7, 2018, to submit proposals concerning (i) share consolidation (hereinafter the "Share Consolidation") through which 450,000,000 shares of Pioneer would be consolidated into one share and cash totaling approximately 25 billion yen (66.1 yen per share) would be paid to the shareholders of Pioneer other than the Allottee so that the Allottee would become the sole shareholder of Pioneer and (ii) the partial amendments to the Articles of Incorporation relating to abolition of unit share system (hereinafter together with the "Third Party Allotment Related Proposals," the "Proposals to the Extraordinary General Meeting of Shareholders") to the Extraordinary General Meeting of Shareholders.

The foregoing resolutions have been adopted with the understanding that the Allottee intends to make Pioneer become a wholly-owned subsidiary of the Allottee as a result of completion of the Third Party Allotment and Share Consolidation (hereinafter the "Transactions") and that shares of Pioneer will be delisted.

The implementation of the Third Party Allotment is subject to the approvals of all of the Proposals to the Extraordinary General Meeting of Shareholders at the Extraordinary

General Meeting of Shareholders, and the effectiveness of the Share Consolidation is subject to the completion of the Third Party Allotment.

In addition, Pioneer also announces that the Pioneer's parent company and largest shareholder is expected to be changed through the Third Party Allotment.

I. Outline of Procedures and Schedule

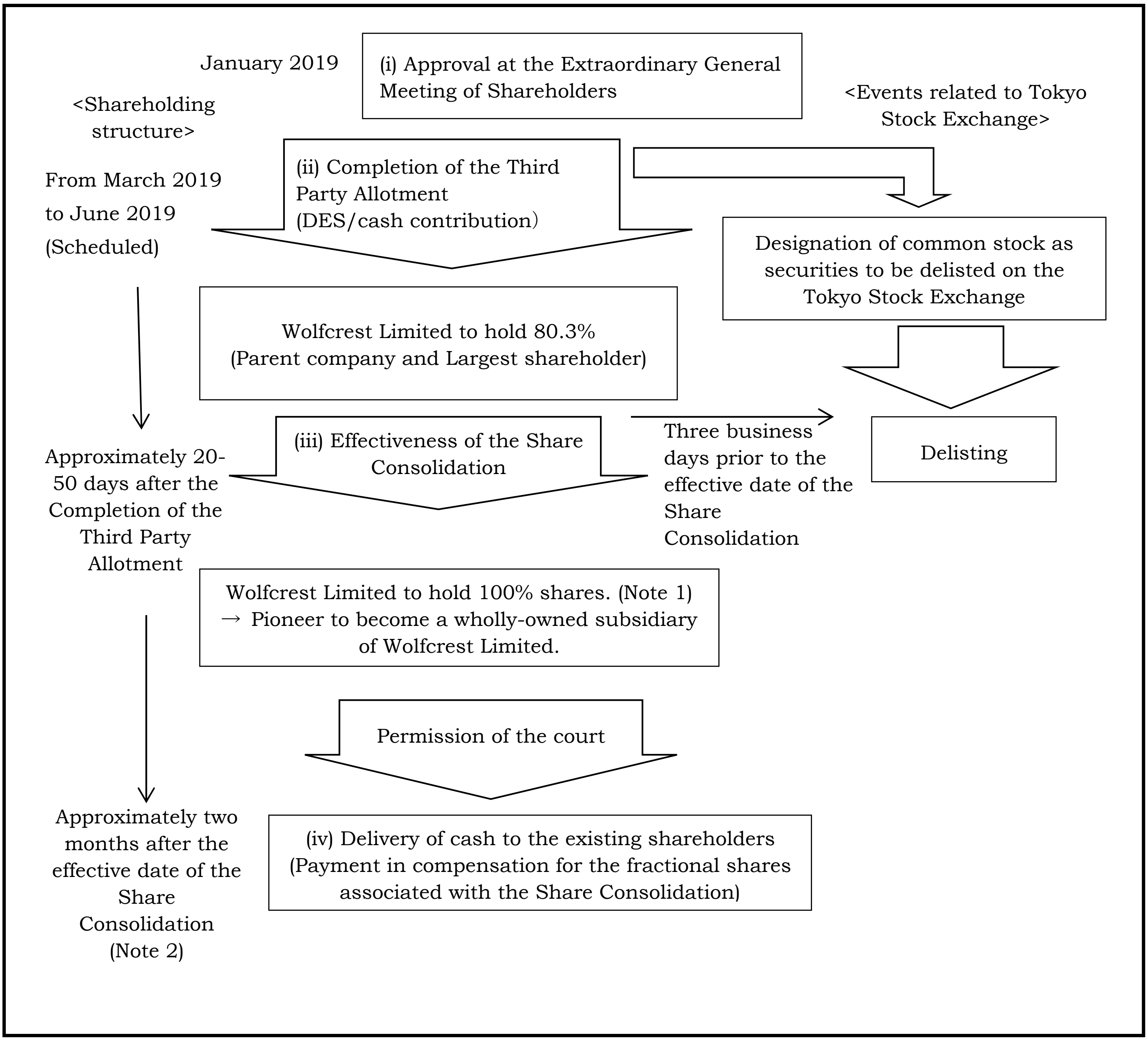
The Transactions will be implemented through the Third Party Allotment and the Share Consolidation, substantially in accordance with the following procedures:

(i) The Proposals to the Extraordinary General Meeting of Shareholders are submitted to the Extraordinary General Meeting of Shareholders;

(ii) If the Proposals to the Extraordinary General Meeting of Shareholders are approved at the Extraordinary General Meeting of Shareholders, subject to obtaining clearances from relevant authorities in each jurisdiction that is required for the implementation of the Third Party Allotment, such as each local competition authority's permission or notification regarding business combination, the New Shares will be issued and the Allottee will become the parent company and largest shareholder of Pioneer (the ratio of the number of voting rights scheduled to be held by the Allottee (15,400,000) to the total number of voting rights of Pioneer (19,181,611: the total number of voting rights of Pioneer as of September 30, 2018 (3,781,611) plus the number of such voting rights scheduled to be held) will be 80.3%);

(iii) Subject to the issuance of all of the New Shares, the Share Consolidation will become effective as of the effective date that would occur after the issuance, and the Allottee consequently will become the sole shareholder of Pioneer; and

(iv) Pioneer will pay cash totaling approximately 25 billion yen (66.1 yen per share) to the shareholders of Pioneer other than the Allottee



Notes:
1. As described in "II. Issuance of New Shares through Third Party Allotment, 4. Rationale for Use of Funds," an early redemption of the outstanding convertible bonds (hereinafter, the "Convertible Bonds") is scheduled promptly after Pioneer becomes a wholly-owned subsidiary of the Allottee as a result of the Third Party Allotment and the Share Consolidation.
2. The commencement of the procedures to make a payment for any fractional shares may occur later than planned above, depending on the date of the permission of the court and due to any other procedural reasons.

Assuming that all of the New Shares under the Third Party Allotment are issued on March 1, 2019, the outline of the schedule (scheduled) for the procedures regarding the Transactions is as follows. Since the actual schedule will depend on when all of the New Shares under the Third Party Allotment are issued, Pioneer will announce it once the actual schedule is fixed.

Date of public notice of record date for the Extraordinary General Meeting of Shareholders	Thursday, November 22, 2018
Record Date for the Extraordinary General Meeting of Shareholders	Friday, December 7, 2018
Date of Resolution at the meeting of the Board of Directors regarding the Extraordinary General Meeting of Shareholders	Friday, December 7, 2018
Date of the Extraordinary General Meeting of Shareholders	Friday, January 25, 2019 (scheduled)
Date of issuance of the New Shares under the Third Party Allotment	Friday, March 1, 2019 (scheduled)
Designation of common stock as securities to be delisted on the Tokyo Stock Exchange	Friday, March 1, 2019 (scheduled)
Last Trading Date of shares of common stock on the Tokyo Stock Exchange	Tuesday, March 26, 2019 (scheduled)
Date of delisting of shares of common stock on the Tokyo Stock Exchange	Wednesday, March 27, 2019 (scheduled)
Effective Date of Share Consolidation	Sunday, March 31, 2019 (scheduled)

II. Issuance of New Shares through Third Party Allotment

1. Outline of Offering

(i) Third Party Allotment (DES)

(1) Payment period	From Friday, March 1, 2019 to Sunday, June 30, 2019
(2) Number of shares to be newly issued	500,000,000 shares of common stock
(3) Amount to be paid in	50 yen per share
(4) Aggregate amount to be paid in	25,000,000,000 yen The total amount shall be paid in the form of contribution in kind (debt-equity swap).
(5) Details and value of property to be contributed in kind	Loan receivable held by Wolfcrest Limited against Pioneer 25,000,000,000 yen in total
(6) Method of offering or allotment (Allottee)	Third party allotment (Wolfcrest Limited)
(7) Other	Each of the items above is subject to the effectiveness of the securities registration under the Financial Instruments and Exchange Act of Japan, obtaining (i) clearances from relevant authorities in each jurisdiction that is required for the implementation of the Third Party Allotment (DES), such as each local competition authority's permission or notification regarding business combination and (ii) the approval of the Proposals to the Extraordinary General Meeting of Shareholders.

Note: The loan receivable held by the Allottee against Pioneer, which is the property to be contributed in kind, is the loan receivable relating to a loan (hereinafter the "Bridge Loan") of a total 25 billion yen provided to Pioneer from Kamerig B.V., which is under BPEA similar to the Allottee, on September 18, 2018, as described in "Pioneer Announces Execution of Memorandum of Understanding Concerning Support by Sponsor" dated September 12, 2018. The repayment date of the Bridge Loan is set for March 31, 2019. The loan receivable is scheduled to be transferred from Kamerig B.V. to the Allottee prior to the contribution for the Third Party Allotment (DES).

(ii) Third Party Allotment (cash contribution)

(1) Payment period	From Friday, March 1, 2019 to Sunday, June 30, 2019
(2) Number of shares to be newly issued	1,040,000,000 shares of common stock
(3) Amount to be paid in	50 yen per share
(4) Aggregate amount to be paid in	52,000,000,000 yen
(5) Method of offering or allotment (Allottee)	Third party allotment (Wolfcrest Limited)
(6) Other	Each of the items above is subject to the effectiveness of the securities registration statement to be filed under the Financial Instruments and Exchange Act of Japan, obtaining (i) clearances from relevant authorities in each jurisdiction that is required for the implementation of the Third Party Allotment (cash contribution), such as each local competition authority's permission or notification regarding business combination and (ii) the approval of the Proposals to the Extraordinary General Meeting of Shareholders at the Extraordinary General Meeting of Shareholders and the effectiveness of the partial amendments to the Articles of Incorporation proposed in the Third Party Allotment Related Proposals.

Note: The Third Party Allotment (DES) and the Third Party Allotment (cash contribution) are scheduled to be concurrently implemented and it is not expected that only one will be implemented.

2. Purpose of and Reason for the Issuance of New Shares through Third Party Allotment

(1) Background of Third Party Allotment

a. Pioneer's financial condition and the need for financing of large-scale capital funds

In the consolidated business results for the fiscal year ended March 31, 2018, Pioneer recorded 3.1 billion yen of ordinary loss, which was attributable to occurrence of foreign exchange loss, restructuring expenses due to the reorganization of overseas bases, and equity in losses of affiliated companies, in addition to a decrease in operating income due to a decrease in sales in the Car Electronics business, and recorded 7.1 billion yen of net loss attributable to owners of Pioneer Corporation. Net cash provided by operating activities was 15.9 billion yen, mainly due to a decline in the amount of a decrease in trade receivables; however, net cash used in investing activities was 33.2 billion yen, partly due to the continued development of software relating to large-scale business ordered from automobile manufacturers, and accordingly, free cash flows, which represent net cash provided by operating activities plus net cash used in investing activities, was outflows of 17.2 billion yen. Moreover, while forecasting a consolidated operating loss of 5 billion yen for the consolidated fiscal year ending March 2019, Pioneer had not obtained an agreement on refinancing from the banks, and accordingly, as announced in the "Pioneer Announces Business Results for 1Q Fiscal 2019" dated August 6, 2018, there exist substantial uncertainties with respect to the going concern assumption and, as a result, Pioneer made statements in the "Note regarding going concern assumption" in the notes section of Pioneer's consolidated quarterly financial statements for the first quarter of fiscal 2019. In order to resolve this situation, Pioneer examined the group-wide management improvement measures such as disposals of its business and assets as a result of a review of its business portfolio, structural reformation of core business and shift of resource to growth business. In the course of such examination, Pioneer concluded that it would be the best option for stable operation of the business to thoroughly solve the issues with respect to its high-cost structure and development of areas of growth business in business and financial affairs at an early stage by newly selecting a sponsor who can provide support including funding through capital contribution, etc., to Pioneer, and utilizing the funding and other support, provided by such sponsor to regulate financing and cash flows at present and to secure funds to repay the existing borrowings and to invest for future growth.

In particular, as the technologies and products surrounding automobiles continue to evolve at a rapid pace, in order to operate Pioneer's Car Electronics business continuously, Pioneer needs to keep responding to new technologies and products, and continuous capital expenditure such as software development and renewals and new introduction of production facilities is indispensable in order to win orders from car manufacturers, and develop and make a proposal of products which satisfy functions and specifications based on the needs of market and customers. In the fiscal year ended March 31, 2018, capital expenditure of 31.0 billion yen was made due to the impact of software development, and further, even in the fiscal years ending March 31, 2019 and March 31, 2020, the same scale of capital expenditures and development costs for the purpose of software development and renewals of production facilities are expected to be made in order to operate Pioneer's Car Electronics business continuously. However, as shown in the table below, free cash flows for the fiscal year ended March 31, 2018 was outflows of 17.2 billion yen, and further, in the fiscal years ending March 31, 2019 and March 31, 2020, net cash provided in investing activities and free cash flows are expected to remain negative. Without a large-scale capital injection, it is extremely difficult to secure the necessary capital expenditure and development costs for Pioneer's business continuity.

	(In 100 million yen)						
	Year ended/ending March 31						
	2018	2019 (Note 1)			2020 (Note 1) (Note 2)		
	Results for Full Year	Results for First Half	Forecasts for Second Half	Forecasts for Full Year	Forecasts for First Half	Forecasts for Second Half	Forecasts for Full Year
Net cash provided by (used in) operating activities	159	41	47	88	(27)	154	127
Net cash provided by (used in) investing activities	(332)	(157)	(90)	(247)	(159)	(104)	(263)
Free cash flows	(172)	(116)	(43)	(159)	(186)	50	(136)
Cash flows from financing activities	143	39	(65)	(26)	(87)	(7)	(94)

Notes: 1. Forecasts show planned figures based on the business environment supposed as of December 7, 2018, and actual figures may vary significantly due to various factors and undetermined matters and review of structure of operating business going forward.
2. The figures include restructuring expenses and investment in the development in growth business as stated in "3 (2) Specific uses and intended timing of expenditure of funds to be raised" below, and not include capital increase through the Third Party Allotment.

Considering the aforementioned circumstances, in order to thoroughly solve the issues regarding financing and cash flows at present while maintaining the stable operation of business and the feasibility of medium-to-long term growth, Pioneer disposed of its assets and business as follows, and will appropriate 5.1 billion yen to repayment of the existing borrowings and the remaining to working capital out of the proceeds obtained from the transfers of its assets and business:

June 2018	Transfer all shares of Pioneer FA Corporation (hereinafter "Pioneer FA"), a consolidated subsidiary of Pioneer, to SHINKAWA LTD. (hereinafter "SHINKAWA") (amount of consideration for the transfer: approximately 2.1 billion yen)
August 2018	Transfer DJ equipment manufacturing business of Pioneer Technology (Malaysia) Sdn. Bhd., a consolidated subsidiary of Pioneer, to VTech Communications Limited (amount of consideration for the transfer: approximately 2.3 billion yen)
December 2018	Transfer all shares of Tohoku Pioneer EG Corporation (hereinafter "Tohoku Pioneer EG") held through Pioneer's consolidated subsidiary to DENSO Corporation (hereinafter "DENSO") (amount of consideration for the transfer: 10.9 billion yen)

However, in order to achieve the foregoing aim, Pioneer believes that, in addition to the disposal of individual assets or businesses as stated above, it is absolutely necessary to (i) raise additional working capital (including capital expenditure necessary for its business such as expenses related to continuous capital expenditure and software development) (12 billion yen), (ii) repay existing borrowings (33 billion yen), (iii) implement restructuring for improving its profitability at an early stage (12 billion yen), (iv) redeem the outstanding Convertible Bonds (15 billion yen), and (v) make capital expenditures in growth business (2.54 billion yen) as stated in “3. (2) Specific uses and intended timing of expenditure of funds to be raised” and “4. Rationale for Use of Funds” below, and that for those purposes, it is essential to, at an early stage, raise capital funds in a scale of approximately 74.5 billion yen through issuance of shares. Pioneer estimated in the first place that approximately 10 billion yen would be needed as “(i) additional working capital,” but Pioneer believes for the present that Pioneer needs 12 billion yen, 2 billion yen plus originally estimated sum of money based on the renewed estimation reflecting the discussions with the BPEA Funds stated in “c. Background to final proposal by BPEA Funds to make Pioneer privatized” below and the latest situation of cash flows of Pioneer. Also, “(iv) redeem the outstanding Convertible Bonds” is necessary to redeem the Convertible Bonds as described in “c. Background to final proposal by BPEA Funds to make Pioneer privatized”.

