

PIONEER CORP
Form 6-K
June 07, 2006

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934**

For the month of June, 2006

Commission File Number 1-7616

PIONEER CORPORATION

(Translation of registrant's name into English)

4-1, MEGURO 1-CHOME, MEGURO-KU, TOKYO 153-8654, JAPAN

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:
Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T
Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T
Rule 101(b)(7):

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby
furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.
Yes No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

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SIGNATURES

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PIONEER CORPORATION
(Registrant)

Date: June 7, 2006

By /s/ Tamihiko Sudo

Tamihiko Sudo
President and Representative Director

This report on Form 6-K contains the following:

1. The English-translated Convocation Notice of the 60th Ordinary General Meeting of Shareholders of common stock of the Company to be held on June 29, 2006.
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(Summarized Translation)
Convocation Notice
of the 60th Ordinary General Meeting of Shareholders
PIONEER CORPORATION
TOKYO, JAPAN
(Stock code: 6773, ISIN: JP3780200006)

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

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June 7, 2006

To Shareholders:

Convocation Notice of the 60th Ordinary General Meeting of Shareholders

Notice is hereby given that the 60th Ordinary 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 if you are unable to attend the meeting in person. In this regard, we cordially request that you study the reference document annexed hereto, and indicate your approval or disapproval of the proposal on the enclosed voting directive form, impress your seal thereon, and return it to us no later than June 28, 2006, Japan time.

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

Very truly yours,

Tamihiko Sudo
President and Representative Director
Pioneer Corporation
4-1, Meguro 1-chome, Meguro-ku, Tokyo

Description

1. Date and time: 10:00 a.m. on Thursday, June 29, 2006, Japan time

2. Place: MEGURO GAJOEN
8-1, Shimomeguro 1-chome, Meguro-ku, Tokyo

3. Matters constituting the object of the meeting:

Matters to be reported on:

1. Reports on the Business Report, Balance Sheet and Statement of Operations for the 60th Accounting Period (from April 1, 2005, to March 31, 2006)
2. Reports on Consolidated Balance Sheet and Consolidated Statement of Operations for the 60th Accounting Period, and Audit Reports on Consolidated Financial Statements by the Accounting Auditor and the Board of Corporate Auditors

Matters to be acted on:

- Agenda Item No. 1.** Approval of Proposal of Appropriation of Unappropriated Retained Earnings for the 60th Accounting Period
- Agenda Item No. 2.** Amendment to a Portion of the Articles of Incorporation
- Agenda Item No. 3.** Election of Eight (8) Individuals as Directors
- Agenda Item No. 4.** Election of One (1) Individual as Substitute Auditor in Case of a Vacancy
- Agenda Item No. 5.** Presentation of Retirement Allowance to Retiring Directors

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OF THE GENERAL MEETING OF SHAREHOLDERS****BUSINESS REPORT** (from April 1, 2005, to March 31, 2006)**1. OUTLINE OF BUSINESS OPERATIONS****(1) Principal Substance of Business**

The Company engages primarily in the manufacture and sales of home electronics and car electronics products, and all businesses incidental and related to the businesses mentioned above.

Effective from the 60th accounting period, the Company changed business segment classification for certain businesses. Results related to plasma displays for business use and DJ equipment have been moved from Others to Home Electronics. Corresponding figures for the previously reported operating revenue by segment and segment information have been reclassified accordingly.

The following table sets forth the principal products of the Company and the ratio of operating revenue by segment to total operating revenue:

| Segment | Principal Products in Each Segment | Ratio of Sales by Segment to Total Sales | |
|------------------|--|---|------------------------------|
| | | 60th Accounting Period | 59th Accounting Period |
| Home Electronics | Plasma displays, DVD recorders, DVD players, DVD drives, stereo systems, individual stereo components, DJ equipment, telephones and equipment for cable-TV systems | 47.0% | 45.4% |
| Car Electronics | Car navigation systems, Car stereos, car AV systems and car speakers | 43.8% | 42.7% |
| Patent Licensing | Licensing of patents related to laser optical disc technologies | 1.1% | 1.4% |
| Others | Organic light-emitting diode (OLED) display panels, factory automation systems, electronics devices and parts and business-use AV systems | 8.1% | 10.5% |

Table of Contents**(2) Result of Business Operations and Addressing Current Challenges**

(a) Result of Business Operations:

Operating Revenue by Segment

| | Accounting Period | | % to prior year |
|------------------|----------------------|---------|-----------------------|
| | 60th | 59th | |
| | (In millions of yen) | | |
| Domestic | 81,998 | 90,838 | 90.3 |
| Overseas | 272,692 | 231,933 | 117.6 |
| Home Electronics | 354,690 | 322,771 | 109.9 |
| Domestic | 117,560 | 120,260 | 97.8 |
| Overseas | 212,962 | 183,150 | 116.3 |
| Car Electronics | 330,522 | 303,410 | 108.9 |
| Domestic | | | |
| Overseas | 8,540 | 10,237 | 83.4 |
| Patent Licensing | 8,540 | 10,237 | 83.4 |
| Domestic | 33,208 | 37,653 | 88.2 |
| Overseas | 28,004 | 36,971 | 75.7 |
| Others | 61,212 | 74,624 | 82.0 |
| Domestic | 232,766 | 248,751 | 93.6 |
| Overseas | 522,198 | 462,291 | 113.0 |
| Total | 754,964 | 711,042 | 106.2 |

- Notes
1. The Company's consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).
 2. Operating revenue in the Patent Licensing segment consists of royalty revenue of the Company's U.S. subsidiary.
 3. In the 60th accounting period, the Company sold a subsidiary engaged in the development of cable TV software, and reached a preliminary agreement on the sale of subsidiaries involved in the electronic components business. As a result, the operating results of these subsidiaries, and the gain on the sale are presented as income from discontinued operations. Corresponding figures for the previous accounting period have been reclassified accordingly.

In the 60th accounting period, the year ended March 31, 2006, consolidated operating revenue rose 6.2% year on year to 754,964 million yen. However, the Company posted a net loss of 84,986 million yen, compared with a net loss of 8,789 million yen in the 59th accounting period. During the period under review, the average value of the Japanese yen was weaker against the U.S. dollar and the euro by 5.1% and 1.9%, respectively, compared with the 59th

accounting period.

Home Electronics sales increased 9.9% year on year to 354,690 million yen. Plasma display sales rose by approximately 30%. Sales of own brand plasma displays fell in Japan but grew overseas. Rising sales overseas were driven by an expanding market for high-resolution models in North America and Europe. Although OEM (original equipment manufacturer) sales increased, this mainly reflects the September 30, 2004 acquisition of a plasma display production subsidiary. Pioneer reported higher sales of DJ equipment, but sales of DVD recorders, DVD players, and stereo systems declined.

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Car Electronics sales climbed 8.9% year on year to 330,522 million yen. Sales of car audio products were higher both in consumer markets and on an OEM basis. Consumer-market sales expanded primarily in Central and South America, as well as North America and Russia, while OEM sales rose primarily in North America and Japan. Sales of car navigation systems increased in consumer markets, with sales growth coming mainly from Japan and North America. OEM sales increased in North America due to the start of new OEM transactions, but dropped in Japan as the effect of demand generated by the roll out of new models in the previous period diminished. OEM sales represented 35% of total Car Electronics sales in the 60th accounting period, down from 36% in the previous period. In Patent Licensing, royalty revenue decreased 16.6% year on year to 8,540 million yen. This decrease was mainly attributable to the impact of the expiration of some patents licensed to the optical disc industry. In the Others segment, sales declined 18.0% year on year to 61,212 million yen. This mainly reflected falling sales of factory automation systems, despite higher sales of compact speaker units for cellular phones. The Company posted a net loss of 84,986 million yen, compared with a net loss of 8,789 million yen in the previous period, mainly due to a decreased gross profit margin resulting from falling prices for our major products, retirement charges related to the incentive-based early retirement plan, impairment losses on property, plant and equipment mainly for plasma displays, and losses related to the dissolution of equity-method affiliate ELDis, Inc., in connection with the Company's business restructuring plans.

(b) Research and Development

Amid rapid technological innovation in the electronics industry, Pioneer conducts research and development (R&D) with the aim of creating and quickly commercializing new technologies. Our efforts are focused on technologies spanning flat panel displays, high-density recording and playback, digital audio/video (AV) products and information technology (IT), as well as broadcasting and communications.

Pioneer's main R&D activities and accomplishments in the 60th accounting period were as follows:

FEA Image Sensor with HEED Cold Cathodes and HARP Target

In May 2005, Pioneer and Japan Broadcasting Corporation (NHK) succeeded in jointly developing a compact, ultra-sensitive imaging device called a Field Emitter Array (FEA) image sensor with HEED*¹ cold cathodes and HARP*² target.

This device consists of an active-matrix HEED cold cathode array developed by Pioneer facing an ultra-sensitive HARP photoconductive film. The whole device is only 10mm thick, roughly one-tenth the thickness of imaging tubes used in conventional ultra-sensitive cameras (around 100mm), making it ideal for compact cameras. Pioneer and NHK paved the way for this highly sensitive image sensor by combining a HEED cold cathode array, which consists of a micro-HEED-element matrix and stably emits electrons at low operating voltage, with an active-matrix circuitry, which enables the least wiring for assembly and high drive speeds.

This breakthrough represents a major step toward commercializing energy-efficient, compact, and ultra-sensitive cameras that can pick up high-quality images in poor light conditions. The technology not only lays the groundwork for highly versatile and ultra-sensitive cameras needed at the frontlines of news reporting but also promises a wide range

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of applications in consumer products such as camcorders, night-vision cameras for automobiles, and security cameras.

The prototype image sensor developed by Pioneer and NHK consists of 256 x 192 pixels, with a pixel size of 50 x 50 micrometers. Going forward, Pioneer and NHK aim to rapidly commercialize this technology by increasing the pixel number by further reducing the pixel size.

***1 High-efficiency Electron Emission Device:**

Pioneer's original electron emission device with superior emission efficiency as a cold cathode; it employs the emission of high-energy electrons generated in solids.

***2 High-gain Avalanche Rushing amorphous Photoconductor:**

A film developed principally by NHK that converts light into electric charges. Because the electric charge is amplified without increasing noise, the film offers much higher sensitivity than conventional CCD image sensors.

(c) Addressing Current Challenges:

The global economy is experiencing an overall recovery, supported by robust consumer spending, despite some concerns over surging materials prices, including crude oil. However, Pioneer faces an extremely challenging business environment, due to ongoing price-based competition involving its core products.

In this climate, we will work to rebuild our brand and improve our operating results by focusing on the innovative, high-quality, and value-added products that define Pioneer. To achieve this, Pioneer will recapture the essence of its group philosophy "Move the Heart and Touch the Soul" of more people around the world.

In the plasma display business, our production output is increasing in step with surging overall market demand. With a forecast of further growth in demand, Pioneer expects to see an increase in the capacity utilization rates of some production lines year on year, but will suspend or shut down the operation of certain production lines incompatible with new products. Our efforts are also focused on improving profitability by continuing to reduce costs, while reducing OEM sales of panel modules and focusing instead on own-brand plasma display products. In addition, Pioneer will bring more innovative products to market, including 1080p plasma displays, aiming to improve its brand value and expand its business.

In the DVD product business, the market for these products is growing, but prices are rapidly falling. In response, Pioneer will reduce costs through production in China and collaborations with other companies, and raise the return on product development investments through external sales of key components. Meanwhile, product development and design processes will be reviewed thoroughly to raise the efficiency and speed of development. In DVD drives for personal computers (PCs), Pioneer plans to offer new value-added proposals by shifting the main thrust of product development to Blu-ray Disc drives, a promising next-generation product. We will narrow down our DVD recorder lineup to products in areas of expertise as part of efforts to propose value-added products that are embraced by customers. Furthermore, through economies of scale generated by volume production of DVD drives for PCs that share key components, Pioneer aims to improve profitability in the DVD recorder business.

