(Summarized Translation)

Convocation Notice
of the Extraordinary General Meeting of Shareholders

to be held on January 25, 2019

PIONEER CORPORATION

JAPAN

(Stock code: 6773, ISIN: JP3780200006)

Note: This is a summarized translation of the original convocation notice written in the Japanese language.

January 10, 2019

Convocation Notice of the Extraordinary General Meeting of Shareholders

To our shareholders:

Notice is hereby given that the Extraordinary General Meeting of Shareholders of the Company will be held as described hereunder and your attendance is cordially requested.

You are entitled to vote in writing or through internet if you are unable to attend the meeting in person. In this regard, we cordially request that you study the following documents, and indicate your approval or disapproval of the proposal on the voting directive form, and return it to us no later than 5:00 pm, January 24, 2019, Japan time.

If you attend the meeting in person, please submit the voting directive form at the reception desk of the meeting.

Very truly yours,

Koichi Moriya
President and CEO
Pioneer Corporation
28-8, Honkomagome 2-chome, Bunkyo-ku,
Tokyo, Japan

Description

1. Date and time: 10:30 a.m. on Friday, January 25, 2019, Japan time

2. Place: 2F Hall, Belle Salle Akihabara, Sumitomo Fudosan Akihabara Building, 12-8, Sotokanda 3-chome, Chiyoda-ku, Tokyo, Japan

3. Objectives of the meeting:

Matters to be acted on:

Agenda Item No. 1. Partial Amendments to Articles of Incorporation in order to Increase Total Number of Shares Authorized to be Issued

Agenda Item No. 2. Issuance of Shares through Third Party Allotment (DES)

Agenda Item No. 3. Partial Amendments to Articles of Incorporation in order to Increase Total Number of Shares Authorized to be Issued

Agenda Item No. 4. Issuance of Shares through Third Party Allotment (Cash Contribution)

Agenda Item No. 5. Share Consolidation

Agenda Item No. 6. Partial Amendments to Articles of Incorporation regarding Abolition of Unit Share System

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REFERENCE DOCUMENT FOR THE EXTRAORDINARY MEETING OF SHAREHOLDERS

AGENDA ITEMS AND REFERENCE MATERIALS THEREOF:

Background to Proposal of Agenda Item No. 1 to Agenda Item No. 6

In the consolidated business results of Pioneer Corporation (hereinafter "Pioneer") for the fiscal year ended March 31, 2018, free cash flows, which represent net cash provided by operating activities plus net cash used in investing activities, were outflows of 17.2 billion yen and the cash management was in a difficult position, 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 for the fiscal year ending March 31, 2019. Further, in the fiscal years ending March 31, 2019 and March 31, 2020, free cash flows are expected to remain negative, and the deterioration of Pioneer's cash flows is also expected to continue. Therefore, if Pioneer were not able to realize the financing of large-scale capital funds at an early stage, Pioneer's cash management for the present would be in straitened situations and its share value might be significantly impaired. Considering these circumstances, Pioneer believes that it is essential to raise capital funds in a scale of 74.5 billion yen through issuance of new shares at an early stage, 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.

Therefore, Pioneer decided to appoint Nomura Securities Co., Ltd. as its financial adviser and carefully examined the details of the proposals presented through it by several potential sponsor candidates, and as a result, Pioneer selected Baring Private Equity Asia (hereinafter "BPEA") as the most appropriate potential sponsor. Thereafter, concurrently with the due diligence conducted by BPEA, Pioneer continued to discuss the details of the definitive agreement concerning the contribution with the BPEA. As a result, Pioneer received a final proposal from BPEA as follows:

(1) Issuance of the New Shares through Third Party Allotment

Pioneer will issue new shares by way of the third party allotment to Wolfcrest Limited, a fund under BPEA (hereinafter the "Allottee"), and will receive the capital contribution of 77 billion yen in total.