As mentioned above, it is difficult to fundamentally resolve Pioneer’s cash management for the present and free cash flow condition without the large-scale cash injection. The situation is that, if Pioneer were not able to implement fundamental reformations including the cash flow aspect, continuous deterioration of Pioneer’s cash flows could not be avoided. Therefore, if Pioneer were not able to realize financing of large-scale capital funds at an early stage, Pioneer’s cash management for the present would be in a difficult position, and the share value of Pioneer might be significantly impaired.

b. Background to selection of sponsors and implementation of financial support through Bridge Loan by BPEA Funds

Given Pioneer’s severe financial condition mentioned above, it is expected that it will be quite difficult to select a sponsor that can meet Pioneer’s desired timeframe for a large contribution amount as much as a size greatly exceeding Pioneer’s market capitalization (approximately 35.3 billion yen as of the end of November 2018). Therefore, Pioneer decided to appoint Nomura Securities Co., Ltd. (hereinafter the “Nomura Securities”) as its financial adviser and, through Nomura Securities, to sound several potential sponsor candidates on the possibility of providing support including funding through capital contribution, etc., to Pioneer. Thereafter Pioneer carefully examined the details of the proposals made by such several potential sponsor candidates, including the amount of funds they can provide, when they can provide such funds and the possibility of the realization, their views on Pioneer’s management and business and their attitude toward the management improvement and the medium-to-long term business continuity and growth of the Pioneer Group (hereinafter the “Group”) subsequent to their participation as a sponsor, and as a result, Pioneer executed a memorandum of understanding concerning support by sponsor (hereinafter the “MOU”) with Kamerig B.V., who presented the terms that were considered to be the most desirable for Pioneer as stated below at that point, as described in “Pioneer Announces Execution of Memorandum of Understanding Concerning Support by Sponsor” dated September 12, 2018. Kamerig B.V. is a fund under BPEA, which is a leading international private equity firm that advises seven funds with over US$16 billion of commitments under management, similar to Wolfcrest Limited, which is the Allottee in the Third Party Allotment (the funds affiliated with BPEA, including Kamerig B.V. and Wolfcrest Limited, hereinafter collectively referred to as the "BPEA Funds"). BPEA Funds indicated an intention to provide Pioneer with a total fund of around 50 to 60 billion yen through the capital contribution to Pioneer, and agreed to consult in good faith towards the execution of a definitive agreement concerning such capital contribution and also provided Pioneer with a loan of a total 25 billion yen, which is the Bridge Loan, on September 18, 2018 prior to the execution of the definitive agreement concerning such capital contribution. The Bridge Loan enabled Pioneer to procure funds to repay its existing borrowings, which would become due and payable on and after the end of December 2018 as described in above "(ii) repay existing borrowings" and for working capital for the present. In addition, BPEA was the most appropriate potential sponsor in light of considering factors that are important in the election of the sponsor regarding Pioneer's situation above, since BPEA has an experience of discussing the possibilities of cooperation with Pioneer and has a deep understanding of Pioneer's business, with respect to Pioneer's management after the Third Party Allotment, it confirmed that the matters described in "Pioneer Announces Execution of Memorandum of Understanding Concerning Support by Sponsor" dated September 12, 2018 shall be the basic policies, and indicated a strong intention to make efforts to realize the management improvement at an early stage and the medium-to-long term growth of the Group in cooperation with the Group.

c. Background to final proposal by BPEA Funds to make Pioneer privatized

Thereafter, concurrently with the due diligence conducted by BPEA Funds, Pioneer continued to discuss the details of the definitive agreement concerning such contribution with the BPEA Funds. However, although a resolution or decision concerning a third party allotment that would result in a dilution ratio exceeding 300% falls under the delisting criteria, except when the Tokyo Stock Exchange, Inc. (hereinafter "Tokyo Stock Exchange") determines that there is a small likelihood of infringement of interests of shareholders and investors in comprehensive consideration of the purpose of such third party allotment, attributes of allottee, implementing procedures pertaining to change in total number of shares authorized to be issued, and other conditions (Rule 601, Paragraph 1, Item 17 of the Securities Listing Regulations; Rule 601, Paragraph 14, Item 6 of the Enforcement Rules for the Securities Listing Regulations; and Item IV. 9. of the Guidelines concerning Listed Company Compliance, etc., which are regulations established by the Tokyo Stock Exchange), Pioneer, with its severe financial condition, was unable to obtain a proposal from BPEA Funds for a capital fund contribution for such large contribution amount as much as size greatly exceeding Pioneer's market capitalization in which the amount to be paid per share was at a level that did not result in a dilution ratio exceeding 300%. Pioneer also held discussions with BPEA Funds concerning a capital contribution in which the amount to be paid per share was at a level that results in a dilution ratio exceeding 300%, while Pioneer's listing is maintained, based on the assumption that the Tokyo Stock Exchange would allow Pioneer to maintain its listing.

On the other hand, according to BPEA Funds, BPEA Funds had been seriously examined the way which BPEA Funds, as a private equity firm, are accountable for their own investors, and, at the same time, would provide the necessary funds for Pioneer's revitalization and satisfy Pioneer's shareholders. As a result of the due diligence, BPEA Funds felt a sense of crisis about Pioneer's cash flows and cash management for the present, and therefore, BPEA Funds concluded that providing a fund totaling 50 to 60 billion yen represented in the MOU was not enough, and that, in order to dispel concerns about Pioneer's business continuity and to stabilize its business operations, the capital injection of 77 billion yen, including DES of the Bridge Loan, to which 2 billion yen as an additional working capital and 15 billion yen as funds to make an early redemption of the outstanding Convertible Bonds are added, was necessary.

Furthermore, the BPEA Funds believes that, as a precondition for such large-scale capital injections, it is essential to make Pioneer going private to secure a system for implementing fundamental reforms. Specifically, in order for Pioneer to continue its business and achieve medium-to-long term growth, BPEA Funds believes that it is essential that Pioneer and BPEA Funds join forces to, at an early stage, implement fundamental system reorganization, including review of Pioneer's continuous business, strict cost reduction, formation of alliance with partners that would contribute to the growth of each business, and review of its business portfolio. In order to implement such large-scale reforms, BPEA Funds believes that it is necessary to mobilize human resources, including those related to all types of operations necessary to maintain its listing, and address the revitalization of Pioneer without being bound by strategies that emphasize short-term profits. Accordingly, although the basic policies of the MOU include the maintenance of listing, BPEA Funds believes that it would be difficult for Pioneer to achieve these objectives while maintaining its listing and BPEA Funds strongly believes that the privatization is the best option for Pioneer.

In addition, BPEA Funds believes that, if Pioneer implements a large-scale capital increase while maintaining its listing, shares held by Pioneer's existing shareholders will only be diluted significantly, and that, although the subsequent business reform will contribute to the improvement of Pioneer's business in the medium-to long-term, there also exists a risk that it will impair the profitability of Pioneer in the short term, and the business reform may not succeed. Therefore, BPEA Funds believes that it is not appropriate for Pioneer to implement such business reform while maintaining its listing and exposing existing shareholders to further risk, and that the privatization of Pioneer after paying reasonable consideration to existing shareholders of Pioneer would contribute to the interests of existing shareholders of Pioneer. In particular, given Pioneer's current and future cash flows and cash management for the present, BPEA Funds believes that Pioneer's actual share value is significantly lower than the market price, and if the large-scale cash injection is not implemented at an early stage, Pioneer's cash management for the present will be in an extremely difficult position. Therefore, BPEA Funds believes that at this stage, it would be a remedy for existing shareholders to pay an amount to be paid in for the New Shares under the Third Party Allotment plus a premium to existing shareholders. Although Pioneer's consolidated net asset is 78.5 billion yen at the end of fiscal period ended

September 30, 2018, BPEA Funds believes that, if Pioneer were to be liquidated at the present time, the amount that would be allotted to existing shareholders would be significantly lower than the amount of such consolidated net assets, considering factors, including the results of due diligence by BPEA Funds, the value of assets that takes into account the possibility of sale, the pension liabilities and other liabilities, and the collateral that has already been established for obligations to third parties.

As a result of the above, BPEA Funds made a final proposal with financial support the amount of which was significantly increased from that under the MOU to Pioneer as follows:

(i) To increase the amount of capital contribution to Pioneer from a total of 50 to 60 billion yen to a total of 77 billion yen (including DES of the Bridge Loan);

(ii) To make Pioneer a wholly-owned subsidiary of BPEA Funds (privatized) by the Share Consolidation or other measures after paying Pioneer's existing shareholders an amount to be paid in for the New Shares under the Third Party Allotment plus a premium (total amount approximately 25 billion yen); and

(iii) To execute transactions (i) and (ii) above as a series of transactions and obtain approval from the existing shareholders at the general meeting of shareholders concerning both transactions.

In addition, BPEA Funds believes that Pioneer's management policies after the Transactions will be as follows.

(i) Fundamental Business and System Reorganization

After Pioneer is privatized, Pioneer and BPEA Funds will join forces to, at an early stage, promote fundamental reforms, including review of Pioneer's continuous business, which includes a revaluation of profitability and future growth of each business, strict cost reduction such as review of structure of production, sale and management, formation of alliance with partners that would contribute to the growth of each business including alliance with other industries in areas of solution business and other companies in the same industry, and review of its business portfolio.

BPEA Funds believes that in order to implement such fundamental reforms, it is necessary to mobilize human resources, including those related to all types of operations necessary to maintain its listing, and address the revitalization of Pioneer without being bound by strategies that emphasize short-term profits.

(ii) Maintenance of, and Respect for, Trade name and Brand

BPEA Funds intends that Pioneer and its subsidiaries shall maintain their current trade names and brands unless the circumstances change otherwise.

(iii) Maintenance and Continuation of Business Relationship

BPEA Funds intends that unless the circumstances change otherwise, the current business relationship between the Group and each customer shall be maintained and continued.

(iv) Support for Alliance with Third Parties

BPEA Funds intends, after consultation with Pioneer, to provide support for the alliance with the third parties necessary for the purpose of maintenance, continuation, development of existing business, and commencement of new business in order to increase the corporate value of the Group.

d. Reasons why the Third Party Allotment was determined to be the best method for Pioneer and Pioneer shareholders

As the final proposal from BPEA Funds mentioned in c. above included not only a significant dilution of Pioneer's existing shares, but also the privatization of Pioneer, which would have a significant impact on Pioneer's shareholders, Pioneer carefully examined it.

First of all, prior to the final proposal from BPEA Funds, Pioneer contacted several potential sponsor candidates other than BPEA Funds through Pioneer's financial advisor, Nomura Securities, to discuss the possibility of support for Pioneer, but other than BPEA Funds' proposal, there was no feasible proposal of a financial support that was capable of solving Pioneer's difficult cash management for the present, and Pioneer concluded that Pioneer could not further examine proposals of financial support from these potential sponsor candidates. In addition, BPEA Funds has a deep understanding of Pioneer's business based on discussions regarding possibilities of cooperation with Pioneer, faithfully analyzed and discussed towards Pioneer's revitalization and made a proposal for revitalization measures as stated in c. above. Thus, BPEA Funds was superior to other potential sponsor candidates as partner to improve the corporate value of Pioneer not only in financial aspects but also in business aspects.

Also, in the process of examining measures for the management improvement, Pioneer was once again aware of the necessity to review its continuous business and implement restructuring that would realize system reorganization suitable for the scale of its business for the Group to achieve business continuity and medium-to-long term growth. To realize this goal, Pioneer concluded that it was essential to implement measures such as further promoting the selection and concentration of business, strict cost reduction through streamlining the operational structure in its continuous business with taking profitability and growth in the future across the Group into account, consolidating production and sales bases, implementing reduction in head office functions and reviewing R&D functions reflecting the selection and concentration of business, and reducing personnel associated therewith. Pioneer will determine and implement further details of the measures in consultation with the BPEA Funds after the implementation of the Transactions.

As a result of consideration from these perspectives, Pioneer concluded that the final proposal from BPEA Funds as mentioned in c. above is in line with Pioneer's above-stated perspective as the final proposal shows practical and specific direction for realizing Pioneer's medium-to-long term growth.

Specifically, as stated in a. above, Pioneer considered it to be indispensable to inject funding of a scale of 77 billion yen, which BPEA Funds points out. With respect to 15 billion yen necessary for making an early redemption of the Convertible Bonds, while the redemption date of the Convertible Bonds is December 18, 2020, in light of financing and cash flows at present of Pioneer, Pioneer considers it necessary to procure external funds for redemption of the Convertible Bonds either way. In the Transactions, if the Convertible bonds remain unredeemed, shareholders other than the Allottee might emerge unexpectedly as a result of exercise by beneficial holders of the Convertible Bonds of the conversion right to the common stock of Pioneer. Therefore, in light of smooth execution of the Transactions, the funds for redemption of the Convertible Bonds are needed. Moreover, with respect to fundamental system reorganization including review of Pioneer's continuous business, strict cost reduction, and review of its business portfolio, which BPEA Funds believes to be necessary for Pioneer's continuous business and achievement of medium-to-long term growth of Pioneer, Pioneer also considers them to be indispensable as stated above, and formation of alliance with partners that would contribute to the growth of each business will contribute to the medium-to-long term development of Pioneer. In order to implement various measures to execute these fundamental structure reformations, Pioneer believes that, as pointed out in the final proposal from BPEA Funds described in the above c., it is essential that, without being bound by strategies that emphasize short-term profits, it should respond flexibly to changes in the market environment, make flexible management decisions, and mobilize human resources and address the revitalization of Pioneer. On the other hand, in implementing the fundamental structure reformations in a timely manner, it is anticipated that costs and investments will precede the implementation of these measures and that it will take time for the effects thereof to be realized. In addition, it will be difficult to avoid adverse economic impacts on existing shareholders because of the concerns over deteriorating revenues and cash flows in the short term. Moreover, if the above-mentioned scale of injection of funding were not realized and Pioneer could not implement a fundamental structure reformation measures in a timely manner, there would be a concern that existing shareholders would be exposed to further risks through, among others, a decline in share prices due to deterioration of business and financial affairs of Pioneer and concern over business continuity of Pioneer. Accordingly, although the basic policies agreed on in the MOU with Kamerig B.V. included maintenance of the listing, Pioneer concluded that it would be difficult to procure the necessary funds to continue the Group's business and realize medium-to-long term growth while maintaining its listing and to implement large-scale measures to improve management in a short period of time. Therefore, Pioneer concluded that it is unavoidable to implement business reforms after paying reasonable consideration to existing shareholders of Pioneer and delisting shares of Pioneer. With respect to the amount of cash that is expected to be delivered to the shareholders in compensation for the fractional shares regarding the share consolidation stated in the final proposal from BPEA Funds, Pioneer concluded that it is sufficiently reasonable as the consideration to be paid to the existing shareholders upon Pioneer's going private as stated in below "5. Rationale for Conditions of Issuance, (1) Basis of determination of the amount to be paid in and details thereof" and "V. Share Consolidation in order to Make Pioneer Wholly-owned Subsidiary, 3. Rationale, etc. for the amount of cash that is expected to be delivered to the shareholders in compensation for the fractional shares regarding the share consolidation".