In the car electronics business, Pioneer is targeting fast-growing consumer markets of Central and South America, Russia and elsewhere, in order to retain its position of leadership in car audio products. In addition, amid the uptake and growth of music content distribution and digital broadcasting, the Company will work to drive earnings growth in the car electronics business by offering products that stand apart from those of other

companies through the creation of new value and functions.

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In car navigation systems, Pioneer will actively press ahead with business expansion in Europe and North America, where full-fledged consumer markets are emerging, as well as in Japan's consumer market, where Pioneer's car navigation systems have always enjoyed a strong reputation. Aiming to reduce burgeoning software development costs accompanying product advancements, Pioneer is reforming product development processes and raising their efficiency through standardization.

In the OEM car navigation system business, Pioneer is redoubling efforts in the growing market for car navigation systems offered as dealer options in Japan. In parallel, the Company aims to capture new orders by offering new proposals to OEM customers that leverage our own product planning capabilities, which have been proven in consumer markets, and the advantages of conducting map-related content production within the group. Meanwhile, in the OEM car audio products business too, Pioneer aims to make the most of its strengths in consumer markets to drive further business expansion.

Turning to structural reforms, Pioneer has implemented an incentive-based early retirement plan to reduce personnel levels. Meanwhile, the Company has been identifying issues and exploring concrete initiatives in connection with the following five management innovation projects.

Formulate a new corporate vision that acts as medium-term guidelines under Pioneer's new management framework.

Revise and reinforce all core processes for developing, manufacturing and selling products, aiming to create products that customers enjoy.

Change the corporate culture to foster an open and relaxed atmosphere, as well as effectively implement Plan, Do, Check, Action (PDCA) cycles.

Revitalize the audio business, with the goal of rebuilding Pioneer's brand image by reviewing Company-wide initiatives.

Optimally allocate head office strategy formulation and administrative functions on a consolidated basis, aiming to raise efficiency by reviewing head office functions and organizations group-wide.

Pioneer is currently formulating a concrete action plan incorporating proposals for each project. Pursuant to the above project to optimally allocate head office strategy formulation and administrative functions, the Company implemented organizational reforms centering on administrative and back office divisions on April 1 this year. In addition, Pioneer has changed its operating processes in light of project recommendations and has begun business activities based on these new processes as part of the above project to revise and reinforce core processes.

Going forward, Pioneer will raise management efficiency and speed up management processes to improve earnings by reducing the number of directors/executive officers, while reforming additional operating processes under its new organization and management framework.

(3) Capital Expenditures

The total amount of capital expenditures during the period under review was 40,325 million yen, the principal of which was invested in land and buildings, as well as facilities and molds for production.

(4) Financing

There was no stock or bond issuance during the period under review.

Table of Contents**(5) Summary of Business Operations**

(a) Consolidated Basis

| | Year Ended March 31 | | | 2006 60th Accounting Period |
|-------------------------------------|---|--------------------------------------|--------------------------------------|--|
| | 2003 57th Accounting Period | 2004 58th Accounting Period | 2005 59th Accounting Period | |
| | (In millions of yen except per share information) | | | |
| Operating revenue | 664,828 | 684,749 | 711,042 | 754,964 |
| Net income (loss) | 16,078 | 24,838 | (8,789) | (84,986) |
| Net income (loss) per share | 90.24 | 141.58 | (50.11) | (487.23) |
| Total assets | 647,029 | 722,542 | 725,167 | 678,046 |
| Total shareholders equity | 318,393 | 332,938 | 332,239 | 273,250 |
| Total shareholders equity per share | 1,814.88 | 1,897.83 | 1,904.73 | 1,566.60 |

- Notes:
- The Company's consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).
 - As for the 57th accounting period, net income increased, reflecting a large increase in sales in Home Electronics, Car Electronics and Others, despite a decrease in royalty revenue in Patent Licensing. As for the 58th accounting period, net income increased mainly as a result of increased sales and improved gross profit margin as well as decreased selling, general and administrative expenses. Lower average value of the yen against the euro during the year compared to the previous year affected gross profit margin favorably. Total assets increased due to the issuance of convertible bonds of 60,000 million yen in aggregate principal amount, net proceeds of which were planned to be applied mainly toward investment in the plasma display business. As for the 59th accounting period, the Company posted a net loss, reflecting a decreased gross profit margin resulting from intensified price competition for our major products, despite the increased operating revenue. In addition, impairment losses of carrying value of certain production facilities and losses in connection with withdrawal from North American cable TV set-top box business were recognized. The business results for this 60th accounting period are as described under the caption 1. OUTLINE OF BUSINESS OPERATIONS (2) Result of Business Operations and Addressing Current Challenges in this report.
 - Net income per share has been computed by dividing net income available to holders of common stock by the weighted-average number of shares of common stock outstanding during each year. Total shareholders equity per share is based on the number of shares of common stock outstanding at the end of each period.
 - In the 60th accounting period, the Company sold a subsidiary engaged in the development of cable TV software, and reached a preliminary agreement on the sale of subsidiaries involved in the electronic components business. As a result, the operating results of these subsidiaries, and the gain on the sale are presented as income from discontinued operations in the consolidated statements of operations in accordance with Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. Corresponding figures for the previous fiscal year have been reclassified accordingly.

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(b) Parent-only Basis

| | Year Ended March 31 | | | |
|-------------------------------------|---|--------------------------------------|--------------------------------------|--------------------------------------|
| | 2003 57th Accounting Period | 2004 58th Accounting Period | 2005 59th Accounting Period | 2006 60th Accounting Period |
| | (In millions of yen except per share information) | | | |
| Sales | 450,950 | 469,010 | 485,530 | 515,792 |
| Ordinary income (loss) | 10,769 | 16,419 | (4,991) | (31,546) |
| Net income (loss) | 4,243 | 6,774 | (360) | (47,757) |
| Net income (loss) per share | 23.40 | 38.04 | (2.06) | (273.79) |
| Total assets | 384,685 | 461,564 | 458,745 | 452,730 |
| Total shareholders equity | 270,552 | 277,425 | 269,005 | 221,500 |
| Total shareholders equity per share | 1,541.78 | 1,580.82 | 1,542.21 | 1,269.91 |

- Notes: 1. As for the 57th accounting period, due to a worsening gross profit margin and increases of selling, general and administrative expenses, ordinary income increased, thanks to the increase of non-operating income that was brought about by a gain in dividend income and other factors. As a result, net income during the period increased, despite a decrease in extraordinary gains, because extraordinary losses diminished as well due to a decrease in losses related to business reorganization. As for the 58th accounting period, ordinary income increased due to increased sales and a decrease in selling, general and administrative expenses. As a result, net income also increased. Total assets increased due to the issuance of convertible bonds of 60,000 million yen in aggregate principal amount, net proceeds of which were planned to be applied mainly toward investment in the plasma display business. As for the 59th accounting period, although sales increased, an ordinary loss was posted due to a decreased gross profit margin and an increase in selling, general and administrative expenses. Net loss was posted, reflecting expenses incurred in connection with withdrawal from certain businesses facing unfavorable prospects, despite an extraordinary gain recorded in conjunction with the transfer of the substitutional portion of our employee welfare pension plan to the Japanese government. As for the 60th accounting period, although sales increased, an ordinary loss was posted due to a decreased gross profit margin, an increase in selling, general and administrative expenses and a decrease in dividend income. Net loss was posted, reflecting losses related to business reorganization.
2. Except per share information, all amounts less than one million yen are disregarded.
3. Net income per share is based on the weighted average number of shares of common stock outstanding during each period. Total shareholders equity per share is based on the number of shares of common stock outstanding at the end of each period. All per share amounts less than the second decimal place are disregarded.

Table of Contents**2. OUTLINE OF THE COMPANY (as of March 31, 2005)****(1) Information on Shares**

(a) Number of Shares the Company May Issue: 400,000,000 shares

(b) Number of Shares Issued: 180,063,836 shares

Note: 5,641,946 shares of treasury stock held by the Company are included.

(c) Number of Shareholders of Common Stock: 40,950 shareholders (a decrease of 2,667 from the end of the previous period)

(d) Distribution of Share Ownership:

| | Number of Shareholders | Number of Shares Held | Percentage of Shareholdings to Total Issued Shares |
|--------------------------------------|---------------------------|--------------------------|---|
| Financial institutions | 89 | 63,477thousand | 35.25% |
| Securities companies | 39 | 3,243 | 1.80 |
| Other Japanese business corporations | 352 | 4,911 | 2.73 |
| Foreign corporations and individuals | 392 | 68,231 | 37.89 |
| Japanese individuals and others | 40,078 | 40,199 | 22.33 |
| Total | 40,950 | 180,063thousand | 100.00% |

Notes: 1. All numbers of shares less than one thousand are disregarded.

2. Japanese individuals and others include 5,641 thousand shares (3.13%) as treasury stock held by the Company.

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(e) Top Ten Largest Shareholders:

| Name of Shareholder | Number of Shares Held | *1 | *2 | *3 |
|--|-----------------------|-------|----|----|
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 11,980 thousand | 6.65% | | |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 11,020 | 6.12 | | |
| The Chase Manhattan Bank, N. A. London | 6,838 | 3.79 | | |
| Societe Generale Paris SGOP/DAI Paris 6Z | 6,680 | 3.71 | | |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 6,490 | 3.60 | | |
| Mizuho Bank, Ltd. | 4,000 | 2.22 | | |
| Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Trust Account re-entrusted by Mizuho Trust & Banking Co., Ltd. | 3,955 | 2.19 | | |
| The Sumitomo Trust & Banking Co., Ltd. (Trust Account B) | 3,554 | 1.97 | | |
| Morgan Stanley & Co. International Limited | 2,876 | 1.59 | | |
| Barclays Bank PLC Sub-account Barclays Capital Securities Limited SBL/PB | 2,779 | 1.54 | | |

- Notes:
- *1 indicates percentage of shareholdings to the total number of the Company's issued shares.
 - *2 indicates the number of shares of each shareholder held by the Company.
 - *3 indicates percentage of the Company's shareholdings to the total number of each shareholder's issued shares.
 - All numbers of shares less than one thousand are disregarded.
 - All percentage figures less than the second decimal place are disregarded.
 - The Company holds 5,641 thousand shares as treasury stock.

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(f) Share Acquisition Rights Issued and Outstanding:

| | Number of Share Acquisition Rights | *1 | *2 | *3 |
|---|--|--|------|-----------|
| Share acquisition rights issued on July 8, 2002 *4 | 5,638 | 563,800 shares of common stock of the Company | null | 2,477 yen |
| Share acquisition rights issued on July 8, 2003 *5 | 3,126 | 312,600 shares of common stock of the Company | null | 2,951 yen |
| Stock acquisition rights issued on March 5, 2004 *6 | 12,000 | 15,067,130 shares of common stock of the Company | null | 4,022 yen |
| Stock acquisition rights issued on July 8, 2004 *7 | 3,159 | 315,900 shares of common stock of the Company | null | 2,944 yen |
| Stock acquisition rights issued on July 8, 2005 *8 | 3,151 | 315,100 shares of common stock of the Company | null | 1,828 yen |

- Notes:
- *1 indicates class and number of shares to be issued (or transferred from the Company's own shares held by the Company in lieu thereof) upon exercise of share acquisition rights.
 - *2 indicates issue price of share acquisition rights.
 - *3 indicates amount to be paid in per share upon exercise (exercise price) of share acquisition rights.
 - *4 were issued for the purpose of granting stock options, pursuant to the special resolution at the 56th Ordinary General Meeting of Shareholders held on June 27, 2002.
 - *5 were issued for the purpose of granting stock options, pursuant to the special resolution at the 57th Ordinary General Meeting of Shareholders held on June 27, 2003.
 - *6 were issued as a portion of convertible bonds (bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakukenshiki shasai*), pursuant to the resolution by the Board of Directors on February 16, 2004.
 - *7 were issued for the purpose of granting stock options, pursuant to the special resolution at the 58th Ordinary General Meeting of Shareholders held on June 29, 2004.
 - *8 were issued for the purpose of granting stock options, pursuant to the special resolution at the 59th Ordinary General Meeting of Shareholders held on June 29, 2005.

