



## **Meeting for Medium-Term Management Plan**

### **Pioneer Corporation**

**Susumu Kotani  
President and Representative Director**

**April 28, 2009**

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. It is not our obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. We disclaim any such obligation. Risks and uncertainties that might affect us include, but are not limited to: (i) general economic conditions in our markets, particularly levels of consumer spending; (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 continuously design and develop highly rated products and services in extremely competitive markets, which are characterized by continual product launches, rapid technological development, intense price-based competition, subjective and changing consumer preferences and other factors; (iv) our ability to successfully implement our business strategies; (v) our ability to compete, as well as 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; (ix) the success of our business restructuring plans; and (x) the outcome of contingencies.

Thank you for participating Pioneer Corporation's meeting for Medium-Term Management Plan.

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## ***Today's Agenda***

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### ***1. Restructuring Measures***

### ***2. Medium-Term Business Plan***

- ***Car Electronics Business Strategies***

- ***Home Electronics Business Strategies***

Today's presentation will begin with our restructuring measures currently we are working on, followed by our medium-term business plan.

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## ***1. Restructuring Measures***

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I would first like to explain the specific measures of our restructuring plan announced on February 12, 2009.

## Restructuring Measures – Outline

### Business Portfolio Realignment

- *Home Electronics: Withdraw from businesses offering no prospects for profitability, and generate earnings by focusing on home AV products, DJ equipment and cable TV set-top boxes*
- *In the optical business, continue discussion on the details of the joint venture*
- *Car Electronics: Shift resources to Car Electronics business, and expand both the consumer-market and OEM businesses*

### Streamlining the Business Framework of the Entire Pioneer Group

- *Adjust group-wide operations to match the business scale after restructuring, and reduce fixed costs*

### Improving Our Financial Position

- *Keep our efforts by generating cash*
- *Continue discussions on financial partnerships*

As you can see, we are currently implementing restructuring measures which consist of business portfolio realignment, streamlining the business framework of the entire Pioneer Group, and improving our financial position.

In regard to business portfolio realignment, we plan to withdraw from the display business, which currently offers no prospects for profitability, and to form a joint venture with Sharp Corporation in the optical disc business taking advantage of the strengths of both companies to enhance market competitiveness. The goal is to restore profitability in the Home Electronics business by focusing on home audio/video (AV) products, DJ equipment and cable TV set-top boxes. Meanwhile, we will shift business resources to the Car Electronics business to drive further expansion in both consumer-market and OEM businesses.

In regard to streamlining the business framework of the entire Pioneer Group, we will adjust our production, sales structures, headquarters, R&D structures and group company network to match our business scale after restructuring, with a view to reducing fixed costs.

In regard to improving our financial position, through our own continuing efforts, we will work all out to generate cash mainly by reducing inventories and curbing capital expenditures. At the same time, we will continue discussions on boosting equity capital through new financial partnerships.

Now, I will explain about these restructuring measures.

**Restructuring Measures – Business Portfolio Realignment**

<b>Measures</b>	<b>Details</b>
<i>Completely withdrawing from display business</i>	-End sales by March 2010 -Close production facilities and review organizations and personnel at related divisions
<i>Establishing a joint venture in the optical disc business</i>	-Basic agreement with Sharp Corporation on April 9, 2009 to establish a joint venture ⇒ Plans call for entering into joint-venture contract by June 25, 2009 and establishing joint venture by October 1, 2009 -Take advantage of the strengths of both companies to restore profitability in the optical disc business
<i>Building a lean operating structure and generating new businesses in Car Electronics</i>	-Agreed with Mitsubishi Electric Corporation to jointly develop hardware and software used in car navigation and car AV products -Pioneer has signed a basic agreement with Shanghai Automotive Industry Corporation (Group) on April 23, 2009 to establish a joint venture specializing in the development and sale of intelligent transport systems and provisions of related services as well as in the development and sales of car AV products and car navigation systems

First is business portfolio realignment.