As a result of these deliberations and discussions, from the viewpoint of the size of

the amount to be raised, the possible timing and the feasibility, and the stability and continuity of business after financing, there were no feasible proposal of a financial support other than BPEA Funds' proposal, and Pioneer ultimately decided that accepting the final proposal from the BPEA Funds mentioned in c. above and receiving the capital contribution of 77 billion yen in total by way of the Third Party Allotment to the Allottee, which is a wholly-owned subsidiary of Kamerig B.V., and at the same time making Pioneer a wholly-owned subsidiary of the Allottee through the Share Consolidation (Transactions) and thereby promoting the management strategy flexibly and in a timely manner by the Allottee and Pioneer in a unified manner are the best measures to contribute to the continuity of the Group's business and medium-to-long term growth and avoid letting existing shareholders of Pioneer exposed to further risks. With respect to the medium-to-long term growth scenario, among the Pioneer's management policies after the Transactions, which are proposed by BPEA Funds in above c., (i) Fundamental business and system reorganization is in accordance with Pioneer's perspective, (ii) Trade name and Brand and (iii) Business Relationship are important value, which Pioneer has cultivated in its history, and it is absolutely necessary for Pioneer's business continuity and medium-to-long term development of Pioneer to maintain, respect and continue them. In addition, Pioneer believes that (iv) Support for Alliance with Third Parties will contribute to the medium-to-long term development of Pioneer. For above reasons, Pioneer agrees to the contents of Pioneer's management policies after the Transactions proposed by BPEA Funds as stated in above c., and Pioneer believes that BPEA Funds is the best partner in realizing regrowth after Pioneer's current financial base is rebuilt as well as its rebuilding.
From the above perspectives, Pioneer is confident that the final proposal from BPEA Funds is the best measure for improving the corporate value of Pioneer in light of supports both in financial and business aspects, and also for shareholders of Pioneer taking current situation of Pioneer into account.

e. Management structure after the Transactions

Pioneer has decided to reorganize its management structure taking responsibility for taking a series of corporate actions in conjunction with the issuance of new shares through the Third Party Allotment due to the deterioration in business performance and financial condition. Current eight members of the Board of Directors, except for two outside directors and Representative Director, Mr. Koichi Moriya, will resign, and Pioneer will have Mr. Shane Predeek and Mr. Hiroshi Kitami, who are working at BPEA, as new directors. The resignation of such current directors and the election of new directors from BPEA are scheduled to take place promptly after and subject to the implementation of the Transactions.

(2) Reasons for choosing the Third Party Allotment

Before deciding to implement the Third Party Allotment, Pioneer conducted a comparative study of various financing methods. In this comparison, based on Pioneer's demand for funds described in 2. "(1) Background of Third Party Allotment" above, Pioneer considered that it was the most important factor to ensure that the necessary amount would be raised in the desired timeframe.

For example, regarding an issuance of shares of common stock through public offering, Pioneer concluded that it was difficult to implement a public offering through underwriting by securities companies in the situation where, as announced in the “Pioneer Announces Business Results for 2Q Fiscal 2019” dated November 7, 2018, the “Note Regarding Going Concern Assumption” was stated in the notes to Pioneer’s consolidated quarterly financial statements for the second quarter of fiscal 2019. With regard to a rights offering and a rights issue, as not all of share options allotted to shareholders may be exercised and not all of shares offered to shareholders may be subscribed depending on the decision of shareholders based on the trend of stock price, or other factors, the final amount of financing to be obtained thereby is uncertain. Therefore, Pioneer determined that financing through a rights offering or rights issue was not an appropriate option at this point in time for Pioneer as it needs to raise the required amount with certainty.

On the other hand, Pioneer believes that a capital increase through a third party allotment is the most reliable means of procuring the required amount and will be the appropriate option for Pioneer if an appropriate sponsor can be selected. As a result of the procedures for selecting a sponsor through Nomura Securities, its financial advisor, Pioneer executed the MOU with Kamerig B.V., who presented the terms that were considered to be the most desirable for Pioneer at that point, as described in “2. (1) Background of Third Party Allotment”. Subsequently, while discussing and negotiating the optimal investment scale and form with BPEA Funds based on the matters agreed on in the MOU, Pioneer continued to discuss with several other potential sponsor candidates the possibility of providing support, including funding through capital contributions or other means, to explore the possibility of financing with more favorable conditions for Pioneer. As a result, Pioneer ultimately concluded that, at this point in time, the best option for Pioneer is to receive the capital contribution of 77 billion yen through the issuance of the New Shares by way of a third party allotment to the Allottee.

Pioneer also examined the possibility of financing through additional borrowings from financial institutions, but in light of the circumstances where the “Note regarding going concern assumption” was stated as described above, Pioneer decided that its first priority should be to thoroughly solve the issues with respect to its business and financial affairs at an early stage by utilizing the funding and other support, provided by a sponsor and that, at present, financing through additional borrowings from financial institutions was not a realistic option for Pioneer.

If the New Shares are allotted to the Allottee through the Third Party Allotment, the number of voting rights that the Allottee will own will be 15,400,000, and the ratio thereof to the total voting rights of Pioneer (19,181,611: the number of voting rights of Pioneer as of September 30, 2018 (3,781,611) plus the number of such voting rights scheduled to be held) will be 80.3%, and the Allottee will fall under a Special Subscriber prescribed in Article 206-2, Paragraph 1 of the Companies Act. In this regard, at the meeting of the Board of Directors held on December 7, 2018, three (3) corporate auditors of Pioneer expressed the view that, the Third Party Allotment will be considered to be reasonable, based on the following points:

Pioneer needs to procure capital in a scale of approximately 74.5 billion yen through issuance of shares; the Third Party Allotment can be regarded as the best option compared to other general financing methods under the current situation of Pioneer; it is recognized that the use of the funds is rational; and the Allottee expresses a strong intention to cooperate with the Group to achieve the management improvement and the medium-to-long term growth. There are no opinions from outside directors that differ from the decision of the Board of Directors of Pioneer.

3. Amount, Use and Intended Timing of Expenditure of Funds to Be Raised

(1) Amount of funds to be raised

(i)	Aggregate amount to be paid in:	77 billion yen
	Third Party Allotment (DES)	25 billion yen
	Third Party Allotment (cash contribution)	52 billion yen
(ii)	Estimated issuance expenses:	2.46 billion yen
(iii)	Estimated Net Proceeds	74.54 billion yen

Notes: 1. Among the Third Party Allotment, the portion of the Third Party Allotment (DES) will be implemented in the form of contribution in kind, and therefore, no monetary payment will be made for the Third Party Allotment (DES) (the amount to be paid thereof is 25 billion yen).
2. The estimated issuance expenses do not include consumption taxes.
3. The breakdown of the estimated issuance expenses is costs relating to the holding of a shareholders' meeting, commercial registration costs, costs for valuation of share value, attorneys' and financial advisers' fees and other expenses.

(2) Specific uses and intended timing of expenditure of funds to be raised

Use of funds of the Bridge Loan to be contributed in kind through the Third Party Allotment (DES) is as follows.

Specific Uses	Amount	(Intended) Timing of Expenditure
(i) Repayment of Existing Borrowings	21.9 billion yen	September 2018
(ii) Working Capital	3.1 billion yen	September 2018 to December 2018
Total	25 billion yen	

Use of funds to be procured through the Third Party Allotment (cash contribution) is as follows.

Specific Uses	Amount	Intended Timing of Expenditure
(i) Working Capital (including capital expenditure necessary for its business)	12 billion yen	March 2019 to September 2019
(ii) Repayment of Existing Borrowings	8 billion yen	April 2019 to March 2020
(iii) Restructuring	12 billion yen	June 2019 to March 2021

Expenses		
(iv) Redemption of Convertible Bonds	15 billion yen	by September 2019
(v) Capital expenditure in Growth Business	2.54 billion yen	April 2019 to March 2020
Total	49.54 billion yen	

Note: The procured funds will be properly managed in bank deposits etc. until disbursement.

4. Rationale for Use of Funds

Considering the severe financial conditions of Pioneer as stated in "2. Purpose of and Reason for the Issuance of the New Shares through Third Party Allotment" above, Pioneer has concluded that the use of the funds from the Third Party Allotment is reasonable as stated below.

(i) Working Capital (including capital expenditure necessary for its business)

In the consolidated business results for the fiscal year ended March 31, 2017, Pioneer recorded 5.1 billion yen of net loss attributable to owners of Pioneer Corporation, and free cash flows were outflows of 14.4 billion yen. In addition, in the consolidated business results for the fiscal year ended March 31, 2018, Pioneer recorded 7.1 billion yen of net loss attributable to owners of Pioneer Corporation, and free cash flows were outflows of 17.2 billion yen. Further, although improvement in manufacturing cost and cost reduction are being promoted, Pioneer forecasts 5 billion yen of consolidated operating loss for the fiscal year ending March 31, 2019, as announced in "Pioneer Announces Business Results for 2Q Fiscal 2019" dated November 7, 2018, which reflects a decrease in sales of the Car Electronics business, which is expected to fall below the initial forecast mainly in the consumer market business, and a decrease in sales due to sales of FA systems and DJ equipment subsidiaries.

As such, the cash management for the present and the regulation of cash flows are vital issues for the continuation of the business operation of Pioneer. While the balance of cash and cash equivalents necessary for working capital of Pioneer at present (including capital expenditure necessary for its business) is approximately 20 billion yen and the balance at the end of fiscal year ending March 31, 2019 is expected to be below this level, by appropriating 12 billion yen of the funding from the Third Party Allotment (cash contribution) to working capital, Pioneer can manage cash position and regulate cash flows and thereby stabilize the financial base.

(ii) Repayment of Existing Borrowings

As stated above, Pioneer recorded net loss attributable to owners of Pioneer for two consecutive fiscal years, and forecasts a consolidated operating loss for the fiscal year ending March 31, 2019. Due to such circumstances and the circumstances where the "Note regarding going concern assumption" was stated, it is difficult to refinance or extend the maturity of the existing borrowings from financial institutions. While a large portion of the existing borrowings from financial institutions which will become due during this fiscal year has been already repaid by the proceeds of the Bridge Loan, and the remaining will be repaid by the end of December 2018 by the proceeds of disposal of individual assets and business which have been already executed, it will be necessary to repay the existing borrowings borrowed by the Group companies under the process of the structural reformation and the business reorganization as Pioneer is planning to rationalize and optimize the operational structure by integrating and reducing the structure for operations such as development, production and sales activities through the structural reformation and the business reorganization within the Group toward the improvement in profitability. Therefore, Pioneer will appropriate 8 billion yen of the funding from the Third Party Allotment (cash contribution) to the repayment of such existing borrowings and facilitate the projected business reorganization.

(iii) Restructuring Expenses

Pioneer's revenues and profits have continued to decrease for three consecutive fiscal years since the fiscal year ended March 31, 2015. Pioneer recorded net loss attributable to owners of Pioneer for two consecutive fiscal years; the fiscal year ended March 31, 2017 and the fiscal year ended March 31, 2018, and forecasts a consolidated operating loss for the fiscal year ending March 31, 2019, as mentioned above, and Pioneer's profitability has reduced in every fiscal year. Therefore, for improving its profitability at an early stage, it is absolutely necessary for Pioneer to review its business portfolio and implement restructuring to realize system reorganization suitable for the scale of its business. To realize this goal, in two years from April 2019, by further promoting the selection and concentration of business and streamlining the operational structure in the continuous businesses with taking profitability and growth in the future across the Group into consideration, consolidating production and sales bases, and implementing reduction in head office functions and review of R&D functions reflecting the selection and concentration of business, Pioneer will reduce approximately 15% of employees (including temporary employees) across the Group in and outside Japan, and thereby pursue to improve its profitability at an early stage. For the foregoing purpose, Pioneer will appropriate 12 billion yen of the funding from the Third Party Allotment (cash contribution) to the expenses required for reduction in workforce.

(iv) Redemption of Convertible Bonds

Pioneer has issued the Convertible Bonds as described in "10. (4) Equity finance in the last three years" below. Although the redemption date of the Convertible Bonds is December 18, 2020, given the current financial conditions and cash flow situations, in any event, Pioneer will need to procure funds from outside sources to redeem the Convertible Bonds. Further, if the Convertible Bonds remain unredeemed, shareholders other than the Allottee might emerge unexpectedly as a result of exercise by beneficial holders of the Convertible Bonds of the conversion right to shares of common stock of Pioneer. Therefore, in light of smooth execution of the Transactions, Pioneer intends to make an early redemption (Note) of all of the Convertible Bonds promptly after Pioneer becomes a wholly-owned subsidiary of the Allottee as a result of the Third Party Allotment and the Share Consolidation, after consultation with the Allottee.

Note: Although as of now no triggering event has occurred that necessitates or enables an early redemption of the Convertible Bonds and will not occur due to the Transactions, according to the terms and conditions of the Convertible Bonds, in the event a proposal for the acquisition of all of the shares of common stock subject to wholly call is approved at a general meeting of shareholders, Pioneer shall, after giving public notice of the necessary matters within 15 days from the date of such resolution, set the redemption date that is one of the bank business days from the 30th day to the 60th day after the date of such public notice but before the date for the acquisition of all of the shares of common stock subject to wholly call, and redeem all of the outstanding Convertible Bonds at the prescribed redemption amount (15 billion yen in total) on such redemption date. Pioneer intends to make such early redemption by obtaining the approval at a shareholders' meeting concerning the partial amendments to the Articles of Incorporation relating to the wholly call and the acquisition of all of the shares of common stock subject to wholly call, promptly after Pioneer becomes a wholly-owned subsidiary of the Allottee as a result of the Third Party Allotment and the Share Consolidation.

(v) Capital Expenditures in Growth Business

After achieving the cash management for the present and the regulation of cash flows, as well as the stabilization of the financial base and the rationalization and optimization of the operational structure through the structural reformation and the business reorganization, stable growth and profitability of core businesses will be essential for Pioneer to achieve the medium-to-long term growth. Pioneer has positioned the Map business and Telematics (Note 1) as growth areas, and will allocate the entire remaining amount of the proceeds from the Third Party Allotment (cash contribution) (2.54 billion yen) to part of the capital expenditure in these businesses, thereby pursing stable growth and profitability of these businesses.

Specifically, in the Map business, Pioneer is planning to increase its investments by 1.14 billion yen to quickly launch its business in new domains in response to the slowdown in the domestic market for navigation system maps. These investments will focus on the development of map contents, including the development of high-precision maps for the upcoming autonomous driving market, the development of high-quality maps for the ASEAN region as part of Pioneer's overseas business development, and the development of a map database management system to constantly maintain new map data.

In the Telematics, considering the increasing demand in the car electronics industry for connected car related technologies (Note 2) and advanced driving support as a growth opportunity, Pioneer is planning to increase its investments by 1.4 billion yen to expand its data-driven solutions business by leveraging Pioneer's unique strengths in mapping data as well as state-of-the-art cloud technologies and technologies for development of telecommunication-type automotive equipment.

Notes: 1. "Telematics" is used to collectively mean to provide services using communication systems which are installed in mobile objects such as cars and transmit and receive various information.

2. "Connected car related technologies" is used to collectively mean state of various equipment and parts being always connected to computer network using IoT technologies.

5. Rationale for Conditions of Issuance

(1) Basis of determination of the amount to be paid in and details thereof

a. Details of the amount to be paid in

With regard to the method and the terms and conditions of the investment in Pioneer, Pioneer held faithful discussions with each potential sponsor with respect to the results of the due diligence on Pioneer conducted by several potential sponsor candidates, Pioneer's management environment, financial condition, capital needs, stock price conditions, etc., in order to realize financing with the most favorable conditions for Pioneer. During such discussions, given Pioneer's severe financial condition, Pioneer needed to consider, as the most important factor for consideration, ensuring that the necessary amount would be raised in the desired timeframe, and, as a result of repeated discussions and negotiations with the BPEA Funds, whose proposal was the most in line with Pioneer's request, the amount to be paid in for the New Shares was determined to be 50 yen.

Such amount to be paid in for the New Shares represents a 43.8% discount against the closing price of 89 yen of Pioneer's stock on the Tokyo Stock Exchange (hereinafter the "Closing Price") on December 6, 2018, which is the business day immediately preceding the date of the resolution of the board of directors concerning the Third Party Allotment (hereinafter "the Date of Board of Directors Resolution"), a 46.2% discount against the average Closing Price of 93 yen (rounded to the nearest yen) for the one month immediately preceding the Date of Board of Directors Resolution (from November 7, 2018 to December 6, 2018), a 52.4% discount against the average Closing Price of 105 yen (rounded to the nearest yen) for the three months immediately preceding the Date of Board of Directors Resolution (from September 7, 2018 to December 6, 2018), and a 60.0% discount against the average Closing Price of 125 yen (rounded to the nearest yen) for the six months immediately preceding the Date of Board of Directors Resolution (from June 7, 2018 to December 6, 2018).