(2) Acquisition, Disposition and Holding of the Company's Own Shares

(a) The Company's Own Shares Purchased for the 60th Accounting Period

Number of shares of common stock: 7,192 shares

Aggregate amount of purchase price: 12,141,619 yen

(b) The Company's Own Shares Disposed for the 60th Accounting Period

Number of shares of common stock: 436 shares

Aggregate amount of disposal price: 712,042 yen

(c) Treasury Stock at the End of the 60th Accounting Period

Number of shares of common stock: 5,641,946 shares

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(3) Employees (Consolidated bases)

| Number of Employees | Change from the Previous Period's End |
|---------------------|---------------------------------------|
| 38,826 | Increase of 5,417 |

Note: Above number of employees includes 777 employees who retired as of March 31, 2006, by the incentive-based early retirement plan.

(4) Principal Offices and Plants

- (a) Pioneer Corporation (Parent Company)
 - Headquarters (Tokyo)
 - Omori Plant (Tokyo)
 - Tokorozawa Plant (Saitama)
 - Kawagoe Plant (Saitama)
 - Corporate Research & Development Laboratories (Saitama)
- (b) Principal Sales and Manufacturing Subsidiaries

Sales Subsidiaries

- Pioneer Marketing Corporation (Tokyo)
- Pioneer Electronics (USA) Inc. (USA)
- Pioneer Europe NV (Belgium)
- Pioneer GB Ltd. (U.K.)
- Pioneer Electronics Deutschland GmbH (Germany)
- Pioneer France SA (France)
- Pioneer China Holding Co., Ltd. (China)
- Pioneer High Fidelity Taiwan Co., Ltd. (Taiwan)

Manufacturing Subsidiaries

- Tohoku Pioneer Corporation (Yamagata)
- Pioneer Display Products Corporation (Shizuoka)
- Pioneer Plasma Display Corporation (Kagoshima)
- Pioneer Electronics Asiacentre Pte. Ltd. (Singapore)
- Pioneer Technology (Shanghai) Co., Ltd. (China)
- Pioneer Technology (Dongguan) Co., Ltd. (China)
- Pioneer Manufacturing (Thailand) Co., Ltd. (Thailand)
- Pioneer Technology (Malaysia) Sdn. Bhd. (Malaysia)
- (c) Research and Development Subsidiaries

- Pioneer Research Center USA, Inc. (USA)
- Pioneer Digital Design Centre Ltd. (U.K.)

Table of Contents**(5) Present State of the Company's Group**

(a) Status of the Company's Major Subsidiaries:

| Name | Location | Capital | *1 | Principal Business |
|--|-----------|-----------------------|--------------------|---|
| Tohoku Pioneer Corporation | Yamagata | 10,800 million yen | 67.0% | Manufacture of car electronics products |
| Pioneer Display Products Corporation | Shizuoka | 5,000 million yen | 100.0% | Manufacture of plasma displays |
| Pioneer Plasma Display Corporation | Kagoshima | 10,000 million yen | 100.0% (100.0%) | Manufacture of plasma displays |
| Pioneer North America, Inc. | U.S.A. | \$474,631 thousand | 100.0% | Coordination of the activities of the Company's North American local subsidiaries and affiliates |
| Pioneer Europe NV | Belgium | 50,513 thousand euro | 100.0% (18.5%) | Coordination of the activities of the Company's European local subsidiaries and affiliates, and distribution of the Company's products |
| Pioneer Electronics Asiacentre Pte. Ltd. | Singapore | \$28,055 thousand | 100.0% | Coordination of the activities of the Company's Asian local subsidiaries and affiliates, and manufacture and distribution of the Company's products |
| Pioneer China Holding Co., Ltd. | China | 473,833 thousand yuan | 100.0% | Coordination of the activities of the Company's Chinese local subsidiaries and affiliates, and distribution of the Company's products |

Notes: 1. *1 indicates percentage of the Company's contribution, directly or indirectly, to the subsidiaries. The figures in parentheses indicate the indirect portion of such contribution.

2. In addition, there is

Discovision Associates located in the U.S.A., whose principal business is licensing of worldwide patents relating to laser optical technologies, which is important but is not listed in the table above because it is a partnership under the laws and regulations of the U.S.A.

3. All capital amounts less than one unit are disregarded.

4. All percentage figures less than the second decimal place are disregarded.

(b) New Development in the Company's Group:

In the 60th accounting period, the Company sold Pioneer Digital Technologies Inc., a subsidiary engaged in the development of cable TV software in North America, to its management, and reached a preliminary agreement with OMRON Corporation on the sale of Pioneer Precision Machinery Corporation, which is involved in the electronic components business.

Table of Contents**(c) Business Performance of the Company's Group:**

The number of consolidated subsidiaries was 124, and the Company's investments in three affiliated companies were accounted for on an equity basis. Please refer to 1. OUTLINE OF BUSINESS OPERATIONS (2) Result of Business Operations and Addressing Current Challenges concerning the consolidated business results.

(6) Major Lenders

None

(7) Directors, Corporate Auditors and Executive Officers**(a) Directors and Corporate Auditors**

| Position in the Company | Name | Proper or Principal Occupation |
|---------------------------|--------------------|--|
| *President | Tamihiko Sudo | |
| *Senior Managing Director | Akira Niijima | In charge of Japanese domestic subsidiaries |
| *Senior Managing Director | Hajime Ishizuka | In charge of Corporate Management Group, export management in general, and Procurement Group |
| Senior Managing Director | Osamu Yamada | General Manager of Research & Development Group and General Manager of Corporate Research & Development Laboratories |
| Managing Director | Tadahiro Yamaguchi | In charge of Production Management and Coordination Division, and quality control in general |
| Managing Director | Satoshi Matsumoto | General Manager of Environmental Preservation Division and General Manager of Environmental Preservation Group |
| Managing Director | Koichi Shimizu | Chairman of Pioneer China Holding Co., Ltd. |
| Managing Director | Yoichi Sato | Deputy General Manager of Research & Development Group, General Manager of PDP Development Center, and in charge of Plasma Panel Engineering Division of Home Entertainment Business Group |
| Managing Director | Akira Haeno | General Manager of Mobile Entertainment Business Group |
| Director and Advisor | Kanya Matsumoto | |
| Director and Advisor | Kaneo Ito | |

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| Position in the Company | Name | Proper or Principal Occupation |
|-------------------------------|--------------------|---|
| Director | Tatsuhiko Ishikawa | Attorney-at-Law and Professor at Asia University |
| Director | Shunichi Sato | |
| Corporate Auditor (full time) | Makoto Koshiba | |
| Corporate Auditor | Terumichi Tsuchida | Senior Advisor of Meiji Yasuda Life Insurance Company |
| Corporate Auditor | Isao Moriya | Certified Public Accountant |
| Corporate Auditor | Keiichi Nishikido | Attorney-at-Law |

Notes: 1. * indicates a Representative Director.

2. Messrs. Tatsuhiko Ishikawa and Shunichi Sato satisfy the requirements of outside director under the Japanese law.

3. Messrs. Terumichi Tsuchida, Isao Moriya and Keiichi Nishikido satisfy the requirements of outside corporate auditor under the Japanese law.

4. Messrs. Yoichi Sato and Akira Haeno were newly elected and assumed the office of Director at the 59th Ordinary General Meeting of Shareholders

held on June 29,
2005.

5. Mr. Takashi Kobayashi retired from the office of Director at the conclusion of the 59th Ordinary General Meeting of Shareholders held on June 29, 2005.
6. On June 29, 2005, Mr. Tamihiko Sudo, who was theretofore Senior Managing Director and Representative Director, assumed the office of Executive Vice President and Representative Director; Mr. Osamu Yamada, who was theretofore Managing Director, assumed the office of Senior Managing Director; and Messrs. Yoichi Sato and Akira Haeno, who were theretofore Director, assumed the offices of Managing Director.
7. On November 30, 2005, Mr. Shinji Yasuda retired from the office of Corporate Auditor.

8. On January 1, 2006, Mr. Kanya Matsumoto, who was theretofore Chairman and Representative Director, and Mr. Kaneo Ito, who was theretofore President and Representative Director, assumed the offices of Director and Advisor; and Mr. Tamihiko Sudo, who was theretofore Executive Vice President and Representative Director, assumed the office of President and Representative Director.

9. In line with the Company's organization change effective on April 1, 2006, the proper or principal occupation of certain Directors listed above was changed as from the day as follows:

| Position in the Company | Name | Proper or Principal Occupation |
|-------------------------|--------------------|---|
| Managing Director | Tadahiro Yamaguchi | In charge of Engineering & Production Management Division |
| Managing Director | Satoshi Matsumoto | In charge of Quality Control Division |

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(b) Executive Officers

| Position in the Company | Name | Proper or Principal Occupation |
|-----------------------------------|--------------------|--|
| Senior Managing Executive Officer | Kazunori Yamamoto | General Manager of International Business Group |
| Senior Executive Officer | Seiichiro Kurihara | General Manager of Intellectual Property Division |
| Senior Executive Officer | Masao Kawabata | General Manager of Corporate Branding and Communications Division |
| Senior Executive Officer | Yoshio Taniyama | General Manager of Corporate Planning Division |
| Senior Executive Officer | Hideki Okayasu | General Manager of Finance and Accounting Division |
| Senior Executive Officer | Shinji Yasuda | General Manager of Home Entertainment Business Group and General Manager of Omori Plant |
| Executive Officer | Buntarou Nishikawa | General Manager of OEM Sales Division of Mobile Entertainment Business Group |
| Executive Officer | Osamu Takada | General Manager of Personnel Division |
| Executive Officer | Sumitaka Matsumura | Deputy General Manager of Research & Development Group and in charge of Optical Disk & Systems Development Center |
| Executive Officer | Chojuro Yamamitsu | Deputy General Manager of Environment Preservation Group (in charge of Eco Products) |
| Executive Officer | Kenji Sato | General Manager of General Administration Division |
| Executive Officer | Susumu Kotani | Chairman and Managing Director of Pioneer Europe NV |
| Executive Officer | Tsutomu Haga | President of Pioneer North America, Inc. |
| Executive Officer | Kaoru Sato | General Manager of Tokorozawa Plant of Home Entertainment Business Group |
| Executive Officer | Keiichi Yamauchi | General Manager of Mobile Systems Development Center of Research & Development Group and in charge of software and platform development of Home Entertainment Business Group |

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| Position in the Company | Name | Proper or Principal Occupation |
|-------------------------|-----------------|---|
| Executive Officer | Kazumi Kuriyama | Deputy General Manager of Corporate Research & Development Laboratories of Research & Development Group |

Notes: 1. On June 29, 2005, Messrs. Kiyoshi Uchida, Koki Aizawa, Toshihiko Norizuki, Yoichi Sato, Ryoji Menjo and Akira Haeno retired from the offices of Executive Officer.

2. On June 29, 2005, Messrs. Kaoru Sato, Keiichi Yamauchi and Kazumi Kuriyama newly assumed the offices of Executive Officer.

3. On December 28, 2005, Mr. Kenji Tokuyama retired from the office of Executive Officer.

4. On December 31, 2005, Mr. Masaru Saotome retired from the office

of Executive Officer.