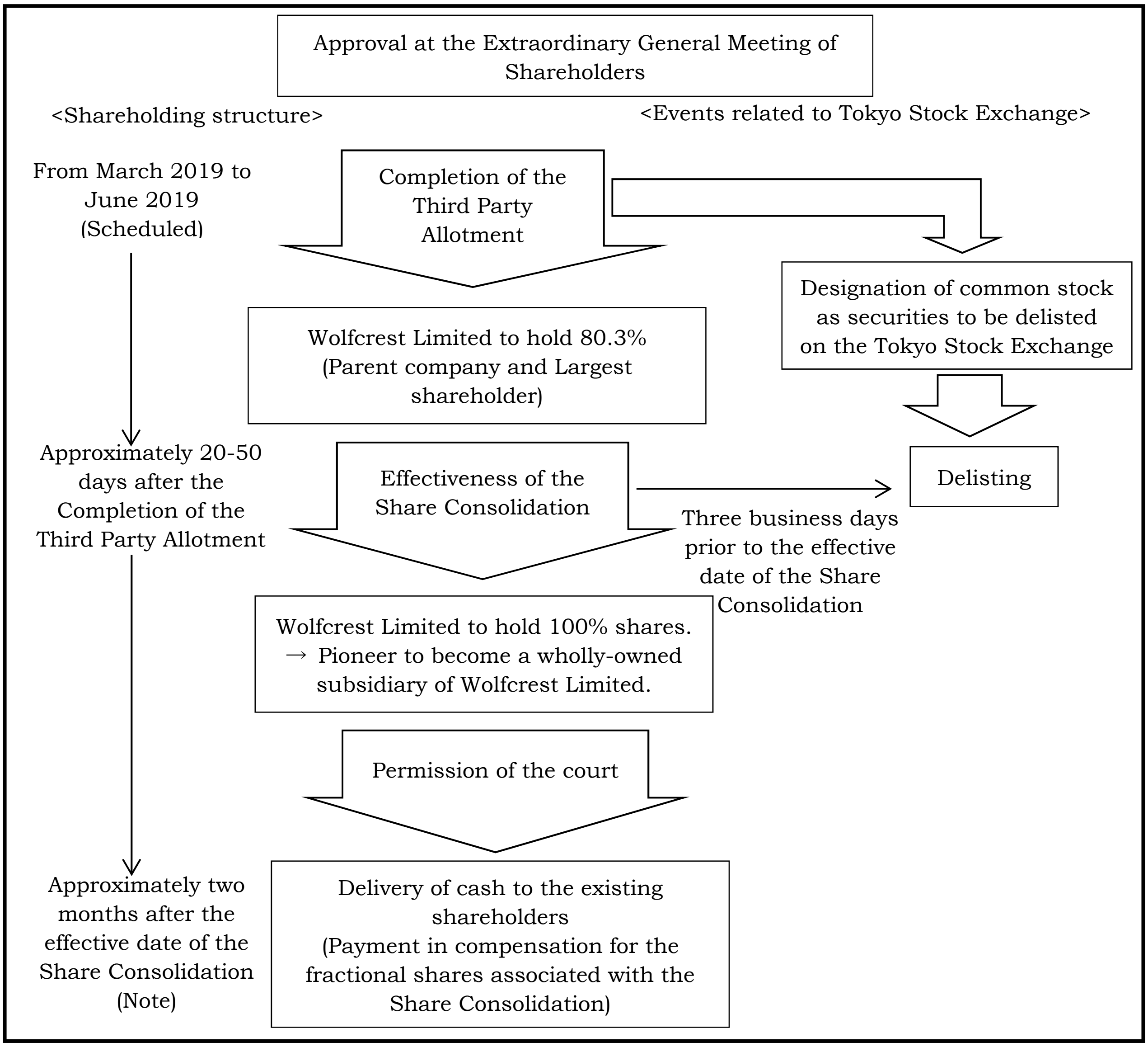
(2) To Make Pioneer a Wholly-Owned Subsidiary (Privatized) by the Share Consolidation

After the issuance of new shares described in (1) above, Pioneer will consolidate 450,000,000 shares into one share and will become a wholly-owned subsidiary of the Allottee (Consequently, Pioneer shares will be delisted.). Approximately 25 billion yen in total (66.1 yen per share), which is equal to the amount to be paid in for the new shares under the third party allotment described in (1) above plus a premium, will be paid to Pioneer's shareholders other than the Allottee as a part of the procedures of share consolidation.