As mentioned above, the amount to be paid in for the New Shares was finally agreed upon as a result of faithful discussions and negotiations with the BPEA Funds based on the results of discussions with several potential sponsor candidates, and Pioneer considers that this is the best condition for Pioneer at this point in time, given Pioneer's circumstance in which financing of capital funds in a scale of approximately 74.5 billion yen or more is essential. Also, we consider it a reasonable price in view of the Share Valuation Report obtained from the third party valuation institution and the Fairness Opinions as stated in (ii) and (iii) below. However, because the amount to be paid in represents a substantial discount against Pioneer's most recent market stock price, Pioneer determined it is considered to be an amount especially favorable to the Allottee and therefore issue the New Shares through the Third Party Allotment subject to the approval by way of a special resolution at the Extraordinary General Meeting of Shareholders.

b. Pioneer has obtained a share valuation report and Fairness Opinions from a third party valuation institution

In determining the amount to be paid in for the New Shares and the amount of cash that is expected to be delivered to the shareholders in compensation for the

fractional shares regarding the share consolidation (hereinafter the “Amount expected to be delivered upon Share Consolidation”) based on the results of discussions and negotiations with the BPEA Funds, and for reference in shareholders’ exercising their voting rights at the Extraordinary General Meeting of Shareholders, Pioneer requested Akasaka International Accounting Co., Ltd., (hereinafter “Akasaka International Accounting”), a third-party appraiser, to evaluate the share value of Pioneer and submit Pioneer a written opinions (fairness opinions) (hereinafter the “Fairness Opinions”) to the effect that the amount to be paid in for the New Shares and the Amount expected to be delivered upon Share Consolidation are reasonable to shareholders of Pioneer other than the Allottee from a financial point of view. Akasaka International Accounting, a third-party appraiser, does not fall under any related party of Pioneer or the Allottee and has no material interest to be noted in connection with the Third Party Allotment.
As a result of consideration as to the valuation method for the share value of Pioneer, Akasaka International Accounting adopted the market share price method because shares of Pioneer are listed on the First Section of the Tokyo Stock Exchange, and it also comprehensively examined the valuation results obtained, by using two methods other than the market share price average method, considering, among other things, the factors that Akasaka International Accounting considered (i) such impact is not reflected in the market price given the fact that it would have a significant impact on the continuity of Pioneer’s business if the funding through the Third Party Allotment were not implemented, and (ii) there is a possibility that information that would not be reflected in the market prices until the valuation date among those to be announced in connection with this announcement may be highly important. Akasaka International Accounting specifically adopted, in addition to (a) market share price method, each of the analysis methods of (b) comparable company method and (c) discounted cash flow method (hereinafter “DCF method”) to evaluate the share value of Pioneer, and it used net asset value method for reference purpose to evaluate the value of Pioneer, and Pioneer obtained a share valuation report dated December 7, 2018 (hereinafter “Share Valuation Report”) from Akasaka International Accounting.

In addition, Pioneer obtained the Fairness Opinions from Akasaka International Accounting.

According to the Share Valuation Report, the share value range per share of Pioneer evaluated by each method is as follows:

(i) Market share price method :	89 yen to 105 yen
(ii) Comparable company method :	26 yen to 55 yen
(iii) DCF method :	33 yen to 71 yen
(For reference)	
Net asset value method	minus 69 yen to minus 56 yen (net asset value per share)

(i) Under the market share price method, the valuation date is set as December 6, 2018, and the share value range per share of Pioneer has been evaluated as from 89 yen to 105 yen based on the Closing Price of Pioneer's shares of 89 yen on the first section of the Tokyo Stock Exchange on the valuation date, the simple average closing price of 93 yen for the last month, the simple average closing price of 105 yen for the last three months and simple average closing price of 103 yen after the execution date of MOU (September 13, 2018).

(ii) The comparable company method is a valuation method that enables empirical and objective evaluation by using the stock prices and financial data of comparable companies, which are publicly available information. It is considered that this method can be used to verify and supplement the valuation results of the market share price method. In the Share Valuation Report, the share value of Pioneer was evaluated after selecting JVC KENWOOD Corporation, Clarion Co., Ltd. and Alpine Electronics Inc. as comparable listed companies deemed similar to Pioneer and evaluating the value of the corporate value, applying EV/EBITDA multiple, and the range of the share value per share of Pioneer was evaluated as from 26 yen to 55 yen.

(iii) The DCF method is considered to be one of appropriate methods for evaluating share values on the assumption of going concern. In the Share Valuation Report, after taking into consideration reasonable assumptions, such as earnings estimations and investment plans based on the business plan prepared by Pioneer for the fiscal year ending March 2019 through the fiscal year ending March 2023, Pioneer's corporate value that is discounted to present value at a certain discount rate reflecting the business risk is assessed based on free cash flows expected to be generated by Pioneer in the future from the fiscal year ending March 2019 onward. With respect to a discount rate, 9.4% to 10.3% of weighted-average cost of capital (WACC) was adopted and in evaluating the going concern values, the permanent growth rate method was used and the permanent growth rate was evaluated as minus 0.25% to 0.25%, and, as a result, the share value range per share of Pioneer was evaluated as from 33 yen to 71 yen.

The financial estimations, which Akasaka International Accounting used as a basis for its valuation by the DCF method are as follows. The below financial forecasts do not assume the completions of the Third Party Allotment and the Share Consolidation, but, the free cash flows for and after the fiscal year ending March 2020 show figures estimating the implementation of restructuring for two years from April 2019 as described in "3. (2) Specific uses and intended timing of expenditure of funds to be raised" above.

	(In 100 million yen)				
	Fiscal Year ending March 31,				
	2019	2020	2021	2022	2023
Net sales	3,500	3,682	3,932	4,145	4,263
Operating income	(50)	(59)	6	14	164
EBITDA	200	322	445	443	420

Free cash flows	(159)	(136)	76	132	120

Notes: 1. With respect to operating income, the estimation for a significant increase from minus 5.9 billion yen for the fiscal year ending March 31, 2020 to 0.6 billion yen for the fiscal year ending March 31, 2021 is due mainly to an increase in gross margins resulting from an increase in sales of car solution telematics, a growth area of the OEM and commercial businesses, and the effects of structural reforms to be executed for the fiscal year ending March 2020 despite an increase in depreciation expenses. The estimation for an increase from 0.6 billion yen for the fiscal year ending March 31, 2021 to 1.4 billion yen for the fiscal year ending March 31, 2022 is due to an increase in gross margins resulting from an increase in sales which is partially offset by an increase in sales expenses. The estimation for a significant increase from 1.4 billion yen for the fiscal year ending March 31, 2022 to 16.4 billion yen for the fiscal year ending March 2023 is due mainly to a decline in the depreciation cost reflecting a decline in depreciation cost of soft assets resulting from a decline in the sales of large-scale projects in the OEM business.

2. With respect to EBITDA, estimation for a significant increase from 20 billion yen for the fiscal year ending March 2019 to 32.2 billion yen for the fiscal year ending March 2020 is due mainly to an increase of depreciation costs reflecting an increase in depreciation cost of soft assets in large-scale projects in the OEM business despite a decline in operating income. The estimation for a significant increase from 32.2 billion yen for the fiscal year ending March 2020 to 44.5 billion yen for the fiscal year ending March 2021 is due mainly to an increase of operating income as stated in Note 1 and an increase of depreciation costs reflecting an increase in depreciation cost of soft assets in large-scale projects in the OEM business.

However, the above financial estimations are prepared on the assumption that there would be no issues to cash flows of Pioneer for the above period, and if the Third Party Allotment were not executed, cash and cash equivalents would be minus 8 billion yen or less as of the end of second quarter of fiscal year ending March 2020 and there would exist a concern over Pioneer's business continuity. Therefore, if the Third Party Allotment were not executed, there would be a concern that it would be also difficult to realize the financial estimations, used for a basis of the above DCF method.

The net asset value method does not provide the results of valuations based on the assumption of going concern, but is considered to be a method that can provide relatively superior results in terms of objectivity when considering the liquidation value of a company. In the Share Valuation Report, based on the assumption that Pioneer's net asset value of 78,532 million yen as of the end of the second quarter of the fiscal year ending March 2019 would be liquidated without Pioneer's continuing its business, since if the going concern would not be assumed, Akasaka International Accounting considered a certain depreciation from the book value and other factors because it would be impossible to dispose of goodwill, software and software in progress among intangible assets immediately and it assumed that the disposal value of inventories, property, plant and equipment and investment securities would deviate from the book value as a result of early disposal of the assets, etc., are taken into account, and, as a result, taken into account mark-to-market gains and losses (estimate of gain on sale of investment in Increment P Corporation, which Pioneer owns is added as 33,855 million yen, the adjusted net asset value was evaluated as from minus 26,159 million yen to minus 21,230 million yen, and the range of net asset value per share of Pioneer was evaluated as from minus 69 yen to minus 56 yen.

c. Determination of the Board of Directors of Pioneer regarding the amount to be paid in based on the Share Valuation Report

As stated above, the share value of Pioneer evaluated by Akasaka International Accounting in the Share Valuation Report differs considerably according to the valuation method to be adopted, and there is no price that is included within the scope of the share value evaluated by all of these methods. Accordingly, Pioneer has examined in detail which of the results of each valuation in the Share Valuation Report should be mainly referred to in determining the amount to be paid in for the New Shares and the Amount expected to be delivered upon Share Consolidation.

With respect to (i) the market share price method, Pioneer recognizes that, in general, the market share price method is, based on the assumption that the market price of listed stock represents the present value of the expected future earnings, and in accordance with the idea of referring to the market price without independently making a return and risk assessment, widely used in the valuation of listed stock.

However, the valuation results based on the comparable method (from 26 yen to 55 yen) adopted by Akasaka International Accounting as a method to verify and supplement the valuation results of the market share price method are considerably different from the results of the valuation using the market price average method (from 89 yen to 105 yen). In addition, the results of valuation using the DCF method (from 33 yen to 71 yen), which is an appropriate method for evaluating share values on the assumption of going concern, are similar to those evaluated by the comparable company method, but are also considerably different from those evaluated by the market price average method. Pioneer believes that these results of valuation using the comparable company method and the DCF method show that the theoretical assumption that the market price of listed stock represents the present value of the expected future earnings, which is the logical assumption for the market share price method to be adopted as stated above, is highly likely not to be applicable to the valuation of the share value of Pioneer.

Thus, based on the examination by each results of valuation using the comparable company method and the DCF method, there is a concern over whether the share value range per share of Pioneer (from 89 yen to 105 yen) evaluated using the market share price method can be adopted as the result of reflecting the share value of Pioneer fairly, and Pioneer did not come to the conclusion that it should be adopted to in the determination of the amount to be paid under the Third Party Allotment.

With respect to (ii) the comparable company method, given the fact that the comparable company method uses share prices and financial data of comparable companies, which are publicly available information and is considered as a valuation method that enables empirical and objective evaluation, the valuation results thereof (from 26 yen to 55 yen) have been referred to, to a certain degree.

(iii) The DCF method is generally considered to be an appropriate method for evaluating share value on the assumption of going concern. Among other things, in light of Pioneer's financial condition described in detail in "2. Purpose of and Reason for the Issuance of New Shares through Third Party Allotment, (1) Background of Third Party Allotment" above, Pioneer considers the method is an appropriate valuation method that can reflect Pioneer's financial condition as accurately as possible, in that it is a method of evaluating particular returns and risks on the assumption of Pioneer's going concern, based on the business plan prepared by Pioneer for the next five years. In addition, the amount to be paid in for the New Shares and the Amount expected to be delivered upon Share Consolidation were determined after discussions and negotiations with the BPEA Funds as stated above, and what BPEA Funds emphasized on in the examination of its contribution is the actual financial condition and future business outlook of Pioneer rather than the current market price. The results of the valuation using the DCF method (from 33 yen to 71 yen) that can reflect Pioneer's financial condition as accurately as possible and is based on the assumption of Pioneer's business plan, were considered useful in discussing and negotiating with BPEA Funds for the mutual reconciliation of the perspective on Pioneer's share value.

Based on the above, Pioneer mainly referred to the results of the valuation by the comparable company method (from 26 yen to 55 yen) and the DCF method (from 33 yen to 71 yen) in determining the amount to be paid in for the New Shares and the Amount expected to be delivered upon Share Consolidation, and based on the results of the discussions and negotiations with the BPEA Funds, Pioneer determined the amount to be paid in for the New Shares as 50 yen per share, which is within the scope of the results of the valuation by the comparative company method and the DCF method in the Share Valuation Report, as stated above. The amount to be paid in is considerably discounted from the most recent market price of Pioneer's shares, however, such amount, under Pioneer's circumstance in which financing of capital funds in a scale of 74.5 billion yen is essential, was finally agreed upon as the results of faithful discussions with several potential sponsor candidates and faithful discussions and negotiations with the BPEA Funds and is within the scope of the valuation results of the Share Valuation Report, and therefore, Pioneer determined such amount as reasonable. The net asset value method can be used as a reference for a value based on the assumption of liquidation without a continuing business, however, Pioneer assumes its business to continue and therefore such method should not be referred to in determining the amount to be paid in for the New Shares and the Amount expected to be delivered upon Share Consolidation.

(2) Rationale for the determination that the number of shares to be issued and the level of dilution of shares are reasonable

The total number of the New Shares to be allotted to the Allottee through the Third Party Allotment will be 1,540,000,000 shares (number of voting rights: 15,400,000) and the ratio to the total number of issued shares of Pioneer as of September 30, 2018 (383,340,936 shares (total number of voting rights as of September 30, 2018: 3,781,611)) will be 401.7% (ratio to the total number of voting rights: 407.2%).

In this way, the Third Party Allotment is expected to cause large dilution. On the other hand, as stated above, (i) Pioneer recognizes that a large amount of financing is necessary, and, although the issue size of the Third Party Allotment is large, it is set to a scale necessary to realize such size of financing as Pioneer considers necessary, (ii) the Third Party Allotment to the Allottee is considered to be the most appropriate financing method compared to other financing methods, and (iii) in light of Pioneer's severe financial condition, the results of the discussions with several potential sponsor candidates concerning the possibility of support and the discussions and negotiations with the BPEA Funds, the amount to be paid in for the New Shares is considered to result in the most favorable conditions for Pioneer at this point in time and is appropriate price in light of the valuation results of share price of Pioneer provided in the Share Valuation Report. Based on these factors, Pioneer believes the implementation of the Third Party Allotment is reasonable even after it takes into consideration of the large dilution that would be caused by the Third Party Allotment.

A resolution or decision concerning a third party allotment that would result in a dilution ratio exceeding 300% falls under the delisting criteria, except when the Tokyo Stock Exchange determines that there is only a small likelihood of infringement of interests of shareholders and investors in comprehensive consideration of the purpose of such third party allotment, the attributes of allottee, the implementing procedures pertaining to the change in the total number of authorized shares, and other conditions (Rule 601, Paragraph 1, Item 17 of the Securities Listing Regulations; Rule 601, Paragraph 14, Item 6 of the Enforcement Rules for the Securities Listing Regulations; and Item IV. 9. of the Guidelines concerning Listed Company Compliance, etc., which are regulations established by the Tokyo Stock Exchange). In this respect, for the reasons stated in (i) to (iii) above, Pioneer believes the implementation of the Third Party Allotment is reasonable even after it takes into consideration of the large dilution that would be caused by the Third Party Allotment. In addition, as stated in "III. Partial Amendments to the Articles of Incorporation in order to Increase the Total Number of Shares Authorized to be Issued" and "V. Share Consolidation in order to Make Pioneer Wholly-owned Subsidiary" below, the procedures for the partial amendments to the Articles of Incorporation relating to the increase in the number of the total number of shares authorized to be issued and the Share Consolidation, as well as the Third Party Allotment, shall be legally carried out after obtaining the shareholders approvals as the proposals therefor will be submitted to the Extraordinary General Meeting of Shareholders. Further, as described in "V. Share Consolidation in order to Make Pioneer Wholly-owned Subsidiary, 3. Rationale, etc. for the amount of cash that is expected to be delivered to the shareholders in compensation for the fractional shares regarding the share consolidation" the shareholders other than the Allottee would finally receive an amount equivalent to cash to be paid in under the Third Party Allotment plus a premium of over 30% as a result of the Share Consolidation, and this amount of cash is considered to be the best terms which Pioneer can propose to its shareholders since if a large-scale capital injection and fundamental structure reformation measures were not able to be realized in a timely manner, there would be a concern that Pioneer's business performance and financial condition would deteriorate and continuing its business might become difficult, and there would be a risk that the existing shareholders would be exposed to further risks through, among others, a decline in share prices. Under such circumstances and after sincerely discussing with several potential sponsor candidates, the above-mentioned amount has been significantly raised through multiple negotiations with and finally agreed upon with, the BPEA Funds, the only candidate which has proposed feasible support measures to solve Pioneer's strained financing for the present. In light of these facts, Pioneer believes that the Third Party Allotment shall fall under the case where there is only a small likelihood of infringement of interests of shareholders and investors and shall not fall under the delisting criteria.