In the Home Electronics business, we will completely withdraw from the display business after ending plasma TV sales during fiscal 2010, the year ending March 31, 2010. Accordingly, we are currently closing production facilities and reviewing organizations and personnel levels at related divisions.

In the optical disc business, we will form a joint venture with Sharp Corporation with the aim of restoring this business to profitability by taking advantage of the strengths of both companies. We are currently discussing the details of the joint venture, which we plan to establish by October 1, 2009.

Going forward, Pioneer will develop the Home Electronics business centered on home AV products, DJ equipment and cable TV set-top boxes.

Next is Car Electronics business.

We will position the Car Electronics business, with our outstanding technological expertise, product lineup and brand recognition, as a core business. In this business, we will work to build stronger operations that can stay on top of changes in the operating environment. Meanwhile, through strategic alliance with other companies, we will strive to actively create new markets and business domains in a timely and cost effective manner.

Specifically, Pioneer has agreed with Mitsubishi Electric Corporation to jointly develop hardware and software for use in car navigation systems and car AV products. The two companies have mutually used certain car navigation software technologies since 2002. This new agreement was the result of discussions on the possibilities for further cooperation in technological development related to car navigation systems and car AV products.

Pioneer will also strive to expand business in China. Pioneer has signed a basic agreement with Shanghai Automotive Industry Corporation (Group) to establish a joint venture specializing in the development and sale of intelligent transport systems and provisions of related services as well as in the development and sales of car AV products and car navigation systems.

**Restructuring Measures**  
**-Streamlining the Business Framework of the Entire Pioneer Group**

<b>Measures</b>	<b>Details</b>
Reducing number of production companies in Japan and overseas	-Close 9 and downsize 6 of 30 production companies
Streamlining worldwide sales structures	<Japan> -Car Electronics: Combine sales divisions with five sales subsidiaries -Home Electronics: Combine sales divisions, including those at subsidiaries, into a sales subsidiary <Overseas> -Reduce personnel by around 20% through adjustments to organizations and structures in all regions
Overhauling headquarters and R&D structure	-Integrate five domestic operating bases into two locations (Kawasaki and Kawagoe) -Reorganize operations with the aim of optimizing the efficiency of headquarters and back office functions -Select and focus R&D themes that match the realigned business portfolio
Readjusting personnel levels	Through the above streamlining, compared with December 31, 2008, we will reduce personnel by around 5,800 regular employees and about 4,000 temporary and contract employees (4,600 in Japan; 5,200 overseas)
Reduction of directors and executive officers	Number of directors and executive officers will be reduced after the AGM of shareholders in June, 2009 Current 25 directors and executive officers → 19 directors and executive officers

We are working to streamline organizations to match the new business scale after business portfolio realignment.

We plan to consolidate our current 30 production companies around the world by closing nine companies and downsizing the operations of six companies.

Regarding our sales structures in Japan, we will combine sales divisions with five sales subsidiaries in the Car Electronics business. Meanwhile, in the Home Electronics business, we will proceed with restructuring, while combining sales divisions including those at subsidiaries, into a sales subsidiary. Overseas, we plan to overhaul organizations and structures in Europe, North America, Asia and other regions.

Furthermore, we will reorganize operations with the aim of optimizing the efficiency of Headquarters and back office functions. This will involve integrating Pioneer's domestic network of five operating bases into two locations at Kawasaki and Kawagoe. As for R&D, we will select and focus on R&D themes that match the realigned business portfolio.

Through this business framework streamlining, we plan to reduce group-wide personnel by around 5,800 regular employees and about 4,000 temporary and contract employees, compared with our workforce as of December 31, 2008.

The number of directors/executive officers will be reduced from 25 to 19 after the annual general meeting of shareholders to be held in June 2009.