The final proposal from BPEA intends to enable to (i) secure working capital absolutely necessary for business operation of Pioneer, (ii) resolve concerns over cash flows through the large-scale cash injection and (iii) implement the fundamental structure reformations flexibly and in a timely manner by the Allottee and Pioneer together through the privatization, by implementing the two transactions above. Therefore, Pioneer concluded that the final proposal will contribute to the continuity of the business and medium-to-long term growth of the Pioneer Group (hereinafter the "Group") most, in light of support in both the financial and business aspects, and finally determined that the final proposal that allows the shareholders to avoid further risks is the best measure for the shareholders.

Pioneer has decided to reform its management structure to take a series of corporate actions following the issuance of new shares through the third party allotment. Current eight members of the Board of Directors, except for two outside directors and Mr. Koichi Moriya, Representative Director, will resign, and Pioneer will have new directors from BPEA. The resignation of such current directors and the election of new directors are scheduled to take place promptly after Pioneer will become a wholly-owned subsidiary of the Allottee.

<Outline of Procedures and Schedule (image)>



Note: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.

With respect to the details of the third party allotment and share consolidation, please also see the press release dated 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."

At the Extraordinary General Meeting of Shareholders, Pioneer proposes a series of agenda items that are required for the third party allotment and share consolidation. Specifically, Pioneer proposes to implement the third party allotment in Agenda Item No. 2 and Agenda Item No. 4, and also to increase the total number of Pioneer shares authorized to be issued for the implementation of the third party allotment in Agenda Item No. 1 and Agenda Item No. 3. In addition, with respect to the share consolidation, Pioneer proposes Agenda Item No. 5 and Agenda Item No. 6.

Upon your carefully reading and understanding the grounds for and the background to the agenda items detailed on the following pages, we sincerely ask for your approval of all of the agenda items.

Agenda Item No. 1. Partial Amendments to Articles of Incorporation in order to Increase Total Number of Shares Authorized to be Issued

1. Reasons for Proposal

In order to enable Pioneer to issue the new shares through the Third Party Allotment (DES), as described in Agenda Item No. 2, Pioneer hereby proposes to increase the total number of shares authorized to be issued, as prescribed under Article 6 of the Articles of Incorporation (Total Number of Shares Authorized to be Issued by the Company), to the extent the total number of shares authorized to be issued after the amendment to the Articles of Incorporation does not exceed four times the total number of 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 of Japan.

2. Details of Amendment

The details of the amendment are as follows.

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

Current Articles of Incorporation	Proposed Amendment
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.

Agenda Item No. 2. Issuance of Shares through Third Party Allotment (DES)

Pioneer hereby requests the approval of the implementation of the issuance of offered shares through third party allotment as described in 2. below (hereinafter the "Third Party Allotment (DES)", and the new shares to be issued through the Third Party Allotment (DES) are referred to as the "New Shares (DES)"), pursuant to the provisions of Article 199 of the Companies Act of Japan and for the reasons described in 1. below. The issuance of new shares through the Third Party Allotment (DES) will be implemented in the form of a debt-equity swap (hereinafter "DES").

The total number of the new shares to be issued through the Third Party Allotment (DES) and the Third Party Allotment (cash contribution) as described in Agenda Item No.4 (hereinafter collectively referred to as the "Third Party Allotment") is 1,540,000,000 shares (number of voting rights: 15,400,000) (hereinafter the "New Shares"), 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)) is 401.7% (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 a controlling shareholder. Therefore, Pioneer hereby requests the confirmation of the shareholders regarding this Agenda and Agenda Item No. 4 at the Extraordinary General Meeting of Shareholders, pursuant to Rule 432 of the Securities Listing Regulations by Tokyo Stock Exchange, Inc. (hereinafter the "Tokyo Stock Exchange"). 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 a controlling shareholder 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 or outside corporate auditors notified to the Tokyo Stock Exchange as independent directors or independent corporate auditors), were 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 obtained opinions, as of December 7, 2018, that the Third Party Allotment is necessary and appropriate, and to make Pioneer become a wholly-owned subsidiary of the Allottee as a result of completion of the Third Party Allotment and Share Consolidation as described in Agenda Item No. 5 (hereinafter the "the Transactions") will not be disadvantageous to the existing shareholders of Pioneer.