6. Reason for Selecting the Allottee, Etc.

(1) Outline of the Allottee

<table>
<tr><td>(i)</td><td>Name</td><td colspan="2">Wolfcrest Limited</td></tr>
<tr><td>(ii)</td><td>Registered Address</td><td colspan="2">Custom House Plaza Block 6, International Financial Services Centre, Dublin 1, Ireland</td></tr>
<tr><td>(iii)</td><td>Governing laws for Establishment</td><td colspan="2">Ireland company law</td></tr>
<tr><td>(iv)</td><td>Purpose of Formation</td><td colspan="2">Share holding</td></tr>
<tr><td>(v)</td><td>Date of Formation</td><td colspan="2">August 30, 2018</td></tr>
<tr><td>(vi)</td><td>Total Capital</td><td colspan="2">100 Euro</td></tr>
<tr><td>(vii)</td><td>Major Capital Investors and their ownership</td><td colspan="2">Kamerig B.V. 100%</td></tr>
<tr><td>(viii)</td><td>Summary of Managing Partner</td><td colspan="2">N/A</td></tr>
<tr><td>(ix)</td><td>Summary of Agent in Japan</td><td colspan="2">N/A</td></tr>
<tr><td rowspan="3">(x)</td><td rowspan="3">Relationship with Pioneer</td><td>Relationship between Pioneer and the Fund</td><td>N/A (Kamerig B.V., the parent company of the fund holds 25 billion yen in total of loan receivable against Pioneer.)</td></tr>
<tr><td>Relationship between Pioneer and Managing Partner</td><td>N/A</td></tr>
<tr><td>Relationship between Pioneer and Agent in Japan</td><td>N/A</td></tr>
</table>

Note: Pioneer requested JP Research & Consulting, Inc., a third party research institution, to investigate whether or not the Allottee or its directors or major equity investors (hereinafter the "Concerned Parties to the Allottee") is a member of antisocial forces and whether or not the Concerned Parties to the Allottee has some relationship with antisocial forces. The investigation report that Pioneer received states that any of the Concerned Parties to the Allottee is not a member of antisocial forces and has no relationship with any antisocial forces.
In addition, the Allottee represents and warrants to Pioneer that, in the contribution agreement executed dated December 7, 2018 between Pioneer and the Allottee, any of the Concerned Parties to the Allottee is not a member of antisocial forces and has no relationship with antisocial forces.
Therefore, Pioneer considers that the Allottee is not a member of antisocial forces and has no relationship with any antisocial forces, and has submitted the certificate of confirmation to that effect to Tokyo Stock Exchange.

(2) Reason for selecting the Allottee

For the reason for selecting the Allottee, please refer to "2. Purpose of and Reason for the Issuance of New Shares through Third Party Allotment" above.

(3) Policy of the Allottee on holding shares

The Allottee strongly showed its intention to, as the wholly owning parent company after the Third Party Allotment, make efforts to realize the medium-to-long term growth of the Group in cooperation with the Group, and Pioneer confirmed the Allottee's intention to hold the New Shares to be allotted through the Third Party Allotment for a medium-to-long period of time at present.

In addition, Pioneer will obtain a written confirmation from the Allottee stating that, if all or a part of the New Shares acquired by the Allottee through the Third Party Allotment are transferred by the Allottee within two years from the payment date, (i) the Allottee will immediately report to Pioneer, in writing, the name of the transferee, the number of shares transferred and other related matters; (ii) Pioneer will report such transfer to Tokyo Stock Exchange, Inc.; and (iii) the Allottee will consent to the report being made publicly available.

(4) Details of the confirmation of the Allottee's capacity to make the required payments for the Third Party Allotment

Given the fact that, among the Third Party Allotment, the portion of the Third Party Allotment (DES) will be implemented in the form of contribution in kind, and the fact that the property to be contributed in kind is the loan receivable held by the Allottee against Pioneer, Pioneer has confirmed the existence and balance of the property (Pioneer's debt). Pioneer has also confirmed that the loan receivable are held by Kamerig B.V. as of December 7, 2018 and scheduled to be transferred from Kamerig B.V. to the Allottee prior to the implementation of the contribution under the Third Party Allotment (DES) in the Third Party Allotment.

In addition, regarding the Third Party Allotment (cash contribution) among the Third Party Allotment, the Allottee made representation and warranties to Pioneer regarding, as set forth in the contribution agreement concerning the Third Party Allotment executed dated December 7, 2018 between Pioneer and the Allottee, the security of funding necessary for the Allottee's contribution and, Pioneer confirmed the commitment letters (52 billion yen in total) that the Allottee has received from multiple BPEA Funds (hereinafter referred to as the "Certain BPEA Funds" in this paragraph) regarding the equity investment. In addition, regarding the Allottee's capacity to make the required payments for the Third Party Allotment, Pioneer has received from the Allottee the report to the effect that the total operational surplus amount of the Certain BPEA Funds with respect to the commitment letter is 25 billion yen or more as of December 6, 2018. In addition, each partnership agreement concerning the Certain BPEA Funds set forth that the contribution method shall be by way of capital call, and after the announcement of the Third Party Allotment, the funds are charged to each investor of the fund. According to the attributes of the investors and amount of investment commitment of the Certain BPEA Funds and the terms and conditions of the contract, including such capital call, and the performance of the capital call of each investor of the Certain BPEA Funds prior to December 7, 2018, Pioneer believes that there will be no problem for the payment of the Third Party Allotment (cash contribution) by the Allottee.

7. Major Shareholders of Pioneer and Their Shareholding Ratio

Before the Third Party Allotment (as of September 30, 2018)		After the Third Party Allotment	
Mitsubishi Electric Corporation	7.37%	Wolfcrest Limited	80.27%
NTT DOCOMO, INC.	6.81%	Mitsubishi Electric Corporation	1.45%
The Master Trust Bank of Japan, Ltd. (Trust Account)	3.53%	NTT DOCOMO, INC.	1.34%
SSBTC CLIENT OMNIBUS ACCOUNT	3.02%	The Master Trust Bank of Japan, Ltd. (Trust Account)	0.69%
HERE GLOBAL B.V.	2.93%	SSBTC CLIENT OMNIBUS ACCOUNT	0.59%
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/JANUS HENDERSON HORIZON FUND	2.26%	HERE GLOBAL B.V.	0.57%
Japan Trustee Services Bank, Ltd. (Trust Account)	1.89%	BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/JANUS HENDERSON HORIZON FUND	0.44%
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	1.83%	Japan Trustee Services Bank, Ltd. (Trust Account)	0.37%
MUFG Bank, Ltd.	1.71%	CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	0.36%
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1.65%	MUFG Bank, Ltd.	0.33%

Notes:

1. The table above is based on the register of shareholders as of September 30, 2018. Pioneer held 5,033,016 shares of treasury stock (1.31% of its total issued shares) as of September 30, 2018, but the treasury stock is excluded from the calculation of the above shareholding ratios.
2. The shareholding ratios of the major shareholders after the Third Party Allotment were calculated based on 1,923,340,936 shares, which number was obtained by adding the number of the shares of common stock (1,540,000,000 shares) to be newly issued through the Third Party Allotment, to the total number of issued shares (383,340,936 shares) as of September 30, 2018.

8. Future Prospects

Although the Third Party Allotment will contribute to the increase of funds on hand and the restoration and strengthening of financial structure of Pioneer, its impact on the business of Pioneer is being examined. Pioneer will announce it once the specific impact on the business of Pioneer has been estimated.

9. Matters concerning Procedures in the Code of Corporate Conduct

The total number of the New Shares to be issued in connection with the Third Party Allotment is 1,540,000,000 shares (number of voting rights: 15,400,000), and is equivalent to approximately 401.7% of the total number of issued shares of Pioneer as of September 30, 2018 (383,340,936 shares (total number of voting rights as of September 30, 2018: 3,781,611)) (ratio to the total number of voting rights: 407.2%). Hence, the dilution ratio resulting from the Third Party Allotment will be 25% or

more, and the Third Party Allotment will involve the change in controlling shareholders. Therefore, it is necessary to take the procedures to obtain opinions from independent third parties or to confirm the intent of each shareholder as provided for in Rule 432 of the Securities Listing Regulations by the Tokyo Stock Exchange. Accordingly, Pioneer will take the procedures to confirm the intent of each shareholder regarding the Third Party Allotment by a special resolution at the Extraordinary General Meeting of Shareholders.
In addition, as making Pioneer become a wholly-owned subsidiary of the Allottee and delisting of shares of Pioneer are scheduled after the Third Party Allotment as well as it will result in a large-scale dilution and involve the change in controlling shareholders and will have a significant impact on the existing shareholders, Mr. Masahiro Tanizeki and Mr. Shunichi Sato, directors of Pioneer and Mr. Keiichi Nishikido and Mr. Hiroyuki Wakamatsu, corporate auditors of Pioneer (who are outside directors and outside corporate auditors notified to the Tokyo Stock Exchange as independent directors or independent corporate auditors), are appointed as persons independent from the management of Pioneer to a certain extent in order to ensure fairness, transparency and objectivity of the decision making process of Pioneer. Pioneer consulted them about the necessity and appropriateness of the Third Party Allotment and the following is a summary of their opinions as of December 7, 2018.

(Summary of the opinions)

(1) Conclusion

The Third Party Allotment is deemed necessary and appropriate, and the Transactions shall not be deemed disadvantageous to the existing shareholders of Pioneer.

(2) Examination

a. Financing needs

In the consolidated business results for the fiscal year ended March 31, 2018, Pioneer recorded 3.1 billion yen of ordinary loss, which was attributable to occurrence of foreign exchange loss, restructuring expenses due to the reorganization of overseas bases, and equity in losses of affiliated companies, in addition to a decrease in operating income which reflects a decrease in sales in the Car Electronics business, and recorded 7.1 billion yen of net loss attributable to owners of Pioneer Corporation for fiscal 2018. Net cash provided by operating activities was 15.9 billion yen, mainly due to a decline in the amount of a decrease in trade receivables; however, net cash provided in investing activities was 33.2 billion yen, partly due to the continued development of software relating to large-scale business ordered from automobile manufacturers, and accordingly, free cash flows were outflows of 17.2 billion yen. Moreover, while forecasting a consolidated operating loss of 5 billion yen for the consolidated fiscal year ending March 2019, Pioneer had not obtained an agreement on refinancing from the banks, and accordingly, as announced in the "Pioneer Announces Business Results for 1Q Fiscal 2019" dated August 6, 2018, there exist substantial uncertainties with respect to the going concern assumption and, as a result, Pioneer made statements in the “Note regarding going concern assumption” in the notes section of Pioneer’s consolidated quarterly financial statements for the first quarter of fiscal 2019 announced in such Financial results for the first quarter. In order to resolve this situation, Pioneer examined the group-wide management improvement measures such as disposals of its business and assets as a result a review of its business portfolio, structural reformation of core business and shift of resource to growth business. In the course of such examination, Pioneer concluded that it would be the best option for stable operation of the business to thoroughly solve the issues with respect to its high-cost structure and development of areas of growth business in business and financial affairs at an early stage by newly selecting a sponsor who can provide support including funding through capital contribution, etc., to Pioneer, and utilizing the funding and other support, provided by such sponsor to regulate financing and cash flows at present and to secure funds to repay the existing borrowings and to invest for future growth.

In particular, as the technologies and products surrounding automobiles continue to evolve at a rapid pace, in order to operate Pioneer’s Car Electronics business continuously, Pioneer needs to keep responding to new technologies and products, and continuous capital expenditure such as software development and renewals and new introduction of production facilities is indispensable in order to win orders from car manufacturers, and develop and make a proposal of products which satisfy functions and specifications based on the needs of market and customers. As mentioned above, in the fiscal year ending March 31, 2018, capital expenditure of 31.0 billion yen was made due to the impact of software development, and further, even in the fiscal years ending March 31, 2019 and March 31, 2020, the same scale of capital expenditures and development costs for the purpose of software development and renewals of production facilities are expected to be made in order to operate Pioneer’s Car Electronics business continuously. However, free cash flows for the fiscal year ended March 31, 2018 were outflows of 17.2 billion yen, and further, in the fiscal years ending March 31, 2019 and March 31, 2020, net cash used in investing activities and free cash flows are expected to remain negative. Without a large-scale capital injection, it is extremely difficult to secure the necessary capital expenditure and development costs for Pioneer's business continuity.

Considering the aforementioned circumstances, in order to thoroughly solve the issues regarding financing and cash flows at present while maintaining the stable operation of business and the feasibility of medium-to-long term growth, Pioneer disposed of its assets and business.

However, in order to achieve the foregoing aim, Pioneer believes that, in addition to the disposal of individual assets or businesses, it is absolutely necessary to (i) raise additional working capital (including capital expenditure necessary for its business such as expenses related to continuous capital expenditure and software development) (12 billion yen), (ii) repay existing borrowings (33 billion yen), (iii) implement restructuring for improving its profitability at an early stage (12 billion yen), (iv) redeem the outstanding Convertible Bonds (15 billion yen), and (v) make capital expenditures in growth business (2.54 billion yen), and that for those purposes, it is essential to, at an early stage, raise capital funds of a scale of 74.5

billion yen through issuance of shares.
As mentioned above, it is difficult to fundamentally resolve Pioneer's cash management for the present and free cash flow condition without the large-scale cash injection. The situation is that, if Pioneer were not able to implement fundamental reformations including the cash flow aspect, continuous deterioration of Pioneer's cash flows could not be avoided. Therefore, if Pioneer were not able to realize financing of large-scale capital funds at an early stage, Pioneer's cash management for the present would be in a difficult position, and the share value of Pioneer might be significantly impaired. Based on the above, Pioneer believes that it can be considered that Pioneer has the need for financing.

b. Adequacy of means

As stated above, it is the most important factor to ensure that the necessary amount would be raised in the desired timeframe, given Pioneer's need for financing.

For example, regarding an issuance of shares of common stock through public offering, it was difficult to implement a public offering through underwriting by securities companies in the situation where, as announced in the "Pioneer Announces Business Results for 2Q Fiscal 2019" dated November 7, 2018, the "Note Regarding Going Concern Assumption" was stated in the notes to Pioneer's consolidated quarterly financial statements for the second quarter of fiscal 2019. With regard to a rights offering and a rights issue, as not all of share options allotted to shareholders may be exercised and not all of shares offered to the shareholders may be subscribed depending on the decision of shareholders based on the trend of stock price, the final amount of financing to be obtained thereby is uncertain. Therefore, financing through a rights offering and a rights issue is not an appropriate option at this point in time for Pioneer as it needs to raise the required amount with certainty.

On the other hand, a capital increase through a third party allotment is the most reliable means of procuring the required amount and will be the appropriate option for Pioneer if an appropriate sponsor can be selected. In this respect, as a result of the procedures for selecting a sponsor through Nomura Securities, its financial advisor, the Allottee is the party who presented the terms that were considered to be the most desirable for Pioneer. In addition, the matters agreed on in the MOU were finally determined as a result that, while discussing and negotiating the optimal investment scale and form with BPEA Funds, Pioneer continued to discuss with several other potential sponsor candidates the possibility of providing support, including funding through capital contributions or other means, to explore the possibility of financing with more favorable conditions for Pioneer. Therefore, at this point in time, the best option for Pioneer is to receive the capital contribution of 77 billion yen through the issuance of the New Shares by way of a third party allotment to the Allottee.

Pioneer also examined the possibility of financing through additional borrowings from financial institutions, but in light of the circumstances where the "Note regarding going concern assumption" was stated, Pioneer's first priority should be to thoroughly solve the issues with respect to its business and financial affairs at an early stage by utilizing the funding and other support, provided by a sponsor and, at present, financing through additional borrowings from financial institutions is not a realistic option for Pioneer.

Based on the above, Pioneer believes that it can be considered that the Third Party Allotment is adequate.

c. Adequacy of conditions of issuance

(amount to be paid in)

The amount to be paid in for the New Shares (50 yen) represents a 43.8% discount against 89 yen, the Closing Price on December 6, 2018, which is the business day immediately preceding the Date of Board of Directors Resolution, a 46.2% discount against the average Closing Price of 93 yen (rounded to the nearest yen) for the one month immediately preceding the Date of Board of Directors Resolution (from November 7, 2018 to December 6, 2018), a 52.4% discount against the average Closing Price of 105 yen (rounded to the nearest yen) for the three months immediately preceding the Date of Board of Directors Resolution (from September 7, 2018 to December 6, 2018), and a 60.0% discount against the average Closing Price of 125 yen (rounded to the nearest yen) for the six months immediately preceding the Date of Board of Directors Resolution (from June 7, 2018 to December 6, 2018).