## Restructuring Measures — Improving Our Financial Position

<b>Measures</b>	<b>Details</b>
<b>Generating cash</b>	<ul style="list-style-type: none"> <li>-Reducing inventories (FY09: ¥85.0bn /76 days → FY12: ¥51.0bn /37 days)</li> <li>-Accelerating trade receivables collections (FY09: 2 months → FY12: 1.7 months)</li> <li>-Curbing capital expenditures (FY09: ¥46.0bn → FY12: ¥32.0bn)</li> <li>-Selling idle assets</li> <li>-Cutting directors/executive officers' remuneration and employees' salaries</li> </ul>
<b>Considering financial partnerships</b>	<ul style="list-style-type: none"> <li>-Keep considering to raise around ¥40.0 billion.</li> <li>-The board of directors has resolved to raise ¥2.5 billion through a third-party allotment of shares to Honda Motor Co., Ltd.</li> </ul>

Next is our measures to improve our financial position.

We are currently working hard to improve our financial position. In light of projected restructuring expenses of ¥47 billion for fiscal 2010 and other factors, we believe that we must generate cash and boost equity capital going forward.

Through our own continuing efforts, we will work to generate cash mainly by reducing inventories and accelerating trade receivables collections, curbing capital expenditures, cutting directors'/executive officers' remuneration and employees' salaries, and selling idle assets.

Meanwhile, we have received additional loans from our main banks, and expect to maintain good relationships with them going forward.

In regard to boosting equity capital, the Board of Directors has resolved today to raise ¥2.5 billion through a third-party allotment of shares to Honda Motor Co., Ltd. For details, please see the press release issued separately today.

In addition, we continue to examine other possible financial partnerships. Details will be announced once they have been determined.

We believe that we will need to raise around ¥40 billion to quickly and steadily implement our medium-term business plan. We will conduct discussions with various related parties in order to raise the necessary funds through initiatives like the aforementioned capital injection and other means.

### Restructuring Measures – Costs and Benefits

	<b>FY 2010</b>	<b>FY 2011</b>
<b>Business restructuring expenses</b> <i>(Including costs for personnel reductions)</i>	47.0 billion yen <i>(30.0 billion yen)</i>	
<b>Reduction in fixed costs</b> <i>&lt;versus Fiscal 2009&gt;</i>	50.0 billion yen	85.0 billion yen

Notes: 1 The above figures do not include in the impact of the joint venture currently being discussed with Sharp Corporation

2. The reduction in fixed costs include the cost savings from restructuring under way since the previous fiscal year.

Next, the restructuring costs and benefits.

For fiscal 2010, we forecast business restructuring expenses of ¥47 billion, mainly for personnel reduction.

Combined with the cost savings from restructuring under way since fiscal 2009, total fixed cost reductions are projected at ¥50 billion in fiscal 2010 and ¥85 billion in fiscal 2011.

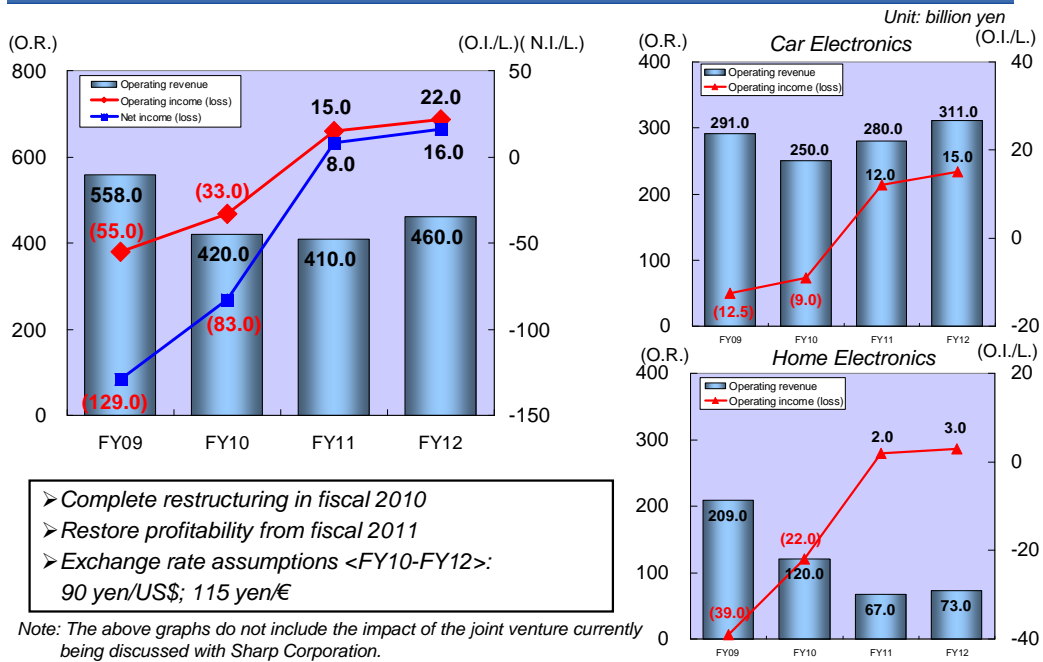
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## ***2. Medium-Term Business Plan***