5. On January 1, 2006, Mr. Shinji Yasuda newly assumed the office of Senior Executive Officer.

6. In line with the Company's organization change effective on April 1, 2006, the proper or principal occupation of certain Executive Officers listed above was changed as from the day as follows:

| Position in the Company | Name | Proper or Principal Occupation |
|-----------------------------------|--------------------|---|
| Senior Managing Executive Officer | Kazunori Yamamoto | In charge of International Business Division |
| Senior Executive Officer | Seiichiro Kurihara | In charge of Intellectual Property Division |
| Executive Officer | Sumitaka Matsumura | Deputy General Manager of Research & Development Group, General Manager of Optical Disk & Systems Development Center and in charge of Standards & Copyright Management Center |
| Executive Officer | Chojuro Yamamitsu | In charge of Quality Control Division (Eco Products) |
| Executive Officer | Kazumi Kuriyama | General Manager of Intellectual Property Division |

7. In line with the Company's organization change effective on April 16, 2006,

the proper or principal occupation of Mr. Keiichi Yamauchi was changed to In charge of software and platform development of Home Entertainment Business Group and General Manager of Engineering Division of Tokorozawa Plant.

(8) Share Acquisition Rights Issued in the 60th Accounting Period for the Purpose of Granting Stock Options

(a) Aggregate Number of Share Acquisition Rights Issued:

3,151

Note: The number of shares to be issued (or transferred from the Company's own shares held by the Company in lieu thereof; hereinafter the same shall apply) upon exercise of each share acquisition right shall be 100.

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(b) Class and Number of Shares to be Issued:

315,100 shares of common stock

(c) Issue Price of Share Acquisition Rights:

No consideration shall be paid.

(d) Amount to be Paid in per Share upon Exercise of Share Acquisition Rights:

1,828 yen

(e) Period during which Share Acquisition Rights May be Exercised:

From and including July 2, 2007, to and including June 30, 2010

(f) Conditions for Exercise of Share Acquisition Rights:

(i) Each share acquisition right may not be exercised in part.

(ii) The qualified persons for share acquisition rights (hereinafter referred to as the **Qualified Persons**) shall be required to hold a post in the Company or any subsidiary of the Company at the time of exercise of share acquisition rights, unless such **Qualified Persons** have resigned upon expiration of the term of office, have retired at retirement age provided for in the rules of employment of the Company or of such subsidiary, or have retired for reasons determined by the Company, or unless the Company exceptionally allows such **Qualified Persons** to exercise share acquisition rights.

(iii) Other conditions for exercise of share acquisition rights shall be determined by the board of directors of the Company.

(g) Cancellation of Share Acquisition Rights:

The Company may at any time purchase or acquire share acquisition rights and cancel them without any consideration.

(h) Substantially Favorable Terms:

The Company issued share acquisition rights to **Qualified Persons**, i.e. directors, executive officers and a number of employees of the Company as well as a number of directors of domestic or overseas subsidiaries of the Company, without being paid any consideration therefor.

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(i) Name of Qualified Persons and Number of Share Acquisition Rights Allocated:

Directors and Executive Officers (total: 1,088 share acquisition rights to 30 persons):

| Name | Number of Share Acquisition Rights Allocated | Name | Number of Share Acquisition Rights Allocated |
|--------------------|--|--------------------|--|
| Kanya Matsumoto | 80 | Seiichiro Kurihara | 30 |
| Kaneo Ito | 80 | Masao Kawabata | 30 |
| Tamihiko Sudo | 68 | Yoshio Taniyama | 30 |
| Akira Niijima | 60 | Hideki Okayasu | 30 |
| Hajime Ishizuka | 60 | Buntarou Nishikawa | 20 |
| Osamu Yamada | 52 | Osamu Takada | 20 |
| Tadahiro Yamaguchi | 44 | Sumitaka Matsumura | 20 |
| Satoshi Matsumoto | 44 | Chojuro Yamamitsu | 20 |
| Koichi Shimizu | 44 | Kenji Sato | 20 |
| Yoichi Sato | 44 | Susumu Kotani | 20 |
| Akira Haeno | 44 | Tsutomu Haga | 20 |
| Tatsuhiko Ishikawa | 32 | Kenji Tokuyama | 20 |
| Shunichi Sato | 32 | Kaoru Sato | 20 |
| Masaru Saotome | 32 | Keiichi Yamauchi | 20 |
| Kazunori Yamamoto | 32 | Kazumi Kuriyama | 20 |

(Lists of Qualified Persons who are employees of the Company or directors of subsidiaries of the Company have been omitted.)

(9) Payment Amount as Fees for the Accounting Auditor

(a) Total amount of payment by the Company as fees for the accounting auditor: 139 million yen

(b) Of the above amount (a), the amount of payment as fees for auditing services: 113 million yen

(c) Of the above amount (b), the amount of payment by Pioneer Corporation: 63 million yen

3. MATERIAL FACTS IN RELATION TO THE BUSINESS CONDITIONS OF THE COMPANY HAVING OCCURRED AFTER THE TERM FOR SETTLEMENT OF ACCOUNTS

There is nothing particular to report hereunder.

4. OTHER IMPORTANT MATTERS CONCERNING BUSINESS CONDITIONS OF THE COMPANY

There is nothing particular to report hereunder.

Table of Contents**CONSOLIDATED BALANCE SHEET**

| | (In millions of yen) March 31, 2006 |
|--|---|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | 121,680 |
| Trade receivables | |
| Notes | 1,729 |
| Accounts | 108,893 |
| Allowance for doubtful notes and accounts | (3,059) |
| Inventories | 104,226 |
| Deferred income taxes | 27,802 |
| Assets held for sale | 25,577 |
| Prepaid expenses and other current assets | 41,824 |
| Total current assets | 428,672 |
| Investments and long-term receivables: | |
| Available-for-sale securities | 24,733 |
| Investments in and advances to affiliated companies | 1,705 |
| Sundry investments | 3,189 |
| Long-term receivables, less allowance for doubtful accounts of 106 million yen | 145 |
| Total investments and long-term receivables | 29,772 |
| Property, plant and equipment: | |
| Land | 30,611 |
| Buildings | 119,312 |
| Machinery and equipment | 243,811 |
| Construction in progress | 1,999 |
| Accumulated depreciation | (235,502) |
| Total property, plant and equipment | 160,231 |
| Other assets: | |
| Intangible assets | 20,576 |
| Deferred income taxes | 28,933 |
| Other | 9,862 |
| Total other assets | 59,371 |
| Total assets | 678,046 |

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| | (In millions of yen) March 31, 2006 |
|---|---|
| LIABILITIES | |
| Current liabilities: | |
| Short-term borrowings | 23,205 |
| Current portion of long-term debt | 7,165 |
| Trade payables | 102,082 |
| Accrued liabilities | |
| Tax on income | 6,987 |
| Payroll | 16,640 |
| Royalty | 17,579 |
| Other | 56,656 |
| Warranty reserve | 6,603 |
| Dividends payable | 436 |
| Liabilities held for sale | 17,863 |
| Other current liabilities | 17,076 |
| Total current liabilities | 272,292 |
| Long-term liabilities: | |
| Long-term debt | 92,970 |
| Accrued pension and severance cost | 23,475 |
| Deferred income taxes | 1,718 |
| Other long-term liabilities | 232 |
| Total long-term liabilities | 118,395 |
| Total liabilities | 390,687 |
| MINORITY INTERESTS | 14,109 |
| SHAREHOLDERS EQUITY | |
| Common stock | 49,049 |
| Capital surplus | 82,910 |
| Retained earnings | 173,826 |
| Accumulated other comprehensive loss | (20,092) |
| Treasury stock | (12,443) |
| Total shareholders equity | 273,250 |
| Total liabilities and shareholders equity | 678,046 |

Table of ContentsCONSOLIDATED STATEMENT OF OPERATIONS

| | (In millions of yen) Year ended March 31, 2006 |
|--|--|
| Revenues: | |
| Operating revenue: | |
| Net sales | 746,424 |
| Royalty revenue | 8,540 |
| Total operating revenue | 754,964 |
| Interest income | 2,658 |
| Other income | 6,789 |
| Total revenues | 764,411 |
| Cost and expenses: | |
| Cost of sales | 593,238 |
| Selling, general and administrative expenses | 178,135 |
| Interest expenses | 1,479 |
| Loss on sale and disposal of fixed assets | 2,704 |
| Other deductions | 60,020 |
| Total cost and expenses | 835,576 |
| Loss from continuing operations before income taxes | (71,165) |
| Income taxes: | |
| Current | 8,074 |
| Deferred | (12,734) |
| Total Income taxes | (4,660) |
| Loss from continuing operations before minority interest and equity in losses | (66,505) |
| Minority interest in losses (earnings) of subsidiaries | 4,774 |
| Equity in losses of affiliated companies | (24,027) |
| Loss from continuing operations | (85,758) |
| Income from discontinued operations, net of tax | 772 |
| Net loss | (84,986) |

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**AUDIT REPORT BY ACCOUNTING AUDITOR
ON CONSOLIDATED FINANCIAL STATEMENTS
(COPY)
INDEPENDENT ACCOUNTANTS REPORT**

May 11, 2006

To the Board of Directors of Pioneer Corporation

Tohmatsu & Co.

Toshihiko Matsumiya, C.P.A. (seal)
Designated partner and Engagement partner

Eisuke Hirokawa, C.P.A. (seal)
Designated partner and Engagement partner

Seiji Harada, C.P.A. (seal)
Designated partner and Engagement partner

Pursuant to Article 19-2, Paragraph 3 of the Law Concerning Special Measures under the Commercial Code with Respect to Audit, etc. of Corporations (Kabushiki Kaisha) of Japan, we have audited the consolidated financial statements, namely, the consolidated balance sheet and the consolidated statement of operations of Pioneer Corporation for the 60th accounting period from April 1, 2005 to March 31, 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit from an independent position.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion. Our audit includes auditing procedures applied to subsidiaries as considered necessary.

As a result of our audits, in our opinion, the above-mentioned consolidated financial statements present fairly the financial position and the results of operations of the Company and subsidiaries in conformity with the applicable laws and regulations of Japan and the Company's Articles of Incorporation.

Our firm and the engagement partners do not have any financial interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Law of Japan.

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**AUDIT REPORT BY THE BOARD OF CORPORATE AUDITORS
ON CONSOLIDATED FINANCIAL STATEMENTS (COPY)
AUDIT REPORT**

May 12, 2006

The Board of Corporate Auditors of Pioneer Corporation

| | | |
|-------------------------------|--------------------|--------|
| Corporate Auditor (full time) | Makoto Koshiha | (seal) |
| Corporate Auditor | Terumichi Tsuchida | (seal) |
| Corporate Auditor | Isao Moriya | (seal) |
| Corporate Auditor | Keiichi Nishikido | (seal) |

The Board of Corporate Auditors has prepared this audit report as follows, upon deliberation after being reported by each Corporate Auditor on the methods and results of auditing with respect to the consolidated financial statements (the consolidated balance sheet and statement of operations) for the 60th accounting period from April 1, 2005 to March 31, 2006.

1. Summary of the methods of auditing by Corporate Auditors

In accordance with such matters as the policy of auditing and assignment of auditing work determined by the Board of Corporate Auditors, each Corporate Auditor conducted the audit after directors, other personnel and accounting auditors reported and explained the consolidated financial statements.

2. Results of auditing

The methods and the results of auditing by Tohmatsu & Co., the independent accountants and the Company's Accounting Auditor, are appropriate.

- END -

Notes: 1. Messrs. Terumichi Tsuchida, Isao Moriya and Keiichi Nishikido satisfy the requirements of outside corporate auditor under the Japanese law.

2. Since Mr. Shinji Yasuda retired from the office of Corporate Auditor on November 30, 2005, his signature and seal were not affixed to this audit report.