However, Pioneer, in determining the amount to be paid in for the New Shares and the Amount expected to be delivered upon Share Consolidation based on the results of discussions and negotiations with the BPEA Funds, has obtained the Share Valuation Report from Akasaka International Accounting, a third-party appraiser that has no material interest to be noted in connection with the Third Party Allotment. In this respect, the share value of Pioneer evaluated by Akasaka International Accounting in the Share Valuation Report differs considerably according to the valuation method to be adopted. Specifically, the valuation results based on the comparable method (from 26 yen to 55 yen) adopted by Akasaka International Accounting as a method to verify and supplement the valuation results of the market share price method are considerably different from the results of the valuation using the market price average method (from 89 yen to 105 yen). In addition, the results of valuation using the DCF method (from 33 yen to 71 yen), which is an appropriate method for evaluating share values on the assumption of going concern, are similar to those evaluated by the comparable company method, but are also considerably different from those evaluated by the market price average method. It is thought that these results of valuation using the comparable company method and the DCF method show that the theoretical assumption that the market price of listed stock represents the present value of the expected future earnings, which is the logical assumption for the market share price method to be adopted as stated above, is highly likely not to be applicable to the valuation of the share value of Pioneer. Therefore, in determining the amount to be paid in for the New Shares, it is reasonable to refer mainly to the results of the valuation by the comparable company method (from 26 yen to 55 yen) and the DCF method (from 33 yen to 71 yen) in the Share Valuation Report, and the amount to be paid in for the New Shares is within the range of the results of the valuation by the comparative company method and the DCF method in the Share Valuation Report. In addition, the amount to be paid in for the New Shares was finally agreed upon as a result of faithful discussions and negotiations with the Allottee based on the results of discussions with several potential sponsor candidates.

Further, Pioneer has obtained from Akasaka International Accounting the Fairness Opinions.

Therefore, the amount to be paid in for the New Shares is deemed to be reasonable.

Based on the above, Pioneer believes that it can be considered that the amount to be paid in for the New Shares is reasonable.

(Dilution)

The total number of the New Shares to be allotted to the Allottee through the Third Party Allotment will be 1,540,000,000 shares (number of voting rights: 15,400,000) and the ratio to the total number of issued shares of Pioneer as of September 30, 2018 (383,340,936 shares (total number of voting rights as of September 30, 2018: 3,781,611)) will be 401.7% (ratio to the total number of voting rights: 407.2%).

In this way, the Third Party Allotment is expected to cause large dilution. On the other hand, (i) Pioneer recognizes that a large amount of financing is necessary, and, although the issue size of the Third Party Allotment is large, it is set to a scale necessary to realize such size of financing as Pioneer considers necessary, (ii) the Third Party Allotment to the Allottee is considered to be the most appropriate financing method compared to other financing methods, and (iii) in light of Pioneer's severe financial condition, the results of the discussions with several potential sponsor candidates concerning the possibility of support and the discussions and negotiations with the BPEA Funds, the amount to be paid in for the New Shares is considered to result in the most favorable conditions for Pioneer at this point in time and is appropriate price in light of the valuation results of share price of Pioneer provided in the Share Valuation Report. Based on these factors, the implementation of the Third Party Allotment is reasonable even after it takes into consideration of the large dilution that would be caused by the Third Party Allotment.

Based on the above, the conditions of issuance with respect to the Third Party Allotment are adequate.

d. Pioneer's becoming a wholly-owned subsidiary of the Allottee and delisting of Pioneer's shares

Following the implementation of the Third Party Allotment, it is planned that Pioneer will become a wholly-owned subsidiary of the Allottee and Pioneer's shares will then be delisted. Specifically, Pioneer's shares will be delisted prior to the coming into effective of the Share Consolidation, and by way of disposal of the fractions regarding the Share Consolidation, the amount obtained by multiplying the number of shares held by each existing shareholder by 66.1 yen, the Amount expected to be delivered upon Share Consolidation, will be delivered to the existing shareholders in exchange for the shares of Pioneer held by the existing shareholders.

In this regard, as mentioned above, Pioneer is considered to have the necessity for procurement of funds in a scale of 74.5 billion yen. In order to implement various measures to execute the above fundamental structure reformations, Pioneer believes that, as pointed out in the above final proposal from BPEA Funds, it is

essential that it should without being bound by strategies that emphasize short-term profits, respond flexibly to changes in the market environment, make flexible management decisions, and mobilize human resources and address the revitalization of Pioneer. On the other hand, in implementing the fundamental structure reformations in a timely manner, it is anticipated that costs and investments will precede the implementation of these measures and that it will take time for the effects thereof to be realized. In addition, it will be difficult to avoid adverse economic impacts on existing shareholders because of the concerns over deteriorating revenues and cash flows in the short term. Moreover, if the above-mentioned scale of injection of funding were not realized and Pioneer could not implement fundamental structure reformation measures in a timely manner, there would be a concern that existing shareholders would be exposed to further risks through, among others, a decline in share prices due to deterioration of business and financial affairs of Pioneer and concern over business continuity of Pioneer. Accordingly, Pioneer concluded that it would be difficult to raise the necessary funds to continue the Group's business and realize medium-to-long term growth while maintaining its listing and to implement large-scale measures to improve management in a short period of time. Therefore, as long as reasonable consideration will be paid to existing shareholders of Pioneer, it is considered reasonable to choose to implement business reforms after delisting Pioneer’s shares from the viewpoint of avoiding the risks of existing shareholders of Pioneer.
The Amount expected to be delivered upon Share Consolidation (66.1 yen) represents a discount of 25.7% from the Closing Price of 89 yen on December 6, 2018, which is the business day immediately preceding the Date of Board of Directors Resolution; however, such amount of cash that is expected to be delivered to the shareholders is the amount to be paid for the New Shares under the Third Party Allotment (50.0 yen) plus a premium of 32.2% in relation thereto, and the amount to be paid in for the New Shares under the Third Party Allotment (50 yen) is considered to be reasonable as stated above. The amount of cash, 66.1 yen was finally agreed upon after sincerely discussions with several potential sponsors and significantly increased through multiple negotiations with the BPEA Funds, the only candidate which has proposed feasible support measures to solve Pioneer’s strained financing for the present. Furthermore, Pioneer has obtained the Fairness Opinions from Akasaka International Accounting.
As stated above, Pioneer’s becoming a wholly-owned subsidiary of the Allottee and the delisting of Pioneer’s shares after the implementation of the Third Party Allotment are considered reasonable from the viewpoint of avoiding the risks in respect of existing shareholders of Pioneer. In addition, the Amount expected to be delivered upon Share Consolidation (66.1 yen) is not only reasonable considered from a financial viewpoint, but also is the best terms which Pioneer can propose to its shareholders. Therefore, it is thought that the Transactions cannot be deemed to be disadvantageous to existing shareholders of Pioneer.

10. Business Results for and Equity Finance Executed in the Last Three Years

(1) Consolidated business results for the last three years

	Year ended/As of March 31		
	2016	2017	2018
Net sales (million yen)	449,630	386,682	365,417
Operating income (million yen)	7,304	4,167	1,194
Ordinary income (loss) (million yen)	7,250	2,966	(3,121)
Net income (loss) attributable to owners of Pioneer Corporation (million yen)	731	(5,054)	(7,123)
Net income (loss) per share (yen)	1.99	(13.76)	(19.12)
Dividend per share (yen)	0	0	0
Total equity per share (yen)	233.32	224.72	212.84

(2) Current number of issued shares and dilutive shares (as of September 30, 2018)

	Number of shares	Ratio to total number of issued shares
Number of issued shares	383,340,936	100%
Number of dilutive shares at the current conversion price (exercise price)	32,894,736	8.58%
Number of dilutive shares at the minimum current conversion price (exercise price)	—	—
Number of dilutive shares at the maximum current conversion price (exercise price)	—	—

(3) Recent share prices

(i) Share prices for the last three years

(In yen)

	Year ended March 31		
	2016	2017	2018
Opening	220	303	222
High	392	338	258
Low	203	162	168
Closing	298	221	176

(ii) Share prices for the last six months

(In yen)

	2018 July	August	September	October	November	December
Opening	155	152	129	117	100	93
High	156	157	139	123	102	93
Low	140	110	100	96	90	87
Closing	152	130	116	101	92	89

Note: Share prices for December are showed as of December 6, 2018.

(iii) Share price on the business day immediately preceding the date of the resolution authorizing the issuance

(In yen)

	December 6, 2018
Opening	89
High	90
Low	87
Closing	89

(4) Equity finance in the last three years

— Issuance of 120% Soft Call Option attached First Series Unsecured Zero Coupon Convertible Bonds (bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai*) (with inter-bond *pari passu* clause only applicable among zero coupon convertible bonds) of Pioneer Corporation through the third party allotment

Issue date	December 18, 2015
Funds raised	15,059 million yen (estimated net proceeds)
Conversion price	456 yen per share
Number of issued shares at the time of offering	372,223,436 shares
Allottee	Deutsche Securities Inc.
Dilutive shares due to the relevant offering	32,894,736 shares
Current conversion status	Number of converted shares: 0 shares (Balance 15,034 million yen as of September 30, 2018)
Initial purpose of use of the funds at the time of the issuance	(i) Investment to development of software and capital expenditures related to additional large orders in the OEM business (12,000 million yen) (ii) Repayment of short-term borrowings (3,059 million yen)
Scheduled period of expenditure at the time of issuance	(i) From December 2015 to December 2017 (ii) From December 2015 to December 2016
Current allocation status	The allocation was completed in accordance with the initial purpose of use of the funds.

— Issuance of new shares through third party allotment

Issue date	October 5, 2017
Funds raised	Aggregate amount to be paid in: 17,343,300 euro (2,299,548,147 yen) Estimated issuance expenses: 82,860,000 yen Estimated net proceeds: 2,216,688,147 yen
Issue price	1.56 euro (207 yen) per share
Number of issued shares at the time of offering	372,223,436 shares
Number of shares offered	11,117,500 shares
Total number of shares after offering	383,340,936 shares
Allottee	HERE GLOBAL B.V.
Initial purpose of use of the funds at the time of issuance	Acquisition of the shares of HERE Technologies
Scheduled period of expenditure at the time of issuance	October 5, 2017
Current allocation status	The allocation was completed in accordance with the initial purpose of use of the funds.

Note: Although the amount to be paid was resolved in euros at the time of the resolution authorizing the issuance, the amounts in yen that are shown in respect of aggregate amount to be paid in and issue price stated in the funds raised above were obtained by converting such amounts at the foreign exchange rate of 1 euro = 132.59 yen (the simple average price of the telegraphic transfer middle rate, which is the intermediate price between the telegraphic transfer selling exchange rates vis-à-vis customers and the telegraphic transfer buying exchange rates vis-à-vis customers of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (current MUFG Bank, Ltd.) as of October 5, 2017).

III. Partial Amendments to the Articles of Incorporation in order to Increase the Total Number of Shares Authorized to be Issued

1. Purpose of Amendments

In order to enable Pioneer to issue the New Shares through the Third Party Allotment, with respect to Article 6 (total number of shares authorized to be issued) of the current Articles of Incorporation, the total number of shares authorized to be issued shall be amended from the current 800 million shares to 3 billion shares.

2. Details of Amendments

The details of the amendments are as follows.

Since in cases where it is intended for the public company, such as Pioneer to increase the total number of authorized shares by amending the articles of incorporation, the total number of authorized shares after the amendment may not exceed the number four times the total number of the issued shares at the time when such amendment to the articles of incorporation becomes effective pursuant to Article 113, Paragraph 3 of the Companies Act, Pioneer cannot implement the amendment to Articles of Incorporation to increase the total number of authorized shares, which enables all of the New Shares under the Third Party Allotment to be issued for once amendment based on the total number of the issued shares of Pioneer as of September 30, 2018 (383,340,936 shares). Therefore, amendments to Articles of Incorporation will be implemented at two times as described below. Specifically, amendment to the Articles of Incorporation will be made to increase total number of shares authorized to be issued to 1.5 billion shares ("Amendment (1)"), which does not exceed the number 4 times the total number of the issued shares of Pioneer as of September 30, 2018 (383,340,936 shares). Then, amendment to the Articles of Incorporation will be made to increase total number of shares authorized to be issued to 3 billion shares ("Amendment (2)") subject to the condition that 500,000,000 New Shares under the Third Party Allotment (DES) in the Third Party Allotment are issued. Issuance of 1,040,000,000 New Shares under the Third Party Allotment (cash contribution) is subject to the effectiveness of Amendment (2) and, issuance of 500,000,000 New Shares under the Third Party Allotment (DES), effectiveness of Amendment (2) and issuance of 1,040,000,000 New Shares under the Third Party Allotment (cash contribution) will occur on the same day.

(1) Details of Amendment (1)

(Underlines indicate the portions that are to be amended.)

Current Articles of Incorporation	Proposed Amendments
Article 6. *(Total Number of Shares Authorized to be Issued by the Company)* The total number of shares authorized to be issued by the Company shall be <u>eight hundred million (800,000,000)</u> shares.	**Article 6.** *(Total Number of Shares Authorized to be Issued by the Company)* The total number of shares authorized to be issued by the Company shall be <u>1 billion 5 hundred million (1,500,000,000)</u> shares.

(2) Details of Amendment (2)

(Underlines indicate the portions that are to be amended.)

Articles of Incorporation as amended pursuant to Amendment (1)	Additional Proposed Amendments
Article 6. *(Total Number of Shares Authorized to be Issued by the Company)* The total number of shares authorized to be issued by the Company shall be <u>1 billion 5 hundred million (1,500,000,000)</u> shares.	**Article 6.** *(Total Number of Shares Authorized to be Issued by the Company)* The total number of shares authorized to be issued by the Company shall be <u>three billion (3,000,000,000)</u> shares.

3. Schedule

When 500,000,000 New Shares under the Third Party Allotment (DES) in the Third Party Allotment are issued on March 1, 2019, the outline of the schedule (scheduled) for the amendments to the Articles of Incorporation is as follows. Amendment (1) will come into effect on the condition that it is approved at the Extraordinary General Meeting of Shareholders scheduled to be held on January 25, 2019 and dated the same day, but the effective date of Amendment (2) will depend on when 500,000,000 New Shares under the Third Party Allotment (DES) in the Third Party Allotment are issued as stated in above 2.

Date of Resolution at the meeting of the Board of Directors	Friday, December 7, 2018
Date to hold the Extraordinary General Meeting of Shareholders	Friday, January 25, 2019 (Scheduled)
Effective date of Amendments (1)	Friday, January 25, 2019 (Scheduled)
Effective date of Amendments (2)	Friday, March 1, 2019 (Scheduled)

IV. Change in Parent Company and Largest Shareholder

1. Circumstances of Change

   If the Third Party Allotment (the issuance of shares of common stock through third party allotment) is carried out, Wolfcrest Limited will hold 80.3% of Pioneer's voting rights, in which case Wolfcrest Limited will newly become Pioneer's parent company and the largest shareholder.

2. Outline of Wolfcrest Limited

   Please refer to "II. 6. (1) Outline of the Allottee" above for the outline of Wolfcrest Limited.

3. Number of voting rights held by Wolfcrest Limited and the ratio of the total number of voting rights held by Wolfcrest Limited to the total number of voting rights of all shareholders before and after Change

	Type	Number of voting rights (Ratio of voting rights held)			Rank among majority shareholders
		Number directly held by Wolfcrest Limited	Number to be added	Total	
Before change (as of September 30, 2018)	-	0 (0 %)	0 (0%)	0 (0%)	-
After change	Parent company and Largest shareholder	15,400,000 (80.3%)	0 (0%)	15,400,000 (80.3%)	Largest shareholder

Notes: 1. The ratio to the number of voting rights of all shareholders before the change is calculated based on 3,781,611 voting rights, which is the number of voting rights of all shareholders as of September 30, 2018.
The number of shares deducted as non-voting shares from the total number of issued shares is 5,179,836 shares.
The total number of issued shares as of September 30, 2018 is 383,340,936 shares.
2. The ratio to the number of voting rights of all shareholders after the change is calculated based on 19,181,611 voting rights, which is the total number of voting rights of all shareholders after adding the increase of 15,400,000 voting rights resulting from the Third Party Allotment.