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Next, I will introduce the medium-term business plan.

Medium-Term Business Plan- Consolidated Business Forecasts



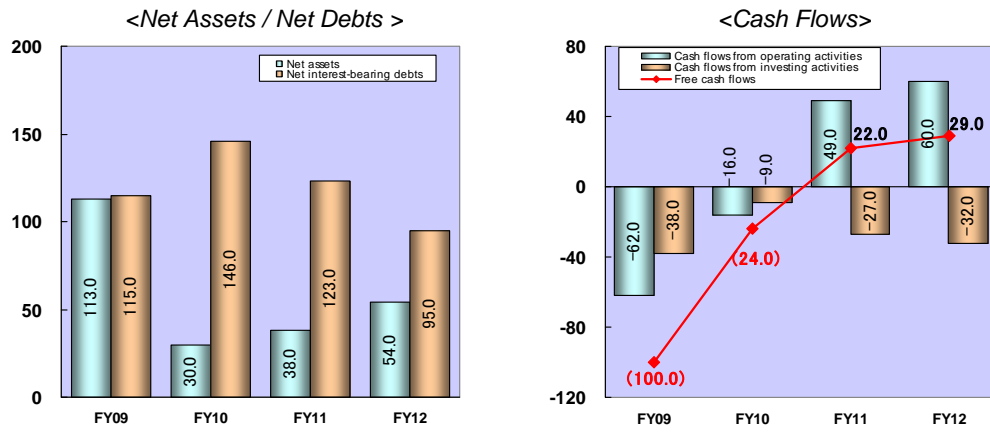
Here are the business forecasts up to fiscal 2012.

Regarding medium-term consolidated forecasts, we are projecting an operating loss and net loss for fiscal 2010 in connection with implementation of aforementioned restructuring measures and other factors. However, we expect to complete restructuring during fiscal 2010, and in fiscal 2011 on beyond, we plan to restore operating profitability in both the Car Electronics and Home Electronics businesses and move back into the black in terms of consolidated net income.

For fiscal 2012, we forecast operating revenue of ¥460.0 billion, operating income of ¥22.0 billion, and net income of ¥16.0 billion.

Medium-Term Business Plan – Net Assets / Net Debts and Cash Flows Forecast

Unit: billion yen



Note: The above graph does not include new fundraising of around ¥40 billion.

Next is net assets/net debts and cash flows forecast.