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Table of Contents**BALANCE SHEET (Non-Consolidated)**(In millions of
yen)
March 31, 2006**ASSETS**

Current assets:

| | |
|---------------------------------------|--------|
| Cash | 50,305 |
| Notes receivable trade | 715 |
| Accounts receivable trade | 45,319 |
| Finished products | 14,567 |
| Materials | 1,832 |
| Work in process | 5,331 |
| Supplies | 8,283 |
| Advances | 6,456 |
| Prepaid expenses | 2,509 |
| Deferred income taxes | 14,861 |
| Short-term loans | 53 |
| Other current assets | 16,269 |
| Less: Allowance for doubtful accounts | (44) |

| | |
|----------------------|---------|
| Total current assets | 166,461 |
|----------------------|---------|

Fixed assets:

Tangible assets

| | |
|-------------------------------|--------|
| Buildings | 27,209 |
| Structures | 666 |
| Machinery and equipment | 9,213 |
| Transportation equipment | 64 |
| Tools, furniture and fixtures | 5,471 |
| Land | 12,765 |
| Construction in progress | 146 |

| | |
|-----------------------|--------|
| Total tangible assets | 55,537 |
|-----------------------|--------|

Intangible assets

| | |
|----------------------|--------|
| Patents | 6,864 |
| Trademarks | 12 |
| Software | 16,977 |
| Software in progress | 4,455 |
| Other intangibles | 442 |

| | |
|-------------------------|--------|
| Total intangible assets | 28,752 |
|-------------------------|--------|

Investments and others

| | |
|--|---------|
| Investment securities | 19,552 |
| Investments in subsidiaries | 161,966 |
| Investments in memberships | 197 |
| Equity investments (other than stocks) in subsidiaries | 11,080 |
| Long-term loans | 93 |

| | |
|---------------------------------------|---------|
| Guaranty deposits | 2,063 |
| Deferred income taxes | 46 |
| Prepaid pension cost | 873 |
| Long-term prepaid expenses | 41 |
| Other investments | 6,063 |
| Less: Allowance for doubtful accounts | (0) |
| Total investments and others | 201,979 |
| Total fixed assets | 286,269 |
| Total assets | 452,730 |

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| | (In millions of yen) March 31, 2006 |
|---|---|
| LIABILITIES | |
| Current liabilities: | |
| Notes payable trade | 570 |
| Accounts payable trade | 55,604 |
| Short-term borrowings from subsidiaries | 32,667 |
| Other accounts payable | 2,142 |
| Accrued expenses | 61,190 |
| Accrued corporate income taxes | 541 |
| Allowance for products warranty | 1,100 |
| Other current liabilities | 4,062 |
| Total current liabilities | 157,879 |
| Long-term liabilities: | |
| Bonds | 70,600 |
| Retirement allowance for employees | 953 |
| Retirement allowance for directors and corporate auditors | 1,797 |
| Total long-term liabilities | 73,351 |
| Total liabilities | 231,230 |
| SHAREHOLDERS EQUITY | |
| Common stock | 49,048 |
| Capital Surplus: | |
| Additional paid-in capital | 81,278 |
| Other capital surplus: | |
| Gain on treasury stock | 36 |
| Total other capital surplus | 36 |
| Total capital surplus | 81,315 |
| Retained earnings: | |
| Legal reserve | 6,140 |
| Reserve for expropriation of capital assets | 27 |
| Reserve for disposition of capital assets in replacement | 130 |
| General reserve | 136,773 |
| Accumulated deficit | (46,902) |
| Total retained earnings | 96,169 |

| | |
|--|----------|
| Unrealized gain on available-for-sale securities | 7,409 |
| Treasury stock | (12,442) |
| Total shareholders' equity | 221,500 |
| Total liabilities and shareholders' equity | 452,730 |

Table of Contents**STATEMENT OF OPERATIONS (Non-Consolidated)**(In millions of
yen)
Year ended
March 31, 2006**ORDINARY INCOME AND LOSS**

Operating income and loss:

Operating revenue

Sales 515,792

Operating expenses

Cost of sales 451,320

Selling, general and administrative expenses 96,712

548,032

Operating loss 32,239

Non-operating income and expenses:

Non-operating income

Interest and dividend income 3,001

Others 162

3,164

Non-operating expenses

Interest expense 36

Interest on bonds 395

Foreign exchange loss 1,921

Others 117

2,471

Ordinary loss 31,546

EXTRAORDINARY GAIN AND LOSS

Extraordinary gain

Gain on sale of fixed assets 231

Gain on sale of investment securities 659

Restoration of allowance for doubtful accounts 17

Others 12

919

| | |
|--|--------|
| Extraordinary loss | |
| Loss on business reorganization | 13,495 |
| Loss on sale and disposal of fixed assets | 469 |
| Loss on write-down of investment securities | 127 |
| Loss on sale of investment securities | 9 |
| | 14,102 |
| Loss before income taxes | 44,730 |
| Income taxes: | |
| Current | 613 |
| Deferred | 2,414 |
| Net loss for the period | 47,757 |
| Unappropriated retained earnings brought forward | 2,163 |
| Interim dividends | 1,308 |
| Accumulated deficit at the end of the period | 46,902 |

Table of Contents**PROPOSAL OF APPROPRIATION OF UNAPPROPRIATED RETAINED EARNINGS**

| | (In yen) |
|---|--------------------|
| Accumulated deficit at the end of the period | 46,902,133,523 |
| Restoration of general reserves | 47,800,000,000 |
| Total | 897,866,477 |
| To be appropriated as follows: | |
| Dividends (2.5 yen per share of common stock) | 436,054,725 |
| Unappropriated retained earnings carried forward to the next period | 461,811,752 |

Note: The Company paid an aggregate of 1,308,190,523 yen or 7.5 yen per share of common stock as interim dividends on December 2, 2005.

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**AUDIT REPORT BY ACCOUNTING AUDITOR (COPY)
INDEPENDENT ACCOUNTANTS REPORT**

May 11, 2006

To the Board of Directors of Pioneer Corporation

Tohmatsu & Co.

Toshihiko Matsumiya, C.P.A. (seal)
Designated partner and Engagement partner

Eisuke Hirokawa, C.P.A. (seal)
Designated partner Engagement partner

Seiji Harada, C.P.A. (seal)
Designated partner and Engagement partner

Pursuant to Article 2 of the Law Concerning Special Measures under the Commercial Code with Respect to Audit, etc. of Corporations (Kabushiki Kaisha) of Japan, we have audited the financial statements, namely, the balance sheet, the statement of income, the business report (with respect to accounting matters only), the proposal of appropriation of unappropriated retained earnings and the supplementary schedules (with respect to accounting matters only) of Pioneer Corporation for the 60th accounting period from April 1, 2005 to March 31, 2006. The accounting matters included in the business report and the supplementary schedules referred to above are based on the Company's books of account. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit from an independent position.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as the evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion. Our audit includes auditing procedures applied to subsidiaries as considered necessary.

As a result of our audits, in our opinion:

- (1) The balance sheet and the statement of income present fairly the financial position and the results of operations of the Company in conformity with the applicable laws and regulations of Japan and the Company's Articles of Incorporation.
- (2) The business report (with respect to accounting matters only) presents fairly the Company's affairs in conformity with the applicable laws and regulations of Japan and the Company's Articles of Incorporation.
- (3) The proposal of appropriation of unappropriated retained earnings is in conformity with the applicable laws and regulations of Japan and the Company's Articles of Incorporation.
- (4) The supplementary schedules (with respect to accounting matters only) present fairly the information required to be set forth therein under the Commercial Code of Japan.

Our firm and the engagement partners do not have any financial interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Law of Japan.

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AUDIT REPORT BY THE BOARD OF CORPORATE AUDITORS (COPY)
AUDIT REPORT

May 12, 2006

The Board of Corporate Auditors of Pioneer Corporation

| | | |
|-------------------------------|--------------------|--------|
| Corporate Auditor (full time) | Makoto Koshiba | (seal) |
| Corporate Auditor | Terumichi Tsuchida | (seal) |
| Corporate Auditor | Isao Moriya | (seal) |
| Corporate Auditor | Keiichi Nishikido | (seal) |

The Board of Corporate Auditors has prepared this audit report as follows, upon deliberation after being reported by each Corporate Auditor on the methods and results of auditing with respect to the execution of functions by directors during the 60th accounting period from April 1, 2005 to March 31, 2006.

1. Summary of the methods of auditing by Corporate Auditors

In accordance with such matters as the policy of auditing and assignment of auditing work determined by the Board of Corporate Auditors, each Corporate Auditor attended meetings of the board of directors and other important meetings, called on directors and other personnel for reports of business, inspected important documents, and investigated the condition of operations and property at the head office and the principal places of business. Regarding subsidiaries, each Corporate Auditor requested subsidiaries' reports on business as considered necessary under the circumstances, visited subsidiaries from time to time, and thus investigated the condition of operations and property. The Board of Corporate Auditors also received a report of the accounting auditor's audits and examined the accounting documents and the supplementary schedules.

In addition, regarding such matters as transactions of directors that compete with the Company, transactions in which interests are contrary between directors and the Company, benefits given by the Company free of charge to shareholders, unusual transactions between the Company and subsidiaries or shareholders, and acquisition and disposal of shares of the Company, we called on directors and other personnel for reports and investigated the circumstances, when considered necessary.

2. Results of auditing

- (1) The methods and the results of auditing by Tohmatsu & Co., the independent accountants and the Company's Accounting Auditor, are appropriate.
- (2) The business report presents fairly, in conformity with the applicable laws and regulations of Japan and the Company's Articles of Incorporation, the status of the Company.
- (3) The proposal of appropriation of unappropriated retained earnings is proper in view of the financial position of the Company and other circumstances.
- (4) The supplementary schedules are proper and present fairly matters as are required to be reported therein.
- (5) Regarding execution of functions by directors, including functions thereby regarding subsidiaries, there exist no unjust acts or serious violation of laws and regulations of Japan or the Company's Articles of Incorporation therein.

It is to be added that there are no acts by directors in contravention of their duties regarding their transactions which compete with the Company, transactions in which interests are contrary between directors and the Company, benefits given by the Company free of charge to shareholders, unusual transactions between the Company and subsidiaries or shareholders, and acquisition and disposal of shares of the Company.

- END -

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- Notes:
1. Messrs. Terumichi Tsuchida, Isao Moriya and Keiichi Nishikido satisfy the requirements of outside corporate auditor under the Japanese law.
 2. Since Mr. Shinji Yasuda retired from the office of Corporate Auditor on November 30, 2005, his signature and seal were not affixed to this audit report.

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REFERENCE DOCUMENT FOR THE EXERCISE OF VOTING RIGHTS

1. NUMBER OF VOTING RIGHTS HELD BY ALL SHAREHOLDERS: 1,742,099

2. AGENDA ITEMS AND REFERENCE MATERIALS THEREOF:

Agenda Item No. 1. Approval of Proposal of Appropriation of Unappropriated Retained Earnings for the 60th Accounting Period

The board of directors hereby proposes to appropriate the unappropriated retained earnings for the 60th accounting period as described on page 29.

The Company sets dividend payments appropriately in light of its financial position, consolidated operating results, and other factors, but has a basic policy of maintaining stable dividends.

Under this dividend policy, the Board hereby regrettably proposes to reduce the year-end dividend for the 60th accounting period by 10 yen per share of common stock from that for the previous accounting period to 2.5 yen per share of common stock. This proposal reflects the Company's large losses for the 60th accounting period on both non-consolidated and consolidated bases, amid a continually challenging business environment. Combined with the interim dividend, this payment will bring the total annual cash dividends for the 60th accounting period to 10 yen per share of common stock, as compared to 25 yen per share of common stock for the previous accounting period.

The Board has determined to propose no bonus to Directors and Corporate Auditors for the 60th accounting period.

