

Pioneer *sound.vision.soul*

***Business Development of
Home Entertainment Business Company***

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Today's Agenda

Business Development of;

1. DVD Recorder

2. AV System

3. DVD Drive

Statements made in this presentation with respect to our current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about our future performance. These statements are based on management's assumptions and beliefs in light of the information currently available to it. We caution that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, and therefore you should not place undue reliance on them. You also should not rely on the belief that it is our obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. We disclaim any such obligation. Risks and uncertainties that might affect us include, but are not limited to, (i) general economic conditions in our markets, particularly levels of consumer spending; (ii) exchange rates, particularly between the yen and the U.S. dollar, euro, and other currencies in which we make significant sales or in which our assets and liabilities are denominated; (iii) our ability to continue to design and develop and win acceptance of our products and services, which are offered in highly competitive markets characterized by continual new product introductions, rapid developments in technology and subjective and changing consumer preferences; (iv) our ability to implement successfully our business strategies; (v) our ability to compete and develop and implement successful sales and distribution strategies in light of technological developments in and affecting our businesses; (vi) our continued ability to devote sufficient resources to research and development, and capital expenditure; (vii) our ability to continuously enhance our brand image; (viii) the success of our joint ventures and alliances; and (ix) the outcome of contingencies.

Problems of DVD Recorder Business

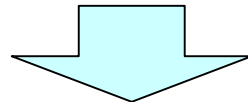
Insufficient Response to Market Changes and Its Speed

Increase in Inventories

Lack of Products Attractiveness

To Build Up Capacity dealing with Market Changes and Its Speed

- *Reforming Design and Development Process including Introduction of Information Technology*
- *Establishing Framework for Software Development*
- *Developing Key Parts, such as LSIs, with Semiconductor Manufacturers*



- ◆ ***Simultaneous Product Release Worldwide***
- ◆ ***Twice-per-year New Product Introduction***

Measures for Reducing Inventories

- ◆ ***Cutting Lead Time***
 - *Integrated Production from Laser Pickups to Finished Products*
- ◆ ***Thorough Parts Sharing***
 - *Product Design based on the Cost-Cutting Policy*

Measures to Improve Products Attractiveness

- ◆ ***Introduction of Products Meeting
Customer Needs***
 - *Rebuilding of Product Planning Process
Out of Technology Oriented Policy*
 - *Establishing Forward-Looking
Development System*

Upcoming DVD Recorders ***(to be released in FY2006)***

◆ ***Advanced High-Performance DVD Recorders***

- *Introducing new ideas based on analysis of customer needs, concerning “recording,” “operationality” and “dubbing.”*
- *Operationality was developed with cooperation of The University of Tokyo’s Research Center for Advanced Science and Technology.*



Measures for Future Development of AV System Business

- ◆ ***Introduction of Value-Added Products to Meet Customer Needs***
- ◆ ***Reorganization of Sales Strategies including Sales Structure***
- ◆ ***Withdrawal from Unprofitable Models / Narrowing Down Models to be Developed***



DVD Drive Business

Recordable DVD Drive Business for PCs

(Current Circumstances)

- ◆ **Severe Competition from Rapid Growth of Taiwanese and South Korean Manufacturers**
maintaining a level of profitability by lowering costs and promoting collaboration

(Strategies in FY2006)

- ◆ **Increasing Sales by Acquiring New Customers and Expanding Global Aftermarket**
10 million units/year (+170% y/y, 14% market share)
- ◆ **Gaining Profit by Continued Lowering of Primary Costs & SGA**
- ◆ **Introducing Blu-ray Drives to the Market**

DVD Drive Business

Recordable DVD Drive Business for DVD Recorders

- ◆ ***OEM Sales: 1.2 mln (FY05) 2.4 mln units (FY06)***
- ◆ ***Expansion of Sales of Recording Pickups***
- ◆ ***Into New Business Fields such as;***
 - *Utilizing Slim-Type DVD Drive Technology*
 - *Promoting Collaboration with Other Companies*

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