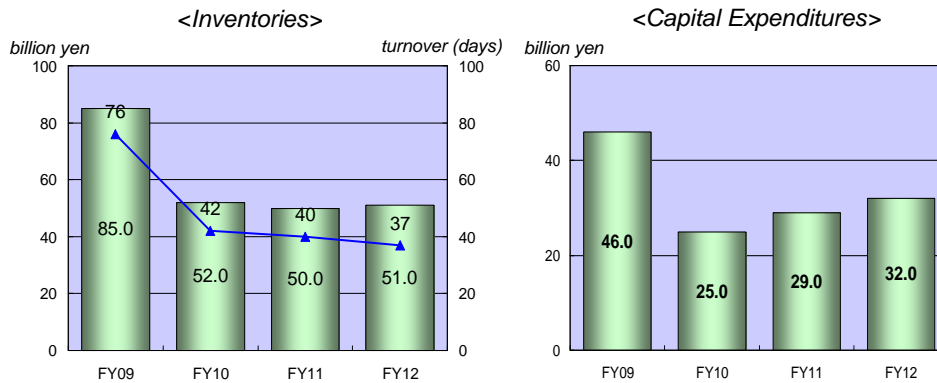
We expect net assets to decrease in fiscal 2010 due to restructuring. From fiscal 2011 on, however, net assets are projected to increase as earnings improve. Concurrently, the Company will work to reduce net interest-bearing debts.

We are considering plans to raise roughly ¥40 billion to meet anticipated funding needs for business restructuring expenses and redemption of convertible bonds in fiscal 2010 and fiscal 2011, respectively.

In terms of cash flows, in fiscal 2010 we expect operating activities to use net cash of ¥16 billion, mainly reflecting the impact of a net loss, although there is a decrease in inventories. Investing activities are also expected to use net cash of ¥9 billion, despite the anticipated sales of fixed assets. Free cash flows are forecast at a negative ¥24 billion.

From fiscal 2011 on, we expect operating cash flows to improve and free cash flows to be more than ¥20 billion, based on the projected earnings improvement.

### Medium-Term Business Plan- Inventories and Capital Expenditures



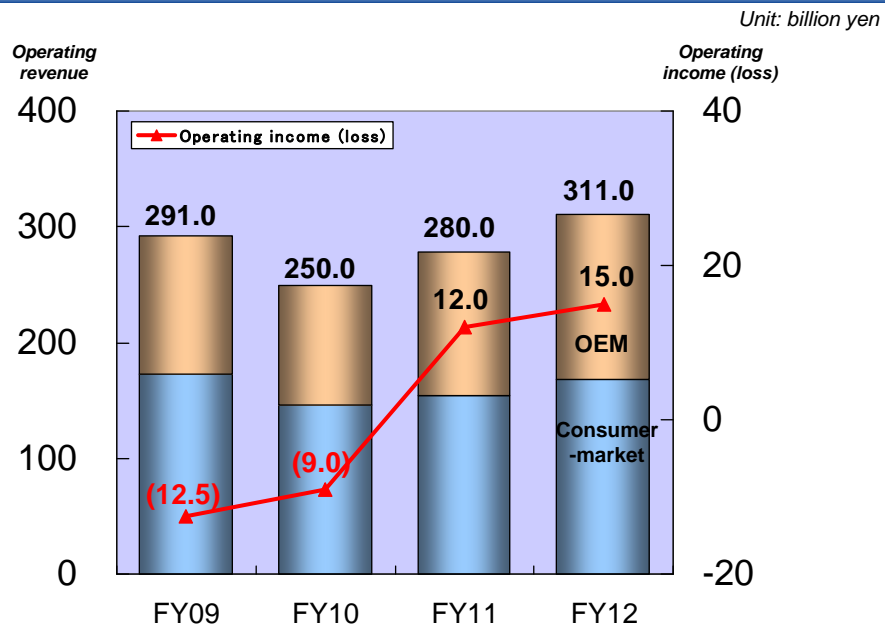
Note: The above graphs do not include the impact of the joint venture currently being discussed with Sharp Corporation.

Next is Financial Indicators.

For fiscal 2009, we are forecasting inventories of ¥85 billion and an inventory turnover of 76 days as of March 31, 2009. We subsequently expect inventories of ¥51 billion and an inventory turnover of 37 days as of March 31, 2012, mainly based on efforts to shorten production lead-times and boost sales as well as the impact of withdrawing from certain businesses.