4. Scheduled Date of Change

   Issue date of Common Share: Any date from Friday, March 1, 2019 to Sunday, June 30, 2019

5. Future Prospects

For the future prospects, please refer to "II. 6. (3) Policy of the Allottee on holding shares" above.

V. Share Consolidation in order to Make Pioneer Wholly-owned Subsidiary

1. Purpose of and Reason for the Share Consolidation

Pioneer concluded that it will be the best measure to implement the Transactions as well as the Third Party Allotment as described in "II. Issuance of New Shares through Third Party Allotment, 2. Purpose of and Reason for the Issuance of New Shares through Third Party Allotment" above.

Since, as mentioned above, Pioneer resolved to implement the Third Party Allotment at the meeting of its Board of Directors held on December 7, 2018, Pioneer decided to implement the Share Consolidation so that the Allottee can become the sole shareholder of Pioneer on the condition that the shareholders approve the Share Consolidation at the Extraordinary General Meeting of Shareholders and subject to the condition that all of the New Shares under the Third Party Allotment are issued.

As a result of the Share Consolidation, the number of the Pioneer shares held by each of the shareholders other than the Allottee is expected to become a fraction less than one share.

2. Summary of the Share Consolidation

(1) Schedule for the Share Consolidation

This is described in "I. Outline of Procedures and Schedule" above.

As described in "II. Issuance of New Shares through Third Party Allotment, 1. Outline of Offering" above, the Third Party Allotment is subject to (i) the effectiveness of the securities registration statement to be filed under the Financial Instruments and Exchange Act; (ii) obtaining clearances from the relevant authorities in each jurisdiction that is required for the implementation of the Third Party Allotment, such as each local competition authority's permission or notification regarding business combination and (iii) the approval of the Proposals to the Extraordinary General Meeting of Shareholders (with respect to the Third Party Allotment (cash contribution) in the Third Party Allotment, effectiveness of partial amendments to the Articles of Incorporation in the Third Party Allotment Related Proposals in addition to the above). In addition, since the Share Consolidation will be implemented as part of the Transactions subject to the condition that all of the New Shares under the Third Party Allotment are issued, Pioneer at the meeting of its Board of Directors held on December 7, 2018, has resolved that, with respect to the Share Consolidation, a proposal shall be made at the Extraordinary General Meeting of Shareholders where several effective dates (hereinafter the "Effective Date of Share Consolidation") shall be set forth based on when all of the New Shares under the Third Party Allotment are issued as follows.

(i) The Effective Date of Share Consolidation shall be March 31, 2019 subject to the condition that all of the New Shares under the Third Party Allotment shall be issued by March 10, 2019.

(ii) The Effective Date of Share Consolidation shall be April 30, 2019 subject to the condition that, on and after March 11, 2019, all of the New Shares under the

Third Party Allotment shall be issued by April 10, 2019.

(iii) The Effective Date of Share Consolidation shall be on May 31, 2019 subject to the condition that, on and after April 11, 2019, all of the New Shares under the Third Party Allotment shall be issued by May 10, 2019.

(iv) The Effective Date of Share Consolidation shall be on June 30, 2019 subject to the condition that, on and after May 11, 2019, all of the New Shares under the Third Party Allotment shall be issued by June 10, 2019.

(v) The Effective Date of Share Consolidation shall be on July 31, 2019 subject to the condition that, on and after June 11, 2019, all of the New Shares under the Third Party Allotment shall be issued by June 30, 2019.

(2) Details of the Share Consolidation

(i) Class of shares to be consolidated

Common share

(ii) Consolidation ratio

As of the Effective Date of Share Consolidation, Pioneer will consolidate 450,000,000 shares into 1 share with respect to the Pioneer shares held by the shareholders who are listed or recorded in the latest register of shareholders as of the date immediately preceding the Effective Date of Share Consolidation.

(iii) Total number of issued shares to be decreased

1,923,340,932 Shares

Note: The total number of issued shares to be decreased shows a decrease from 1,923,340,936 shares, which is the total number of 383,340,936 issued shares as of September 30, 2018 plus 1,540,000,000 common shares to be issued through the Third Party Allotment.

(iv) Total number of issued shares prior to the Effective Date of Share Consolidation

1,923,340,936 Shares

Note. The total number of the issued shares prior to the Effective Date of Share Consolidation is the total number of 383,340,936 issued shares as of September 30, 2018 plus 1,540,000,000 common shares to be issued through the Third Party Allotment.

(v) Total number of issued and outstanding shares after the Effective Date of Share Consolidation

4 Shares

(vi) Total number of shares authorized to be issued as of the Effective Date of Share Consolidation

16 Shares

(vii) The method of disposal when fractions less than one share are generated and the amount of cash expected to be delivered to shareholders by the disposal

As described in “1. Purpose and Reason for the Share Consolidation” above, the number of the Pioneer shares held by each of the shareholders other than the Allottee is expected to become a fraction less than one share due to the Share Consolidation.

With respect to the method of disposal of the fractions less than one share that will be generated as a result of the Share Consolidation, Pioneer shall (i) sell shares, the number of which is equivalent to the total number of such fractions (if the total number includes a fraction less than one share, such fraction shall be rounded down pursuant to the provisions of Article 235, Paragraph 1 of the Companies Act) pursuant to the provisions of Article 235 of the Companies Act and other relevant laws and ordinances, and (ii) deliver the proceeds of such sale to the shareholders in proportion to a fraction held by each shareholder. With respect to the said sale, Pioneer plans to (i) sell the shares equivalent to the total number of the said fractions to the Allottee with the permission of the court pursuant to the provisions of Article 234, Paragraph 2 of the Companies Act as applied mutatis mutandis pursuant to Article 235, Paragraph 2 of the same Act, or (ii) sell the shares equivalent to the total number of the said fractions to Pioneer with the permission of the court pursuant to the provisions of Article 234, Paragraph 4 of the Companies Act as applied mutatis mutandis pursuant to Article 235, Paragraph 2 of the same Act.

With respect to the sale price in this case, if the above-mentioned permission of the court is obtained as planned, the price is scheduled to be set so that cash equivalent to the amount which is calculated by the number of the Pioneer shares held by the shareholders multiplied by 66.1 yen.

3. Rationale, etc. for the amount of cash that is expected to be delivered to the shareholders in compensation for the fractional shares regarding the Share Consolidation

(1) Rationale and Reason for the amount of cash that is expected to be delivered to the shareholders in compensation for the fractional shares

(i) Matters to be noted so that the interests of the shareholders other than the parent company and subsidiaries (if any) are not impaired

In the Transactions, while the Allottee does not fall under the parent company, etc. of Pioneer prior to the payments for the Third Party Allotment, considering that the Allottee intends to become the sole shareholder of Pioneer through the Transactions including the Third Party Allotment and the impact on Pioneer's shareholders, Pioneer has taken the following measures as stated in "(4) Measures to ensure the fairness of the Transactions and Measures to avoid conflicts of interest" below in order to ensure the fairness of the Transactions from the viewpoint of (i) securing the fairness of the Transactions, (ii) eliminating arbitrariness in the decision-making process towards the implementation of the Transactions and (iii) avoiding conflicts of interest.

(ii) Method of handling of fractions less than one share, and amount expected to be delivered to the shareholders as a result of the handling of fractions and matters relating to the appropriateness of such amount

The Amount expected to be delivered upon Share Consolidation is scheduled to be set at the amount obtained by multiplying the number of the Pioneer shares held by the shareholders by the amount of 66.1 yen, which is the amount obtained by adding a premium of 32.2% to the amount paid for the New Shares under the Third Party Allotment (50.0 yen).

This amount is discounted at 25.7% of the closing price of 89 yen on December 6, 2018, the business day immediately prior to the Date of Board of Directors Resolution. However, as stated in "II. Issuance of New Shares through Third Party Allotment, 2.(1) Background of Third Party Allotment" above, large-scale capital injection is essential to fundamentally resolve Pioneer's financing and cash flows at present. If such large-scale capital injection and fundamental structure reformation measures were not able to be realized in a timely manner, there would be a concern that Pioneer's business performance and financial condition would deteriorate and continuing its business might become difficult, and there would be a risk that the existing shareholders would be exposed to further risks through, among others, a decline in share prices, etc. Under such circumstances and after sincerely discussing with several potential sponsor candidates, the above-mentioned amount has been significantly raised through multiple negotiations with and finally agreed upon with, the BPEA Funds, the only candidate which has proposed feasible support measures to solve Pioneer's strained financing for the present. Therefore, Pioneer has concluded that the above-mentioned amount will be the best terms which Pioneer can propose to its shareholders and will provide a reasonable opportunity for the shareholders to sell Pioneer's shares.

Moreover, in determining the amount to be paid in for the New Shares and the Amount expected to be delivered upon Share Consolidation based on the results of discussions and negotiations with the BPEA Funds, and for reference in shareholders' exercising their voting rights at the Extraordinary General Meeting of Shareholders, Pioneer has obtained the Share Valuation Report and the Fairness Opinions from Akasaka International Accounting. For details, please refer to "II. Issuance of New Shares through Third Party Allotment, 5. Rationale for Conditions of Issuance, (1) Basis of determination of the amount to be paid in and details thereof, b. Pioneer has obtained a share valuation report and Fairness Opinions from a third party valuation institution". Pioneer has concluded that the amount to be paid in for the New Shares (50 yen) and the Amount expected to be delivered upon Share Consolidation (66.1 yen) are reasonable in light of the Share Valuation Report and the Fairness Opinions obtained from Akasaka International Accounting. 66.1 yen, the Amount expected to be delivered upon Share Consolidation is the amount to be paid in for the New Shares plus a premium of over a 30%.

Accordingly, Pioneer has concluded that the Amount expected to be delivered upon Share Consolidation is reasonable.

In addition, if Pioneer sells to the Allottee its shares equivalent to the total number of the fractions with the permission of the court pursuant to Article 234, Paragraph 2 of the Companies Act as applied mutatis mutandis pursuant to Article 235, Paragraph 2 of the same Act, the Amount expected to be delivered upon Share Consolidation will be approximately 25 billion yen in total. Pioneer has received a certain representation guarantee regarding securing the funds required for the payment of the Amount expected to be delivered upon Share Consolidation under the investment agreement for the Third Party Allotment that was entered into on December 7, 2018 with the Allottee. Pioneer has also confirmed the commitment letters (25 billion yen in total) that the Allottee has received from the BPEA Funds (hereinafter referred to as the "Certain BPEA Funds" in this paragraph) with respect to the investment for payment of the cash for the disposal of the fractions associated with the Share Consolidation. Furthermore, Pioneer has received from the Allottee the report to the effect that total operational surplus amount of the Certain BPEA Funds with respect to the commitment letter is 25 billion yen or more as of December 6, 2018. Under the Certain BPEA Funds' partnership agreement, the investment method is capital call and a claim for the funds is to be made to the Certain BPEA Funds' each investor after the announcement of the Third Party Allotment. Pioneer has concluded that there will be no problem for the payment of approximately 25 billion yen as total of the Amount expected to be delivered upon Share Consolidation by the Allottee to the shareholders in compensation for the fractional shares because of the attribute of the Certain BPEA Funds as investor and their committed investment amount as well as the contractual terms and conditions including such capital call.

(iii) Disposals by Pioneer of Material Assets, Assumption of Material Debts, and Other Events That Materially Affect Pioneer's Financial Condition After the Last Day of the Last Fiscal Year

a. Note Regarding Going Concern Assumption

As stated in "II. Issuance of New Shares through Third Party Allotment, 2. Purpose of and Reason for the Issuance of New Shares through Third Party Allotment, (1) Background of Third Party Allotment" above, Pioneer recorded a net loss attributable to owners of Pioneer for fiscal 2018 of 7.1 billion yen, and free cash flows, which represent net cash provided by operating activities minus net cash provided in investing activities was outflows of 17.2 billion yen.

Pioneer also expects to record an operating loss for fiscal 2019, and on November 7, 2018 Pioneer has revised downward the forecast of consolidated net sales for fiscal 2019 from 380.0 billion yen to 350.0 billion yen. This is due to a decrease in sales of the Car Electronics business, which is expected to fall below the initial forecast mainly in the consumer market business, reflecting the impact of sluggish emerging markets.

With regard to loans from banks which became and will become due during fiscal 2019, since Pioneer has received a loan of 25.0 billion yen from Kamerig B.V. under BPEA on September 18, 2018 (Bridge Loan, the terms and conditions of which are described in "e. Execution of Bridge Loan with BPEA" below), a large portion of them has been already repaid and the remaining will be repaid by the end of December 2018 by the proceeds of disposal of individual assets and business which have been already executed. However, there exists a situation for generating uncertainties about continuing its business, when Pioneer repays all or part of loans including the loan of 25.0 billion yen provided by Kamerig B.V. Consequently, there exists a situation for generating substantial uncertainties about the going concern assumption.

b. Transfer of Shares of its Subsidiary (Pioneer FA Corporation)

As stated in "II. Issuance of New Shares through Third Party Allotment, 2. Purpose of and Reason for the Issuance of New Shares through Third Party Allotment, (1) Background of Third Party Allotment" above, Pioneer transferred all shares of Pioneer FA, its consolidated subsidiary, to SHINKAWA.

(a) Company name of transferee

SHINKAWA LTD.

(b) Outline of transferred company

Company name: Pioneer FA Corporation

Businesses: Designing, manufacturing and retailing mounting devices, assembly machines and inspection devices for all sorts of electronic components. Developing and retailing software for each type of production.

(c) Reason for Share Transfer

Pioneer FA provides mounting and inspection devices for electronic components used in smartphones and automobiles, as well as production technology solutions. The SHINKAWA Group is responsible for the development, manufacturing, and sales of semiconductor manufacturing equipment to semiconductor and electrical makers on the global stage, as well as providing after-sales services. Pioneer reached to this transfer as part of its groupwide strategy of business selection and concentration, judging that the transfer of all shares of Pioneer FA to SHINKAWA would expedite Pioneer FA's business expansion and enhance corporate value as a member of the SHINKAWA Group.

(d) Closing date

June 1, 2018

(e) Number of shares to be transferred, Transfer price and Gain (loss) on the share transfer

i) Number of shares to be transferred: 7,000 shares

ii) Transfer price: 2,069 million yen

iii) Gain on the share transfer: 565 million yen

c. Transfer of DJ equipment manufacturing business

As stated in above "II. Issuance of New Shares through Third Party Allotment, 2. Purpose of and Reason for the Issuance of New Shares through Third Party Allotment, (1) Background of Third Party Allotment", on August 20, 2018, Pioneer transferred to VTech Communications Limited which is a subsidiary of VTech Holdings Limited the business related to the production of DJ Equipment that Pioneer Technology (Malaysia) Sdn. Bhd. (hereinafter the "MPT"), which is a consolidated subsidiary of Pioneer, has conducted.

(a) Name of Successor Enterprise

VTech Communications Limited

(b) Details of Separated Businesses

Production of DJ equipment

(c) Main Reason for Business Separation

Pioneer group has received a contract of the production and sale of DJ equipment from Pioneer DJ Corporation and produced DJ equipment at MPT. Pioneer reached the agreement this time, judging that, in process of selecting and concentrating its group-wide business, it would be possible to expand its business under the umbrella of VTech group by transferring the business related to the production of DJ equipment that MPT has conducted.

(d) Date of Business Separation

August 20, 2018

(e) Transfer price and Gain (loss) on the transfer:

i) Transfer price: 2,222 million yen
ii) Gain on the transfer: 373 million yen

d. Transfer of Shares of its Subsidiary (Tohoku Pioneer EG Corporation)

As stated in above “II. Issuance of New Shares through Third Party Allotment, 2. Purpose of and Reason for the Issuance of New Shares through Third Party Allotment, (1) Background of Third Party Allotment”, on December 1, 2018, Pioneer transferred all shares of Tohoku Pioneer EG owned by Tohoku Pioneer Corporation, a wholly-owned subsidiary of Pioneer, to DENSO.

(a) Company name of transferee
DENSO Corporation

(b) Outline of transferred company
Company name: Tohoku Pioneer EG Corporation
Businesses: Manufacture of various kinds of custom-made automated production equipment and high precision flow measurement devices

(c) Reason for Share Transfer
Since its establishment in 1988, Tohoku Pioneer EG, as a consolidated subsidiary of Pioneer engaged in the factory automation (hereinafter “FA”) business, has provided the highest quality and unique FA production systems that meet customers’ needs across various industries, including the automobile industry as well as the electrical goods and electronics, pharmaceutical and medical device, food, semiconductors and IT industries.
Aiming to become a leading company in “Comprehensive Infotainment” that creates comfort, excitement, reliability and safety in vehicles, Pioneer has concentrated its management resources on its core Car Electronics business, and is proceeding the Group-wide business selection and concentration by comprehensively examining various factors, including the strengths of each business of the Group, synergies to the Car Electronics business, profitability and market growth. While proceeding the business selection and concentration, Pioneer has concluded that the transfer of all of Tohoku Pioneer EG’s shares to DENSO would expedite FA business expansion under DENSO and, therefore, made this transfer.