In addition, following the New Shares are allotted to the Allottee through the Third Party Allotment, the number of voting rights to be held by the Allottee 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 voting rights to be held by the Allottee) will be approximately 80.3%, and the Allottee will fall under a Special Subscriber as defined in Article 206-2, Paragraph 1 of the Companies Act of Japan. Hence, the approval of this Agenda and Agenda Item No. 4 shall also include the approval by a resolution at a general meeting of shareholders with respect to an allotment of offered shares to a Special Subscriber or an agreement under Article 205, Paragraph 1 of the Companies Act of Japan, both of which are required if a shareholder who holds one-tenth or more of the total voting rights of the shareholders notifies Pioneer of opposition to the subscription of the offered shares by such Special Subscriber, pursuant to Article 206-2, Paragraph 4 of the Companies Act of Japan.

1. Reasons for Issuance of Offered Shares in Particularly Favorable Amount to be Paid in

(1) Purpose of and Reasons for Issuance of the New Shares through Third Party Allotment

In Pioneer's financial condition where the consolidated business results for the fiscal year ended March 31, 2018 were severe and a consolidated operating loss of 5 billion yen for the fiscal year ending March 2019 is forecasted, Pioneer had not obtained an agreement on refinancing from the banks, and accordingly, 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 for the fiscal year ending March 31, 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, restructuring 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 that satisfy functions and specifications based on the needs of market and customers. However, net cash used in investing activities and free cash flows, which represent net cash provided by operating activities plus net cash used in investing activities, of Pioneer in the fiscal years ending March 31, 2019 and March 31, 2020 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 believes that it is essential to raise capital funds in a scale of 74.5 billion yen through issuance of shares at an early stage. On the other hand, 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. as its financial adviser and, through Nomura Securities Co., Ltd., 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. As a result, Pioneer selected BPEA (with the funds affiliated with BPEA, hereinafter collectively referred to as the "BPEA Funds") as the most appropriate potential sponsor, and Pioneer concluded that the final proposal from the BPEA Funds is the best measure for shareholders of Pioneer in light of support in both the financial and business aspects, and decided to accept the proposal.

Specifically, Pioneer will receive the capital contribution of 77 billion yen in total (of which 25 billion yen will be issued in the form of a debt-equity swap (DES)) by way of the third party allotment to Wolfcrest Limited, a BPEA fund, (the Allottee) (the Third Party Allotment), and at the same time, by consolidating 450,000,000 shares into one share and paying cash totaling approximately 25 billion yen (66.1 yen per share) to the shareholders of Pioneer other than the Allottee (the Share Consolidation as stated in Agenda Item No. 5), Pioneer will become a wholly-owned subsidiary of the Allottee through the Share Consolidation (the Transactions), and thereby Pioneer concluded that promoting the management strategy flexibly and in a timely manner by the Allottee and Pioneer in a unified manner is the best measure to contribute to the continuity of the Group's business and medium-to-long term growth and avoid letting shareholders of Pioneer be exposed to further risks. 74.54 billion yen, the amount of the funds raised through the Third Party Allotment minus 2.46 billion yen of estimated issuance expenses, will be used 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 a result of the Transactions, Pioneer shares are scheduled to be delisted in accordance with the delisting criteria of the Tokyo Stock Exchange through prescribed procedures.

Therefore, the Third Party Allotment will be implemented with the objective of thoroughly solving 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, and the shares will be allotted to

Wolfcrest Limited.

(2) Rationale for Conditions of Issuance

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

a. Details of 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 74.5 billion yen 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 b and c below.

b. Pioneer has obtained Share Valuation Report and Fairness Opinions from independent third-party appraiser

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 the announcement of the Third Party Allotment 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 Memorandum of Understanding concerning Support by Sponsor executed between Pioneer and Kamerig B.V., BPEA Funds (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.