Agenda Item No. 2. Partial Amendment to the Articles of Incorporation

Point of the agenda and reasons for amendments:

The present Articles of Incorporation are proposed to be amended partially as follows:

(1) Pursuant to the Company Law of Japan and related laws and ordinances, which took effect as of May 1, 2006, it is hereby proposed that the Articles of Incorporation be amended as follows:

1. Necessary amendment to the provisions of the present Article 4 (Public Notices) be made in order to adopt electronic public notices utilizing the Internet as the method of giving public notices. This amendment also establishes measures to be taken when an electronic public notice is impracticable for unavoidable reasons.
2. In order to clarify the rights that a shareholder holding fractional unit shares is entitled to exercise, the provisions of Article 11 (Rights of Fractional Unit Shares) be newly established.
3. In connection with the abolition of the provisions of the Commercial Code of Japan which prescribed the location at which general meetings of shareholders were to be held, Paragraph 2 of the present Article 12 (Time and Place to Hold General Meetings of Shareholders) be deleted.
4. In order to enable reference documents and other related documents for general meetings of shareholders to be disclosed through the Internet, the provisions of Article 17 (Disclosure of Reference Documents for General Meetings of Shareholders through the Internet) be newly established.
5. In order to enable resolutions of the Board of Directors to be made in writing or digitally for the purpose of achieving flexibility in the management of the Board of Directors, the provisions of Article 28 (Deemed Resolutions of the Board of Directors) be newly established.

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(2) In accordance with the Law for Maintenance, Etc. of Relevant Laws Relating to the Enforcement of the Company Law which took effect as of May 1, 2006, it is hereby proposed that matters deemed to have been provided for in the Articles of Incorporation upon enforcement of the Company Law be included in the proposed amendments to the Articles of Incorporation.

(3) In connection with the above amendments, it is proposed that the terms used in the Commercial Code be changed to those used in the Company Law and the quoted provisions from the Commercial Code be changed to those from the Company Law. In addition to the above amendments, necessary amendments are proposed throughout the Articles of Incorporation, including renumbering of the Articles, rearrangement of the structure and revision of wording.

The present Articles and the proposed amendments are as follows:

(Changes are indicated by underlines.)

| Present Articles | Proposed Amendments |
|---|--|
| CHAPTER I GENERAL RULES | CHAPTER I. GENERAL RULES |
| Article 1. (<i>Trade Name</i>) The Company shall be called Pioneer Kabushiki Kaisha, and its English name shall be Pioneer Corporation. | Article 1. (<i>Trade Name</i>) [Same as at present] |
| Article 2. (<i>Purpose</i>) The purpose of the Company shall be to engage in the following lines of business: (1) Manufacture and sale of electronic and electrical machinery and appliances. (2) Manufacture and sale of optical instruments, medical instruments, and other machinery and appliances. (3) Planning, production, manufacture and sale of audio, video and computer software. (4) Manufacture and sale of woodwork. (5) Manufacture and sale of agricultural products and plants for their cultivation. (6) Sale of food and beverages including liquor, and operation of restaurants and amusement facilities. (7) Sale and purchase, rental and lease, and management of real estate and real estate agency business. (8) Publishing and printing business, advertising agency business, construction business and non-life insurance agency business. | Article 2. (<i>Purpose</i>) The purpose of the Company shall be to engage in the following lines of business, 1. [Same as at present] 2. [Same as at present] * 3. [Same as at present] * 4. [Same as at present] * 5. [Same as at present] * 6. [Same as at present] * 7. [Same as at present] * 8. [Same as at present] * |

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| Present Articles | Proposed Amendments |
|---|--|
| (9) Acquisition, management and transfer of industrial property rights, copyrights and other intellectual property rights. | 9. [Same as at present] * |
| (10) All business incidental and related to each and every one of the businesses in the preceding paragraphs. | 10. [Same as at present] * |
| Article 3. (<i>Head Office</i>) The Company shall have its head office in Meguro-ku, Tokyo. | Article 3. (<i>Location of Head Office</i>) The Company shall have its head office in Meguro-ku, Tokyo, <u>Japan</u> . |
| [Addition] | Article 4. (<i>Corporate Organizations</i>) <u>In addition to general meetings of shareholders and directors, the Company shall have the following corporate organizations.</u> 1. <u>Board of Directors</u> 2. <u>Corporate Auditors</u> 3. <u>Board of Corporate Auditors</u> 4. <u>Accounting Auditor</u> |
| Article 4. (<i>Public Notices</i>) Public notices of the Company shall be given in the Nihon Keizai Shimbun <u>published in Tokyo</u> . | Article 5. (<i>Method of Giving Public Notices</i>) Public notices of the Company shall be given <u>by electronic public notices; provided, however, that in the event an electronic public notice is impracticable as a result of an accident or for other unavoidable reasons, the Company shall give its public notices in the Nihon Keizai Shimbun.</u> |
| CHAPTER II SHARES | CHAPTER II. SHARES |
| Article 5. (<i>Total Number of Shares Authorized to be Issued by the Company</i>) The total number of shares authorized to be issued by the Company shall be four-hundred million (400,000,000) shares; <u>provided, however, that if shares are retired, the total number of shares authorized to be issued by the Company shall be reduced by the number of shares so retired.</u> | Article 6. (<i>Total Number of Shares Authorized to be Issued by the Company</i>) The total number of shares authorized to be issued by the Company shall be four-hundred million (400,000,000) shares. |
| Article 6. (<i>Purchases by the Company of Its Own Shares</i>) The Company may, by a resolution of the Board of Directors, purchase its shares <u>pursuant to the provisions of Item 2, Paragraph 1, Article 211-3 of the Commercial Code.</u> | Article 7. (<i>Purchases by the Company of Its Own Shares</i>) The Company may, by a resolution of the Board of Directors, purchase its shares <u>by market transactions and other permitted methods.</u> |

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Present Articles

Proposed Amendments

Article 7. (*Number of Shares Constituting One Unit of Stock and Non-Issuance of Certificates for Constituting Less than One Full Unit*)

(1) The number of shares constituting one unit of stock of the Company shall be one hundred (100).

(2) The Company shall not issue any certificate for any number of shares constituting less than one full unit of stock (hereinafter referred to as fractional unit shares).

[Addition]

Article 8. (*Sale of Fractional Unit Shares*)

A shareholder (including beneficial shareholders; hereinafter the same shall apply) 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 full unit of stock in accordance with the provisions of the Share Handling Regulations referred to in Article 10.

[Addition]

Article 8. (*Number of Shares Constituting One Unit of Stock*)

[Same as at present] *

[Deletion]

Article 9. (*Issuance of Share Certificates*)

(1) The Company shall issue share certificates that represent its issued shares.

(2) Notwithstanding the provisions of the preceding paragraph, the Company shall not issue any certificates for shares constituting less than one unit of stock (hereinafter referred to as fractional unit shares), except as provided for in the Share Handling Regulations of the Company.

Article 10. (*Request for Sale of Fractional Unit Shares*)

A shareholder (including beneficial shareholders; hereinafter the same shall apply) 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.

Article 11. (*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.

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Present Articles

Proposed Amendments

Article 9. (Transfer Agent)

(1) The Company shall have a transfer agent with respect to its shares.

(2) The transfer agent and its place of business shall be determined by a resolution of the Board of Directors and public notice shall be given thereof.

(3) The register of shareholders and the register of beneficial shareholders and the register of lost share certificates of the Company shall be kept at the place of business of the transfer agent, and the business pertaining to shares, such as registration of transfers of shares, acceptance of the notice with respect to beneficial shareholders, registration of pledges and cancellation thereof, indication of trust assets and cancellation thereof, registration of lost share certificates and cancellation thereof, delivery of share certificates, purchase and sale of fractional unit shares, acceptance of applications, etc., shall be handled by such transfer agent, and the Company shall not itself handle the above matters directly.

1. The rights provided for in each item of Article 189, Paragraph 2 of the Company Law.
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.

Article 12. (Transfer Agent)

(1) The Company shall have a transfer agent.

(2) [Same as at present] *

(3) The transfer agent shall prepare and keep the register of shareholders (including the register of beneficial shareholders; hereinafter the same shall apply), the register of lost share certificates and the register of share acquisition rights of the Company, and shall handle other business pertaining to the register of shareholders, the register of lost share certificates and the register of share acquisition rights and other businesses pertaining to shares and share acquisition rights, and the Company shall not itself handle the above matters directly.

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Present Articles

Article 10. (*Share Handling Regulations*)

The denominations of share certificates of the Company, as well as the business pertaining to the handling of shares, such as registration of transfers of shares, acceptance of the notice with respect to beneficial shareholders, registration of pledges and cancellation thereof, indication of trust assets and cancellation thereof, registration of lost share certificates and cancellation thereof, delivery of share certificates, purchase and sale of fractional unit shares, acceptance of applications and other handling procedures and the charges therefor shall be governed by the Share Handling Regulations determined by the Board of Directors.

Article 11. (*Record Date*)

(1) The Company shall deem any shareholder having voting rights as appearing in writing or digitally on the register of shareholders and/or the register of beneficial shareholders at the end of each accounting period to be a shareholder who is entitled to exercise the rights of a shareholder at the ordinary general meeting of shareholders for that particular accounting period.

(2) In addition to the preceding paragraph, the Company may, whenever necessary, by a resolution of the Board of Directors and upon giving prior public notice, deem any shareholder or pledgee whose name appears in writing or digitally on the register of shareholders and/or the register of beneficial shareholders as of the end of a specified date to be a shareholder or a pledgee who is entitled to exercise certain rights of a shareholder or a pledgee.

CHAPTER III
GENERAL MEETINGS OF SHAREHOLDERS

Article 12. (*Time and Place to Hold General Meetings of Shareholders*)

(1) Ordinary general meetings of shareholders of the Company shall be convened annually in June and extraordinary general meetings of shareholders may be convened whenever necessary.

Proposed Amendments

Article 13. (*Share Handling Regulations*)

Handling of shares and share acquisition rights, and the charges therefor shall be governed by the Share Handling Regulations determined by the Board of Directors, in addition to laws and ordinances and these Articles of Incorporation.

Article 14. (*Record Date*)

(1) The Company shall deem any shareholder having voting rights as appearing in writing or digitally on the register of shareholders at the end of March 31, each year, to be a shareholder who is entitled to exercise the rights of a shareholder at the ordinary general meeting of shareholders for that particular business year.

(2) In addition to the preceding paragraph, the Company may, whenever necessary, by a resolution of the Board of Directors and upon giving prior public notice, deem any shareholder or stock pledgee whose name appears in writing or digitally on the register of shareholders as of the end of a specified date to be a shareholder or a stock pledgee who is entitled to exercise certain rights of a shareholder or a stock pledgee.

CHAPTER III.
GENERAL MEETINGS OF SHAREHOLDERS

Article 15. (*Convocation of General Meetings of Shareholders*)

[Same as at present] *

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Present Articles

Proposed Amendments

(2) General meetings of shareholders may be convened at the seat of the head office, a place adjacent thereto, or in Minato-ku, Tokyo.

[Deletion]

Article 13. (Convocation of General Meetings of Shareholders and Chairman Thereof)

Article 16. (Person to Convene General Meetings of Shareholders and Chairman Thereof)

(1) Unless otherwise provided by law, the President and Director of the Company shall convene general meetings of shareholders by resolutions of the Board of Directors and shall act as the chairman of the meetings.

(1) Unless otherwise provided by laws or ordinances, the President and Director of the Company shall convene general meetings of shareholders by resolutions of the Board of Directors and shall act as the chairman of the meetings.

(2) If the President and Director is unable to act, another director shall convene the meetings and act as the chairman of the meetings in accordance with an order of priority previously determined by the Board of Directors.

(2) If the President and Director is unable to act, another director shall convene the general meetings of shareholders and act as the chairman of the meetings in accordance with an order of priority previously determined by the Board of Directors.

[Addition]

Article 17. (Disclosure of Reference Documents for General Meetings of Shareholders through the Internet)

In convening a general meeting of shareholders, it may be deemed that the Company has provided the shareholders with the necessary information to be described or indicated in the reference documents for the general meeting of shareholders, business reports, non-consolidated financial statements, and consolidated financial statements if such information is disclosed through the Internet in accordance with the Ministry of Justice Ordinance of Japan.