(d) Closing date
December 1, 2018

(e) Number of shares to be transferred, Transfer price and Gain (loss) on the share transfer
i) Number of shares to be transferred: 1,001 shares
ii) Transfer price: 10,900 million yen
iii) Gain (loss) on the share transfer: Approximately 3,300 million yen
Note: The above iii) Gain (loss) on the share transfer is a forecasted figure before finalized in accounting and is not determined amount of money.

e. Execution of Bridge Loan with BPEA

As stated in above “II. Issuance of New Shares through Third Party Allotment, 2. Purpose of and Reason for the Issuance of New Shares through Third Party Allotment, (1) Background of Third Party Allotment”, Pioneer executed the Bridge Loan agreement with Kamerig B. V. dated September 12, 2018.
The outline of the main terms of borrowing of the Bridge Loan is as follows.

(a) Borrowings: 25,000 million yen
(b) Use of proceeds: repayment of bank loans and working capital
(c) Drawdown date: September 18, 2018
(d) Repayment Terms: Payment to be made by lump sum at maturity (Maturity date: March 31, 2019)
(e) Details of the collateralized assets
Pioneer pledges the following assets as collateral.
Shares of subsidiary: 502 million yen
※ The shares of Increment P Corporation held by Pioneer are pledged as collateral, and Pioneer's carrying amounts are offset in the consolidated financial statements.
The carrying amounts and major components of the assets and liabilities of the said company and its consolidated subsidiaries included in the consolidated financial statements are as follows.

Current assets	2,662 million yen
Noncurrent assets	7,539 million yen
Total assets	10,201 million yen
Current liabilities	2,347 million yen
Long-term liabilities	190 million yen
Total liabilities	2,537 million yen

(f) Contents of the financial covenant
The Bridge Loan agreement provides for financial covenants that include the maintenance of a certain level of the net assets on Pioneer's consolidated balance sheets and the consolidated free cash flows.

f. Recording of extraordinary losses due to infringement of competition law

Pioneer Europe NV, a wholly-owned subsidiary in Europe of Pioneer, has been under investigation by the European Commission in relation to an infringement of European competition law on past parallel trade of Pioneer regarding home audio products. On July 24, 2018, the Commission decided to impose a fine of 10,173,000 euros for resale price maintenance and restrictions of sales territories, and Pioneer paid such amount of money on October 25, 2018.
As a result of the above, a loss related to competition law of 1,323 million yen was recorded as an extraordinary loss in its consolidated six-month period ended September 30, 2018.

g. Recording of losses related to litigation concerning patent license

Due to the decision of the Tokyo High Court on August 1, 2018, and September 19, 2018, in the case of a patent licensing agreement between Pioneer and a European company, the possibility of a payment of 10 million euro increased. As a result, Pioneer recorded an extraordinary loss of 2,021 million yen, including interest and other expenses related to litigation concerning patent license, in its consolidated six-month period ended September 30, 2018. Pioneer will continue the procedures related to the dispute and discussions between the parties.

h. Third Party Allotment

As stated in "II. Issuance of New Shares through Third Party Allotment" above, Pioneer resolved, at a meeting of its Board of Directors held on December 7, 2018, to issue common shares of Pioneer (New Shares) through third party allotment, the aggregate amount to be paid in for which is 77 billion yen, to Wolfcrest Limited, which is affiliated with BPEA. The payment period of the Third Party Allotment is from Friday, March 1, 2019 to Sunday, June 30, 2019, and a portion of the New Shares, the amount to be paid in for which is 25 billion yen, will be issued through the Third Party Allotment in the form of a debt-equity swap (DES).

In addition, Pioneer has resolved, at the meeting of its Board of Directors held on the same day, to submit a proposal concerning the Share Consolidation through which 450,000,000 shares of Pioneer would be consolidated into one share and consequently, Wolfcrest Limited would become the sole shareholder of Pioneer and Pioneer would pay cash totaling approximately 25 billion yen (66.1 yen per share) to the shareholders of Pioneer other than the Wolfcrest Limited (Share Consolidation) to the Extraordinary General Meeting of Shareholders of Pioneer scheduled to be held on January 25, 2019.

The foregoing resolutions have been adopted with the understanding that Wolfcrest Limited intends to make Pioneer become a wholly-owned subsidiary of Wolfcrest Limited as a result of completion of the Third Party Allotment and Share Consolidation (Transactions) and that the shares of Pioneer will be delisted.

(2) Matters concerning the valuation

(i) Name of Valuation Agent and Relationship with Listed Company and Shareholders after the Share Consolidation, etc.

As described in "II. Issuance of New Shares through Third Party Allotment, 5. Rationale for Conditions of Issuance (1) Basis of determination of the amount to be paid in and details thereof, b. Pioneer has obtained a share valuation report and Fairness Opinions from a third party valuation institution" above, in determining the amount to be paid in for the New Shares and the Amount expected to be delivered upon Share Consolidation based on the results of discussions and negotiations with the Allottee, and for reference in shareholders' exercising their voting rights at the Extraordinary General Meeting of Shareholders, Pioneer obtained the Share Valuation Report from Akasaka International Accounting, third-party appraiser. Akasaka International Accounting, third-party appraiser does not fall under any related party of Pioneer or the Allottee, the shareholder after the Share Consolidation and has no material interest to be noted in connection with the Third Party Allotment.

(ii) Outline of valuation

With respect to specfic method of valuation of shares of Pioneer, the reason why this valuation method was adopted and the range of share value based on each valuation method and important premise of valuation on each valuation method, please refer to "II. Issuance of New Shares through Third Party Allotment, 5. Rationale for Conditions of Issuance, (1) Basis of determination of the amount to be paid in and details thereof, b. Pioneer has obtained a share valuation report and Fairness Opinions from a third party valuation institution" above.

(3) Probability of Delisting

(i) Delisting

As described in "1. Purpose and Reason for the Share Consolidation" above, Pioneer plans to implement the Share Consolidation and cause the Allottee to become the sole shareholder of Pioneer on the condition that Pioneer obtains the approval of the shareholders at the Extraordinary General Meeting of Shareholders and subject to the condition that the New Shares under the Third Party Allotment are issued. As a result, the Pioneer shares are scheduled to be delisted in accordance with the delisting criteria of the Tokyo Stock Exchange through prescribed procedures.

After the delisting, the Pioneer shares cannot be traded on the Tokyo Stock Exchange.

(ii) Reason for delisting

As described in "II. Issuance of New Shares through Third Party Allotment, 2. Purpose of and Reason for the Issuance of New Shares through Third Party Allotment " above, Pioneer concluded that through the Transactions and delisting, promoting the management strategy flexibly and in a timely manner by the Allottee and Pioneer in a unified manner are the best measures to contribute to the continuity of the Group's business and medium-to-long term growth and avoid letting existing shareholders of Pioneer exposed to further risks.

(iii) Impact on minority shareholders and the view of such impact

As described in "II. Issuance of New Shares through Third Party Allotment, 9. Matters concerning Procedures in the Code of Corporate Conduct" above, Mr. Masahiro Tanizeki and Mr. Shunichi Sato, directors of Pioneer and Mr. Keiichi Nishikido and Mr. Hiroyuki Wakamatsu, corporate auditors of Pioneer (who are outside directors and outside corporate auditors notified to the Tokyo Stock Exchange as independent directors or independent corporate auditors), are appointed as persons independent from the management of Pioneer to a certain extent and Pioneer consulted them about the Third Party Allotment, and Pioneer obtains opinions, as of December 7, 2018, that the Third Party Allotment is deemed necessary and appropriate, and the Transactions shall not be deemed disadvantageous to the existing shareholders of Pioneer.

(4) Measures to ensure the fairness of the Transactions and Measures to avoid conflicts of interest

(i) Obtaining a statement and Fairness Opinions from an independent third-party appraiser of Pioneer

As described in "II. Issuance of New Shares through Third Party Allotment, 5. Rationale for Conditions of Issuance, (1) Basis of determination of the amount to be paid in and details thereof, b. Pioneer has obtained a share valuation report and Fairness Opinions from a third party valuation institution" above, Pioneer obtained the Share Valuation Report regarding the share value of Pioneer from Akasaka International Accounting, third-party appraiser. With respect to the outline of the valuation, please refer to above "II. Issuance of New Shares through Third Party Allotment 5. Rationale for Conditions of Issuance, (1) Basis of determination of the amount to be paid in and details thereof, b. Pioneer has obtained a share valuation report and Fairness Opinions from a third party valuation institution".

In addition, Pioneer obtained the Fairness Opinions from Akasaka International Accounting.

(ii) Obtaining opinions from persons independent from the management of Pioneer to a certain extent

As described in "II. Issuance of New Shares through Third Party Allotment, 9. Matters concerning Procedures in the Code of Corporate Conduct" above, Mr. Masahiro Tanizeki and Mr. Shunichi Sato, directors of Pioneer and Mr. Keiichi Nishikido and Mr. Hiroyuki Wakamatsu, corporate auditors of Pioneer (who are outside directors and outside corporate auditors notified to the Tokyo Stock Exchange as independent directors or independent corporate auditors), are appointed as persons independent from the management of Pioneer to a certain extent and Pioneer consulted them about the Third Party Allotment, and Pioneer obtains opinions, as of December 7, 2018, that the Third Party Allotment is deemed necessary and appropriate, and the Transactions shall not be deemed disadvantageous to the existing shareholders of Pioneer.

(iii) Advice from an independent law firm of Pioneer

Pioneer has retained NAGASHIMA OHNO & TSUNEMATSU as a legal advisor and received legal advice from the law firm on the methods and processes of decision-making at the meeting of the Board of Directors of Pioneer, including the procedures for the Transactions (including the Third Party Allotment). It should be noted that NAGASHIMA OHNO & TSUNEMATSU is independent from Pioneer and the Allottee and has no material interest in Pioneer and the Allottee.

(iv) Opinions to the effect that all of the directors of Pioneer approved and all of the auditors of Pioneer had no objections

At the meeting of the Board of Directors of Pioneer held on December 7, 2018, the above resolutions were unanimously approved by all directors. There are no directors who have a special interest in the Transactions including the Third Party Allotment. All three (3) corporate auditors of Pioneer (including two (2) outside corporate auditors) attended the above meeting of Board of Directors, and stated that they had no objections to the above resolutions.

4. Outline of Shareholders after Share Consolidation

With respect to the outline of the Allottee as a shareholder after the Share Consolidation, please refer to "II. Issuance of New Shares through Third Party Allotment, 6. Reason for Selecting the Allottee, Etc., (1) Outline of the Allottee".

5. Future Prospects

With respect to the outline of management structure after the Share Consolidation, please refer to "II. Issuance of New Shares through Third Party Allotment, 2. Purpose of and Reason for the Issuance of New Shares through Third Party Allotment, (1) Background of Third Party Allotment, e. Management structure after the Transactions".

VI. Abolition of Unit Share System

1. Reason for abolition
   If the Share Consolidation becomes effective, the total number of issued shares of Pioneer will be 4 shares, which will eliminate the need for share unit.

2. Scheduled date of Abolition
   Same date as the Effective Date of the Share Consolidation

3. Condition for Abolition
   The provisions will be abolished on the condition that the Share Consolidation becomes effective.

VII. Partial Amendments to the Articles of Incorporation regarding Abolition of Unit Share System

1. Purpose of Amendments
   If the proposal concerning the Share Consolidation is approved at the Extraordinary General Meeting of Shareholders as originally proposed and the Share Consolidation becomes effective, the total number of Pioneer shares authorized to be issued will be reduced to 16 shares pursuant to the provisions of Article 182, Paragraph 2 of the Companies Act. In order to clarify this point, Article 6 (Total Number of Shares Authorized to be Issued by the Company) of the Articles of Incorporation shall be amended subject to the condition that the Share Consolidation becomes effective.
   In addition, if the Share Consolidation becomes effective, the total number of issued shares of Pioneer will be 4 shares, which will eliminate the need for unit share system. As such, subject to the condition that the Share Consolidation becomes effective, the entire text of Article 8 (Number of Shares Constituting One Unit of Stock), Article 9 (Request for Sale of Fractional Unit Shares) and Article 10 (Rights of Fractional Unit Shares) of the Articles of Incorporation shall be deleted in order to abolish unit share system currently constituting one hundred shares per unit, and the number of articles associated with such amendment shall be renumbered.

2. Details of Amendments
   The details of the amendments to the Articles of Incorporation are as follows.
   The amendment to the Articles of Incorporation regarding this proposal shall become effective on the same date as the Effective Date of the Share Consolidation, subject to the condition that the proposal concerning the Share Consolidation shall be approved as proposed at the Extraordinary General Meeting of Shareholders and the Share Consolidation takes effect.

(Underlines indicate portions that are to be amended.)

Articles of Incorporation as amended pursuant to "Amendment (2)"	Additional Proposed Amendments
Article 6. *(Total Number of Shares Authorized to be Issued by the Company)* The total number of shares authorized to be issued by the Company shall be three billion (3,000,000,000) shares.	**Article 6.** *(Total Number of Shares Authorized to be Issued by the Company)* The total number of shares authorized to be issued by the Company shall be 16 shares.
Article 8. *(Number of Shares Constituting One Unit of Stock)* The number of shares constituting one unit of stock of the Company shall be one hundred (100).	To be deleted.
Article 9. *(Request for Sale of Fractional Unit Shares)* A shareholder holding fractional unit shares may request the Company to sell to the shareholder the shares in such number as will, on being combined with the number of such fractional unit shares, equal one unit of stock.	To be deleted.
Article 10. *(Rights of Fractional Unit Shares)* A shareholder of the Company who holds fractional unit shares may not exercise any rights, except for the following rights, with respect to such fractional unit shares. 1. The rights provided for in each item of Article 189, Paragraph 2 of the Companies Act. 2. The right to request that the Company purchase his/her shares with shareholder's right to sell. 3. The right to receive an allotment of offered shares and offered share acquisition rights in proportion to the number of shares held. 4. The right to request the sale of fractional unit shares provided for in the preceding Article.	To be deleted.
Articles 11 to 45 (Omission of Articles)	Articles 8 to 42 (Omission of Articles)

3. Schedule

If all of the New Shares under the Third Party Allotment are issued on March 1, 2019, the outline of the schedule (scheduled) for the amendments to the Articles of Incorporation is as follows. As stated in above 2 and "V. Share Consolidation in order to Make Pioneer Wholly-owned Subsidiary, 2. Summary of share consolidation, (1) Schedule for share consolidation", the actual schedule will depend on when all of the New Shares under the Third Party Allotment are issued.

Date of Resolution at the meeting of the Board of Directors	Friday, December 7, 2018
Date of the Extraordinary General Meeting of Shareholders	Friday, January 25, 2019 (Scheduled)
Effective Date of Share Consolidation	Sunday, March 31, 2019 (Scheduled)
Effective date of amendments to the Articles of Incorporation	Sunday, March 31, 2019 (Scheduled)

Cautionary Statement with Respect to Forward-Looking Statements
Statements made in this release with respect to our current plans, estimates, strategies and beliefs, and other statements that are not historical facts are forward-looking statements about our future performance. These statements are based on management's assumptions and beliefs in light of the information currently available to it. We caution that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, and therefore you should not place undue reliance on them. It is not our obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. We disclaim any such obligation. Risks and uncertainties that might affect us include, but are not limited to: (i) general economic conditions in our markets, particularly levels of consumer spending, and levels of demand in the major industrial sectors which we serve; (ii) exchange rates, particularly between the Japanese yen and the U.S. dollar, the euro, and other currencies in which we make significant sales or in which our assets and liabilities are denominated;(iii) our ability to continuously design and develop and win acceptance for our products in extremely competitive markets; (iv) our ability to successfully implement our business strategies; (v) the success of our joint ventures, alliances and other business relationships with third parties; (vi) our ability to access funding; (vii) our continued ability to devote sufficient resources to research and development, and capital expenditure; (viii) our ability to ensure the quality of our products; (ix) conditions in which we are able to continuously procure key parts essential to our manufacturing operations; and (x) the outcome of contingencies.

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