(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 consumer 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 that 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 in a scale of 10 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 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 if the going concern would not be assumed, 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 Board of Directors of Pioneer regarding 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, 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.

(ii) Rationale for determination that number of shares to be issued and 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, (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.

2. Outline of Issuance of the New Shares (DES)

(1) Class and number of offered shares:
500,000,000 common shares

(2) Amount to be paid in:
50 yen per share

(3) Total amount to be paid in:
25,000,000,000 yen
The total amount shall be paid in the form of contribution in kind (DES).

(4) Details and value of property to be contributed in kind:
Loan receivable held by Wolfcrest Limited against Pioneer (Note)
25,000,000,000 yen in total

Note: 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. The loan receivable is scheduled to be transferred from Kamerig B.V. to the Allottee prior to the implementation of the contribution for the Third Party Allotment (DES).

(5) Amount of stated capital and capital reserve to be increased:
Amount of stated capital to be increased: 12,500,000,000 yen
Amount of capital reserve to be increased: 12,500,000,000 yen

(6) Payment period:
From Friday, March 1, 2019 to Sunday, June 30, 2019

(7) Method of offering:
All shares (500,000,000 shares) will be allotted to Wolfcrest Limited through third party allotment.

(8) Each of the items above is subject to (i) the effectiveness of the securities registration under the Financial Instruments and Exchange Act of Japan, (ii) obtainment of 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, (iii) the approval of Agenda Item No. 1 to Agenda Item No. 6 at the Extraordinary General Meeting of Shareholders, and (iv) the effectiveness of the amendment to the Articles of Incorporation proposed in Agenda Item No. 1.

<u>Agenda Item No. 3.</u> Partial Amendments to Articles of Incorporation in order to Increase Total Number of Shares Authorized to be Issued

1. Reasons for Proposal

In order to enable Pioneer to issue the new shares through the Third Party Allotment (cash contribution), as described in Agenda Item No. 4, Pioneer hereby proposes to increase the total number of shares authorized to be issued, as prescribed under Article 6 of the Articles of Incorporation (Total Number of Shares Authorized to be Issued by the Company).

The effectiveness of the amendment to the Articles of Incorporation is subject to the effectiveness of the amendment to the Articles of Incorporation proposed in Agenda Item No. 1 and the issuance of 500,000,000 New Shares (DES) under the Third Party Allotment (DES).

2. Details of Amendment

The details of the amendment are as follows.

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

Articles of Incorporation as amended pursuant to Agenda Item No. 1 "Partial Amendments to Articles of Incorporation in order to Increase the Total Number of Shares Authorized to be Issued"	Additional Proposed Amendment
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.

Agenda Item No. 4. Issuance of Shares through Third Party Allotment (Cash Contribution)

Pioneer hereby requests the approval of the implementation of the issuance of offered shares through third party allotment as described in 2. below (hereinafter the “Third Party Allotment (cash contribution),” and the new shares to be issued through the Third Party Allotment (cash contribution) are referred to as the “New Shares (cash contribution)”), pursuant to the provisions of Article 199 of the Companies Act of Japan and for the reasons described in 1. below.

In addition, Pioneer hereby requests the confirmation of the shareholders regarding Agenda Item No. 2 and this Agenda at the Extraordinary General Meeting of Shareholders, pursuant to Rule 432 of the Securities Listing Regulations by the Tokyo Stock Exchange and for the reasons described in Agenda Item No. 2.

Further, for the reasons described in Agenda Item No. 2, the approval of Agenda Item No. 2 and this Agenda shall also include the approval by a resolution at a general meeting of shareholders with respect to an allotment of offered shares to a Special Subscriber or an agreement under Article 205, Paragraph 1 of the Companies Act of Japan, both of which are required if a shareholder who holds one-tenth or more of the total voting rights of the shareholders has notified Pioneer of opposition to the subscription of the offered shares by such Special Subscriber, pursuant to Article 206-2, Paragraph 4 of the Companies Act of Japan.

1. Reasons for Issuance of Offered Shares in Particularly Favorable Amount to be Paid in

As described in Agenda Item No. 2 “Issuance of Shares through Third Party Allotment (DES) - 1. Reasons for Issuance of Offered Shares in Particularly Favorable Amount to be Paid in - (1) Purpose of and Reasons for Issuance of the New Shares through Third Party Allotment.”