Article 14. (Method of Making Decisions of General Meetings of Shareholders)

Article 18. (Method of Making Decisions at General Meetings of Shareholders)

(1) Unless otherwise provided by law or in the Articles of Incorporation, resolutions of general meetings of shareholders shall be adopted by a majority vote of the shareholders present at the meetings.

(1) Unless otherwise provided by laws or ordinances or in these Articles of Incorporation, a resolution of a general meeting of shareholders shall be adopted by a majority vote of the shareholders entitled to exercise their voting rights who are present at the meeting.

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Present Articles

(2) Special resolutions to be adopted pursuant to the provisions of Article 343 of the Commercial Code shall be adopted by not less than two-thirds of the votes of the shareholders present at the meetings who hold not less than one-third of the votes of all shareholders.

Article 15. (*Voting by a Proxy*)

A shareholder may exercise his voting right by a proxy, who shall also be a shareholder of the Company having voting rights; provided, however, that such shareholder or proxy shall submit to the Company a document evidencing his authority.

Article 16. (*Minutes of General Meetings of Shareholders*)

The substance of the proceedings at general meetings of shareholders and the results thereof shall be recorded in the minutes in writing or digitally and the chairman of the meeting and the directors present shall affix their names and seals thereto or put their electronic signatures thereon.

CHAPTER IV
DIRECTORS AND BOARD OF DIRECTORS

Article 17. (*Number of Directors*)

The Company shall have three (3) or more directors.

Article 18. (*Election*)

(1) A resolution of a general meeting of shareholders for the election of directors shall require the presence of shareholders holding one-third or more of the voting rights of the total shareholders and it shall be adopted by a majority vote of the shareholders present.

(2) No cumulative voting shall be used for the election of directors.

Article 19. (*Term of Office*)

The term of office of a director shall expire at the conclusion of the ordinary general meeting of shareholders held with respect to the last closing of accounts within one (1) year after his assumption of office.

Proposed Amendments

(2) A resolution to be adopted pursuant to the provisions of Article 309, Paragraph 2 of the Company Law shall be adopted by not less than two-thirds of the votes of the shareholders present at the meeting who hold not less than one-third of the votes of the shareholders entitled to exercise their voting rights.

Article 19. (*Voting by a Proxy*)

A shareholder may exercise his/her voting right by one (1) proxy, who shall also be a shareholder of the Company having voting rights; provided, however, that such shareholder or proxy shall submit to the Company, in each case, a document evidencing his/her authority.

Article 20. (*Minutes of General Meetings of Shareholders*)

The substance of the proceedings at general meetings of shareholders and the results thereof, as well as other matters provided for by laws or ordinances shall be recorded in the minutes in writing or digitally.

CHAPTER IV.
DIRECTORS AND BOARD OF DIRECTORS

Article 21. (*Number of Directors*)

[Same as at present]

Article 22. (*Election of Directors*)

(1) A resolution of a general meeting of shareholders for the election of directors shall require the presence of shareholders holding one-third or more of the voting rights of the shareholders entitled to exercise their voting rights, and it shall be adopted by a majority vote of the shareholders present.

(2) [Same as at present]

Article 23. (*Term of Office of Directors*)

The term of office of a director shall expire at the conclusion of the ordinary general meeting of shareholders held with respect to the last business year ending within one (1) year after the election.

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Present Articles

Article 20. (*Directors with Specific Titles and Representative Directors*)

- (1) The Company may elect by a resolution of the Board of Directors one Chairman and Director, one Vice Chairman and Director, one President and Director, and one or more Executive Vice Presidents and Directors, Senior Managing Directors, and Managing Directors.
- (2) By a resolution of the Board of Directors, one or more Directors who shall represent the Company shall be elected from those directors with specific titles referred to in the preceding paragraph.

Article 21. (*Convocation of Meetings of the Board of Directors and Chairman Thereof*)

- (1) Unless otherwise provided by law, the President and Director shall convene meetings of the Board of Directors and shall act as the chairman of the meetings.
- (2) If the President and Director is unable to act, another director shall convene the meetings and act as the chairman of the meetings in accordance with an order of priority previously determined by the Board of Directors.

(3) The notice for convening meetings of the Board of Directors shall be sent to all the directors and corporate auditors four (4) days prior to the date of the meeting, provided that such period may be shortened in case of emergency.

[Addition]

Proposed Amendments

Article 24. (*Directors with Specific Titles and Representative Directors*)

- (1) The Board of Directors may elect by a resolution thereof one Chairman and Director, one Vice Chairman and Director, one President and Director, and one or more Executive Vice Presidents and Directors, Senior Managing Directors, and Managing Directors.
- (2) The Board of Directors shall elect by a resolution thereof one or more Representative Directors from those directors with specific titles referred to in the preceding paragraph.

Article 25. (*Person to Convene Meetings of the Board of Directors and Chairman Thereof*)

- (1) Unless otherwise provided by laws or ordinances, the President and Director shall convene meetings of the Board of Directors and shall act as the chairman of the meetings.
- (2) If the President and Director is unable to act, another director shall convene the meetings of the Board of Directors and act as the chairman of the meetings in accordance with an order of priority previously determined by the Board of Directors.

[Deletion]

Article 26. (*Convocation Notice of Meetings of the Board of Directors*)

The notice for convening meetings of the Board of Directors shall be sent to all the directors and corporate auditors three (3) days prior to the date of the meeting, provided that such period may be shortened in case of emergency.

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Present Articles

Article 22. (*Method of Making Decisions of Meetings of the Board of Directors*)

A resolution of a meeting of the Board of Directors shall require the presence of a majority of the total number of directors and it shall be adopted by a majority vote of the directors present.

[Addition]

Article 23. (*Minutes of Meetings of the Board of Directors*)

The substance of the proceedings at meetings of the Board of Directors and the results thereof shall be recorded in the minutes in writing or digitally and the directors and the corporate auditors present shall affix their names and seals thereto or put their electronic signatures thereon.

Article 24. (*Regulations of Meetings of the Board of Directors*)

Unless otherwise provided by law or in the Articles of Incorporation, matters pertaining to the meetings of the Board of Directors shall be governed by the Regulations of Meetings of the Board of Directors determined by the Board of Directors.

Article 25. (*Remuneration and Retirement Allowances*)

The remuneration and retirement allowances for directors shall be determined by resolutions of general meetings of shareholders.

CHAPTER V
CORPORATE AUDITORS AND BOARD OF
CORPORATE AUDITORS

Article 26. (*Number of Corporate Auditors*)

Proposed Amendments

Article 27. (*Method of Making Decisions at Meetings of the Board of Directors*)

[Same as at present]

Article 28. (Deemed Resolutions of the Board of Directors)

The Company shall deem that matters to be resolved by the Board of Directors are adopted by a resolution of the Board of Directors if all the directors express their unanimous consent to such matters in writing or digitally, unless any corporate auditor expresses objections thereto.

Article 29. (*Minutes of Meetings of the Board of Directors*)

The substance of the proceedings at meetings of the Board of Directors and the results thereof, as well as other matters provided for by laws or ordinances shall be recorded in the minutes in writing or digitally and the directors and the corporate auditors present shall affix their names and seals thereto or put their electronic signatures thereon.

Article 30. (*Regulations of the Board of Directors*)

Matters pertaining to the Board of Directors shall be governed by the Regulations of the Board of Directors determined by the Board of Directors, in addition to laws or ordinances or these Articles of Incorporation.

Article 31. (*Remuneration, etc. for Directors*)

The remuneration and retirement allowances for directors as well as other remuneration, etc. for directors shall be determined by resolutions of general meetings of shareholders.

CHAPTER V
CORPORATE AUDITORS AND BOARD OF
CORPORATE AUDITORS

Article 32. (*Number of Corporate Auditors*)

[Same as at present]

The Company shall have three (3) or more corporate auditors.

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Present Articles

Proposed Amendments

Article 27. (*Election*)

A resolution of a general meeting of shareholders for the election of corporate auditors shall require the presence of shareholders holding one-third or more of the voting rights of the total shareholders and it shall be adopted by a majority vote of the shareholders present.

Article 28. (*Term of Office*)

The term of office of a corporate auditor shall expire at the conclusion of the ordinary general meeting of shareholders held with respect to the last closing of accounts within four (4) years after his assumption of office.

[Addition]

Article 29. (*Term of Office of a Corporate Auditor Who is Elected to Fill a Vacancy*)

The term of office of a corporate auditor who is elected to fill a vacancy caused by retirement of a corporate auditor before the expiration of the latter's term of office, shall expire when such predecessor's full term of office would have expired.

Article 30. (*Full Time Corporate Auditor(s)*)

The Company shall have one (1) or more full time corporate auditor(s) who shall be elected by and from among the corporate auditors.

Article 31. (*Convocation of Meetings of the Board of Corporate Auditors*)

The notice for convening meetings of the Board of Corporate Auditors shall be sent to all the corporate auditors four (4) days prior to the date of the meeting, provided that such period may be shortened in case of emergency.

Article 33. (*Election of Corporate Auditors*)

A resolution of a general meeting of shareholders for the election of corporate auditors shall require the presence of shareholders holding one-third or more of the voting rights of the shareholders entitled to exercise their voting rights, and it shall be adopted by a majority vote of the shareholders present.

Article 34. (*Term of Office of Corporate Auditors*)

(1) The term of office of a corporate auditor shall expire at the conclusion of the ordinary general meeting of shareholders held with respect to the last business year ending within four (4) years after the election.

(2) The term of office of a corporate auditor who is elected to fill a vacancy caused by retirement of a corporate auditor before the expiration of the latter's term of office, shall expire when such predecessor's full term of office would have expired.

[Deletion]

Article 35. (*Full Time Corporate Auditor(s)*)

The Board of Corporate Auditors shall elect by a resolution thereof one (1) or more full time corporate auditor(s) from among the corporate auditors.

Article 36. (*Convocation Notice of Meetings of the Board of Corporate Auditors*)

The notice for convening meetings of the Board of Corporate Auditors shall be sent to all the corporate auditors three (3) days prior to the date of the meeting, provided that such period may be shortened in case of emergency.

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Present Articles

Article 32. (*Method of Making Decisions of Meetings of the Board of Corporate Auditors*)

Unless otherwise provided by law, a resolution of a meeting of the Board of Corporate Auditors shall be adopted by a majority vote of the corporate auditors.

Article 33. (*Minutes of Meetings of the Board of Corporate Auditors*)

The substance of the proceedings at meetings of the Board of Corporate Auditors and the results thereof shall be recorded in the minutes in writing or digitally and the corporate auditors present shall affix their names and seals thereto or put their electronic signatures thereon.

Article 34. (*Regulations of Meetings of the Board of Corporate Auditors*)

Unless otherwise provided by law or in the Articles of Incorporation, matters pertaining to the meetings of the Board of Corporate Auditors shall be governed by the Regulations of Meetings of the Board of Corporate Auditors determined by the Board of Corporate Auditors.

Article 35. (*Remuneration and Retirement Allowances*)

The remuneration and retirement allowances for corporate auditors shall be determined by resolutions of general meetings of shareholders.

CHAPTER VI
ACCOUNTS

Article 36. (*Business Year and Closing of Accounts*)

The business year of the Company shall commence on April 1 of each year and shall end on March 31 of the next following year, and the accounts shall be closed as of the last day of each business year.

Proposed Amendments

Article 37. (*Method of Making Decisions at Meetings of the Board of Corporate Auditors*)

Unless otherwise provided by laws or ordinances, a resolution of a meeting of the Board of Corporate Auditors shall be adopted by a majority vote of the corporate auditors.

Article 38. (*Minutes of Meetings of the Board of Corporate Auditors*)

The substance of the proceedings at meetings of the Board of Corporate Auditors and the results thereof, as well as other matters provided for by laws or ordinances shall be recorded in the minutes in writing or digitally and the corporate auditors present shall affix their names and seals thereto or put their electronic signatures thereon.