Meanwhile, we are forecasting capital expenditures of ¥46 billion in fiscal 2009, mainly because we recorded investments in software for sale due to the adoption of Japanese GAAP. Capital expenditures are projected at ¥25 billion for fiscal 2010, based on reduced overall investments in step with the downsizing of operations. From fiscal 2011 onward, capital expenditures are projected to increase as we make investments designed to spur business expansion, particularly in the Car Electronics business. Consequently, capital expenditures of ¥32 billion are anticipated in fiscal 2012.

Car Electronics Business Strategies- Medium-Term Business Plan

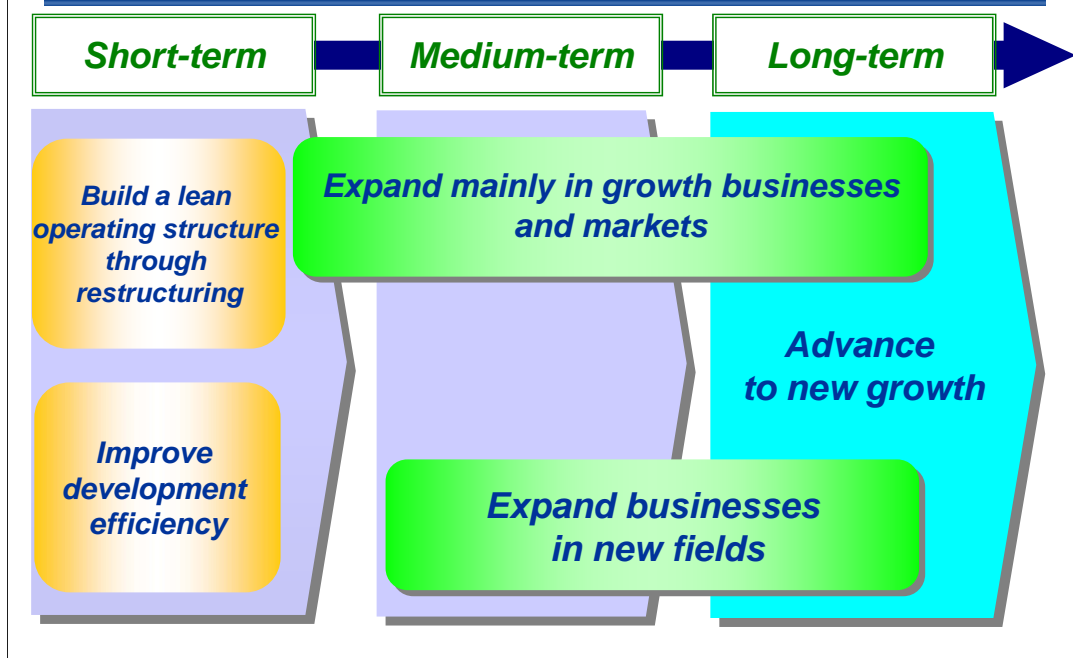


I would now like to explain the business growth strategies that underpin the plan's figures.

I'll begin with Car Electronics business.

We expect lower Car Electronics operating revenue in fiscal 2010, mainly due to the impact of the global recession and weak auto sales. However, we are targeting operating revenue of ¥311 billion and operating income of ¥15 billion in fiscal 2012.

Total OEM sales are expected to account for a higher percentage of Car Electronics operating revenue in fiscal 2012, at approximately 45%.

*Car Electronics Business Strategies- Growth Scenario*

This is our growth scenario for Car Electronics.

In fiscal 2010, we plan to implement drastic restructuring to build a highly efficient, lean operating structure that can quickly respond to changes in the business environment. Under this streamlined structure, we will boost our earnings in existing business domains while laying the groundwork for future business expansion when the market recovers.

Over the medium term, we aim to expand the Car Electronics business by focusing on products and markets that will retain high growth potential going forward.

Over the long term, we plan to expand business domains in new fields like the environment and car safety and reliability, while continuing to develop the conventional car entertainment field. In these ways, we aim to be a leading company in the car electronics fields.