2. Outline of Issuance of the New Shares (cash contribution)

(1) Class and number of offered shares:
1,040,000,000 common shares

(2) Amount to be paid in:
50 yen per share

(3) Total amount to be paid in:
52,000,000,000 yen

(4) Amount of stated capital and capital reserve to be increased:
Amount of stated capital to be increased: 26,000,000,000 yen
Amount of capital reserve to be increased: 26,000,000,000 yen

(5) Payment period:
From Friday, March 1, 2019 to Sunday, June 30, 2019

(6) Method of offering:
All shares (1,040,000,000 shares) will be allotted to Wolfcrest Limited through third party allotment.

(7) Each of the items above is subject to (i) the effectiveness of the securities registration under the Financial Instruments and Exchange Act of Japan, (ii) obtainment of 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, (iii) the approval of Agenda Item No. 1 to Agenda Item No. 6 at the Extraordinary General Meeting of Shareholders, and (iv) the effectiveness of the amendments to the Articles of Incorporation proposed in Agenda Item No. 1 and Agenda Item No.3.

Agenda Item No. 5. Share Consolidation

Pioneer hereby requests the approval of the implementation of the consolidation of 450,000,000 shares of Pioneer into 1 share (hereinafter the "Share Consolidation") so that the Allottee can become the sole shareholder of Pioneer subject to the condition that all of the New Shares under the Third Party Allotment are issued.

In this Agenda, Pioneer requests the approval of several share consolidations, each of which have a different effective date (hereinafter the "Effective Date of Share Consolidation"), as described below, and this Agenda is conditioned depending on when all of the New Shares under the Third Party Allotment are issued. Therefore, depending on when all of the New Shares under the Third Party Allotment are issued, only one of the Share Consolidations will actually be effective on one of the Effective Date of Share Consolidation that will arrive immediately after the issuance of all of the New Shares under the Third Party Allotment.

1. Reasons for Share Consolidation

Pioneer concluded that it will be the best measure to implement the Transactions including the Third Party Allotment as described in Agenda Item No. 2 "Issuance of Shares through Third Party Allotment (DES) - 1. Reasons for Issuance of Offered Shares in Particularly Favorable Amount to be Paid in - (1) Purpose of and Reasons for Issuance of the New Shares through Third Party Allotment."

Therefore, 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.

2. Matters listed in Each Item of Article 180, Paragraph 2 of the Companies Act of Japan

(1) Ratio of Consolidation

Pioneer will consolidate 450,000,000 shares into 1 share with respect to the Pioneer shares.

(2) Effective Date of Share Consolidation

Depending on when all of the New Shares under the Third Party Allotment are issued, the Effective Date of Share Consolidation shall be set forth 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.

(3) Total Number of Shares Authorized to be Issued as of the Effective Date of Share Consolidation

16 shares

3. Matters concerning Appropriateness of Provisions with respect to Matters listed in Article 180, Paragraph 2, Item 1 of the Companies Act of Japan

With respect to the ratio of consolidation in the Share Consolidation, Pioneer will consolidate 450,000,000 shares into 1 share with respect to the Pioneer shares. As the Share Consolidation will be implemented in order to allow the Allottee to become the sole shareholder of Pioneer, and is subject to the condition that all of the New Shares under the Third Party Allotment shall be issued, and because of the following matters, Pioneer has concluded that the ratio of consolidation in the Share Consolidation is appropriate.

Other matters concerning the appropriateness of the provisions with respect to the ratio of consolidation are as follows:

(1) Matters concerning Disposal of Fractions

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 of Japan) pursuant to the provisions of Article 235 of the Companies Act of Japan 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 of Japan as applied mutatis mutandis pursuant to Article 235, Paragraph 2 of the Companies 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 of Japan as applied mutatis mutandis pursuant to Article 235, Paragraph 2 of the Companies Act of Japan.