Article 39. (*Regulations of the Board of Corporate Auditors*)

Matters pertaining to the Board of Corporate Auditors shall be governed by the Regulations of the Board of Corporate Auditors determined by the Board of Corporate Auditors, in addition to laws or ordinances or these Articles of Incorporation.

Article 40. (*Remuneration, etc. for Corporate Auditors*)

The remuneration and retirement allowances for corporate auditors as well as other remuneration, etc. for corporate auditors shall be determined by resolutions of general meetings of shareholders.

CHAPTER VI₁
ACCOUNTS

Article 41. (*Business Year*)

The business year of the Company shall commence on April 1 of each year and shall end on March 31 of the next following year.

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Present Articles

Article 37. (*Payment of Dividends and Interim Dividends*)

(1) Dividends on shares shall be paid to the shareholders or pledgees whose names appear in writing or digitally on the register of shareholders and/or the register of beneficial shareholders as of the end of each accounting period.

(2) The Company may, by a resolution of the Board of Directors, make a payment of interim dividends (cash distribution pursuant to the provisions of Article 293-5 of the Commercial Code) to the shareholders or pledgees whose names appear in writing or digitally on the register of shareholders and/or the register of beneficial shareholders as of the end of September 30, each year.

Article 38. (*Terms for Discharge of Liability for Dividend Payments*)

(1) If a dividend or an interim dividend on shares remains unreceived within three (3) full years after the date the payment therefor commenced, the Company shall be discharged from its obligation to pay such dividend or interim dividend.

(2) Dividends and interim dividends to be paid shall bear no interest.

Note: Paragraphs/Items with asterisks (*) will be amended to make partial modifications of the description in Japanese only. No modification of the English translation of these Paragraphs/Items is necessary.

Proposed Amendments

Article 42. (*Record Date for Payment of Year-End Dividends and Interim Dividends*)

(1) The Company shall, by a resolution of a general meeting of shareholders, make a payment of dividends from surplus, in cash, (hereinafter referred to as year-end dividends) to the shareholders or stock pledgees whose names appear in writing or digitally on the register of shareholders as of the end of March 31, each year.

(2) The Company may, by a resolution of the Board of Directors, make a payment of dividends from surplus pursuant to the provisions of Article 454, Paragraph 5 of the Company Law (hereinafter referred to as interim dividends) to the shareholders or stock pledgees whose names appear in writing or digitally on the register of shareholders as of the end of September 30, each year.

Article 43. (*Terms for Discharge of Liability for Dividend Payments*)

(1) If a year-end dividend or an interim dividend on shares remains unreceived within three (3) full years after the date on which the payment therefor commenced, the Company shall be discharged from its obligation to pay such year-end dividend or interim dividend.

(2) Year-end dividends and interim dividends to be paid shall bear no interest.

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Agenda Item No. 3. Election of Eight (8) Individuals as Directors

As the terms of offices of all of thirteen (13) Directors currently in office will expire at the conclusion of this Ordinary General Meeting of Shareholders, a proposal is hereby made to elect eight (8) Directors at this meeting.

The candidates for Directors are as follows:

Candidates for Directors

No. 1 Tamihiko Sudo

Date of Birth: April 28, 1947

Number of Pioneer Shares Held: 5,000

Brief Personal Profile:

April 1970:

Joined Pioneer

February 1989:

Managing Director of Pioneer Electronics (Holland) B.V.

June 2000:

Executive Officer;

Executive Vice President of Mobile Entertainment Company

June 2002:

Senior Executive Officer;

President of Mobile Entertainment Company

June 2003:

Managing Director;

President of Mobile Entertainment Company

June 2004:

Senior Managing Director and Representative Director;

President of Mobile Entertainment Company

June 2005:

Executive Vice President and Representative Director;

In charge of Corporate Strategy Planning Group, Corporate Management Group, export management in general, and quality control in general

January 2006 to present:

President and Representative Director

No. 2 Hajime Ishizuka

Date of Birth: May 3, 1947

Number of Pioneer Shares Held: 6,200

Brief Personal Profile:

April 1970:

Joined Pioneer

June 2000:

Executive Officer;

General Manager of International Business Division

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June 2002:

Senior Executive Officer;
General Manager of Components Business Division and in charge of International
Business Division

June 2003:

Director;
President of Components Business Company and in charge of International
Business Division

June 2004:

Senior Managing Director and Representative Director;
President of Home Entertainment Business Company and AV Business
Company, and Plant Manager of Tokorozawa Plant

January 2006 to present:

Senior Managing Director and Representative Director;
In charge of Corporate Management Group, export management in general, and
Procurement Group

No. 3 Osamu Yamada

Date of Birth: March 16, 1944

Number of Pioneer Shares Held: 4,000

Brief Personal Profile:

April 1967:

Joined the Japan Broadcasting Corporation (NHK)

June 1999:

General Manager of NHK Technical Research Laboratory

June 2002:

Joined Pioneer; Counselor of Pioneer

June 2002:

Senior Executive Officer;
General Manager of Research & Development Group

June 2003:

Managing Director;
General Manager of Research & Development Group and General Manager of
Corporate Research & Development Laboratories

June 2005 to present:

Senior Managing Director;
General Manager of Research & Development Group and General Manager of
Corporate Research & Development Laboratories

Representation in Other Companies:

President and Representative Director of Advanced PDP Development Center
Corporation

No. 4 Satoshi Matsumoto

Date of Birth: April 15, 1954

Number of Pioneer Shares Held: 416,200

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Brief Personal Profile:

March 1983:

Joined Pioneer

June 1998:

Director;

General Manager of Division of Environmental Preservation

June 2002:

Managing Director;

General Manager of Division of Environmental Preservation

April 2006 to present:

Managing Director;

In charge of Quality Control Division

No. 5 Akira Haeno

Date of Birth: February 14, 1949

Number of Pioneer Shares Held: 3,000

Brief Personal Profile:

April 1972:

Joined Pioneer

July 1997:

General Manager of Engineering Division of Mobile Entertainment Company

July 2000:

Managing Director of Pioneer Technology Belgium NV

March 2004:

Plant Manager of Kawagoe Plant and General Manager of Production Division of Mobile Entertainment Company

June 2004:

Executive Officer;

Plant Manager of Kawagoe Plant and General Manager of Production Division of Mobile Entertainment Company

June 2005:

Managing Director;

President of Mobile Entertainment Company

January 2006 to present:

Managing Director;

General Manager of Mobile Entertainment Business Group

No. 6 Shinji Yasuda

Date of Birth: June 10, 1945

Number of Pioneer s Shares Held: 2,700

Brief Personal Profile:

April 1970:

Joined Pioneer

June 1997:

Director;

Deputy General Manager of Car Electronics Business Group of Pioneer

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April 1998:

Director;
Managing Director of Pioneer Electronics Asiacentre Pte. Ltd.

July 2000:

Director;
In charge of China Project

July 2001:

Director;
Chairman of Pioneer China Holding Co., Ltd.

June 2003:

Corporate Auditor (full time)

November 2005:

Retired from office of Corporate Auditor (full time)

December 2005:

Counselor of Pioneer

January 2006 to present:

Senior Executive Officer;
General Manager of Home Entertainment Business Group and General Manager
of Omori Plant

No. 7 Tatsuhiro Ishikawa

Date of Birth: April 4, 1939

Number of Pioneer Shares Held: 2,000

Brief Personal Profile:

April 1965:

Public Prosecutor of Tokyo District Public Prosecutors Office

September 1989:

General Manager of Special Investigation Division of Tokyo District Public
Prosecutors Office

April 1993:

Deputy Superintending Prosecutor of Tokyo District Public Prosecutors Office

June 1996:

General Manager of Public Trial Division of Supreme Public Prosecutors Office

February 1997:

Superintending Prosecutor of Tokyo District Public Prosecutors Office

April 1999:

Superintending Prosecutor of Fukuoka High Public Prosecutors Office

November 2000:

Superintending Prosecutor of Nagoya High Public Prosecutors Office

December 2001:

Admitted to Tokyo Bar Association I

December 2001 to present:

Professor of Asia University

December 2001:

Senior Advisor of Pioneer

June 2002 to present:

Director

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No. 8 Shunichi Sato

Date of Birth: February 10, 1941

Number of Pioneer Shares Held: 1,000

Brief Personal Profile:

April 1964:

Entered the Ministry of Foreign Affairs of Japan

April 1987:

Minister of Embassy of Japan in France

February 1991:

Consul General of Consulate General of Japan at Montreal

July 1995:

Director General of Latin American and Caribbean Affairs Bureau

August 1997:

Japanese Ambassador Extraordinary and Plenipotentiary to Poland

April 2000:

Japanese Ambassador Extraordinary and Plenipotentiary to Belgium

December 2003:

Retired from office of the Ministry of Foreign Affairs of Japan

January 2004:

Senior Advisor of Pioneer

June 2004 to present:

Director

Notes: 1. Each candidate has no particular interest in the Company.

2. Messrs. Tatsuhiko Ishikawa and Shunichi Sato satisfy the requirements of outside director under the Company Law of Japan.

Agenda Item No. 4. Election of One (1) Individual as Substitute Auditor in Case of a Vacancy

Out of total four (4) Corporate Auditors currently in office, Mr. Terumichi Tsuchida will retire at the conclusion of this Ordinary General Meeting of Shareholders, and thereafter such number of Corporate Auditors will decrease to three (3).

Therefore, a proposal is hereby made to elect one (1) Substitute Auditor, in case of a vacancy that may be caused by Corporate Auditor's retirement before the expiration of the term of office.

The effectiveness of the election of substitute auditors is until the beginning of the next ordinary general meeting of shareholders, pursuant to the pertinent laws of Japan. However, the Board of Directors may, with the consent of the Board of Corporate Auditors, terminate the effectiveness of this election, but only prior to the assumption of office of a Corporate Auditor by the Substitute Auditor.

This proposal has obtained the consent of the Board of Corporate Auditors.

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The candidate for Substitute Auditor is as follows:

Candidate for Substitute Auditor

Kozue Shiga

Date of Birth: November 23, 1948

Number of Pioneer Shares Held: None

Brief Personal Profile:

April 1993:

Public Prosecutor of Yokohama District Public Prosecutors Office

April 1997:

Public Prosecutor of Tokyo District Public Prosecutors Office

April 1998:

Admitted to Tokyo Bar Association I

October 2005 to present:

Partner of Shiraishi & Partners

Note: Ms. Kozue Shiga has no particular interest in the Company. She also satisfies the requirements of outside corporate auditor under the Company Law of Japan.

Agenda Item No. 5. Presentation of Retirement Allowance to Retiring Directors

To reward Messrs. Akira Nijjima, Tadahiro Yamaguchi, Koichi Shimizu, Kanya Matsumoto and Kaneo Ito who will retire from the offices of Director upon expiration of their terms at the time of conclusion of this Ordinary General Meeting of Shareholders, for their services rendered during their terms in office, a proposal is hereby made to present them the retirement allowance within the reasonable amount in accordance with the existing regulations of the Company. It is also proposed to leave the determination of the exact amount, time, method, etc. of the presentation to the resolution of the Board of Directors to be held hereafter.

Brief personal profiles of them are as follows:

Akira Nijjima

June 1997:

Director

June 2000:

Managing Director

June 2002:

Senior Managing Director

June 2004 to present:

Senior Managing Director and Representative Director

Tadahiro
Yamaguchi

June 1997:

Director

June 2002 to present:

Managing Director

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|-----------------|--|
| Koichi Shimizu | June 2002: Director June 2004 to present: Managing Director |
| Kanya Matsumoto | November 1960: Director October 1968: Managing Director November 1970: Senior Managing Director and Representative Director December 1982: Executive Vice President and Representative Director June 1996: Vice Chairman and Representative Director May 1999: Chairman and Representative Director January 2006 to present: Director and Advisor |
| Kaneo Ito | December 1982: Director December 1988: Managing Director June 1991: Senior Managing Director and Representative Director June 1996: President and Representative Director January 2006 to present: Director and Advisor |

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