(2) Amount expected to be Delivered to Shareholders as a result of Handling of Fractions and Matters relating to Appropriateness of Such Amount

If the above-mentioned permission of the court is obtained as planned, the Amount expected to be delivered upon Share Consolidation is scheduled to be set at the amount obtained by multiplying the number of 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 to be paid in for the New Shares under the Third Party Allotment (50 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 concerning the Share Consolidation. However, 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 that 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 that 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 the 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 Agenda Item No. 2. 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.

(3) Matters to be noted so that Interests of Shareholders of Pioneer (other than Parent Company, etc.) 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, Pioneer paid attention to the impact on the shareholders and has taken the following measures as stated 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.

(i) Obtaining Valuation Report and Fairness Opinions from independent third-party appraiser of Pioneer

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 Agenda Item No. 2.

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

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

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 or outside corporate auditors notified to the Tokyo Stock Exchange as independent directors or independent corporate auditors), were 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 necessary and appropriate, and the Transactions will not be 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 directors of Pioneer approved and all of auditors of Pioneer had no objections

At the meeting of the Board of Directors of Pioneer concerning the Share Consolidation, 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 such resolutions.

4. Disposal by Pioneer of Material Assets, Assumption of Material Debts, and Other Events that Materially Affect Pioneer's Financial Condition after Last Day of Last Fiscal Year

The disposal of material assets, assumption of material debts, and other events that materially affect Pioneer's financial condition after March 31, 2018, the last day of the most recent fiscal year as of the date when the convocation of the Extraordinary General Meeting of Shareholders was decided pursuant to Article 298, Paragraph 1 of the Companies Act of Japan, are as follows.

a. Note Regarding Going Concern Assumption

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.

Loans from banks that became and will become due during fiscal 2019 have been already repaid by 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) and the proceeds of disposal of individual assets and business that 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)

On June 1, 2018, Pioneer transferred all shares of Pioneer FA Corporation (hereinafter "Pioneer FA"), its consolidated subsidiary, to SHINKAWA LTD. (hereinafter "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

On August 20, 2018, Pioneer transferred to VTech Communications Limited that 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)

On December 1, 2018, Pioneer transferred all shares of Tohoku Pioneer EG Corporation (hereinafter “Tohoku Pioneer EG”) owned by Tohoku Pioneer Corporation, a wholly-owned subsidiary of Pioneer, to DENSO Corporation (hereinafter “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

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: June 30, 2019)

Note: Maturity date has been amended from March 31, 2019 to June 30, 2019 by agreement between Pioneer and Kamerig B. V.

(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.

h. Third Party Allotment

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, as described in this Agenda, 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.

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.

Agenda Item No. 6. Partial Amendments to Articles of Incorporation regarding Abolition of Unit Share System

1. Reasons for Proposal

If Agenda Item No. 5 "Share Consolidation" is approved as 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 of Japan. In order to clarify this point, the total number of shares authorized to be issued, as prescribed in Article 6 (Total Number of Shares Authorized to be Issued by the Company) to 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 amendments to the Articles of Incorporation regarding this Agenda shall become effective on the same date as the Effective Date of the Share Consolidation, subject to the condition that each of the amendments to the Articles of Incorporation proposed in Agenda Item No. 1 and Agenda Item No. 3 shall become effective and Agenda Item No. 5 "Share Consolidation" shall be approved as proposed and the Share Consolidation takes effect.

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

Articles of Incorporation as amended pursuant to Agenda Item No. 3"Partial Amendments to Articles of Incorporation in order to Increase the Total Number of Shares Authorized to be Issued"	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>three billion (3,000,000,000)</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>16</u> shares.
Article 8. <u>*(Number of Shares Constituting One Unit of Stock)*</u> <u>The number of shares constituting one unit of stock of the Company shall be one hundred (100).</u>	To be deleted.
Article 9. <u>*(Request for Sale of Fractional Unit Shares)*</u> <u>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.</u>	To be deleted.

Articles of Incorporation as amended pursuant to Agenda Item No. 3"Partial Amendments to Articles of Incorporation in order to Increase the Total Number of Shares Authorized to be Issued"	Additional Proposed Amendments
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. Articles 11 to 45 (Omission of Articles)	To be deleted. Articles 8 to 42 (Omission of Articles)

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