## Car Electronics Business Strategies- Measures to Restore Growth

### 1. Consumer-Market Business

- Expand overseas car AV product and car navigation system businesses with introduction of affordably-priced models
- Expand business in growth markets focusing on the BRICs and VISTA nations
- Establish the telematics business in Japan

### 2. OEM Business

- Further strengthen relationships with major clients (Toyota Motor Corporation and Honda Motor Co., Ltd. )
- Expand business centered on car navigation systems
- Expand business in China and other growth markets

### 3. Offering New Value Propositions

- Bolster environmental initiatives (more energy-efficient, compact and light weight products)
- Strengthen businesses related to new media and content such as Blu-ray Discs and networking capabilities

I would now like to look at specific measures to restore growth.

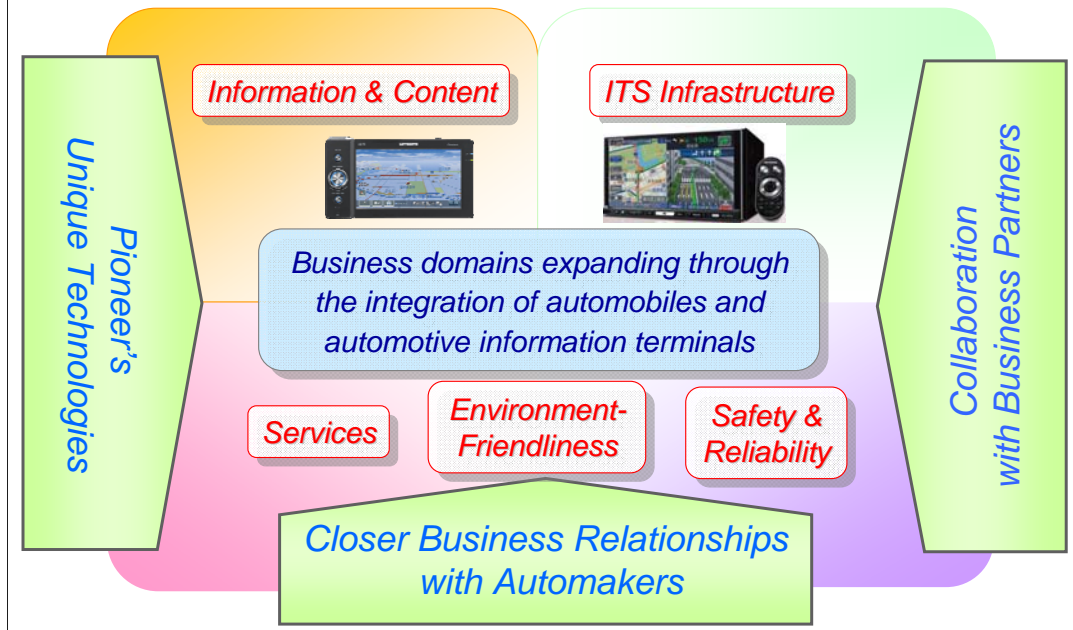
In the consumer-market business, we will launch affordably-priced models in the overseas car navigation and car AV product markets, where future growth is expected. We are also looking to actively expand business in growth markets, particularly in newly emerging economies, centering on our car AV products. In Japan, we aim to stimulate new demand by establishing a telematics business.

In the OEM business, we will bolster ties with longstanding major clients Toyota Motor Corporation and Honda Motor Co., Ltd. And we further fulfill our duties as a supplier and meet the expectations of automakers. By harnessing proposal capabilities honed in the consumer-market, we will work to expand the assembly line product and dealer-option businesses with an emphasis on car navigation systems. Efforts will also be focused on newly emerging markets like China, which promise high levels of growth.

In China in particular, we will strive to expand business centered on our longstanding major Japanese clients, as well as through the joint venture with Shanghai Automotive Industry Corporation (Group) as explained earlier.

In initiatives to develop new growth businesses, we will bolster environmental initiatives that address the need for more energy-efficient, compact and light weight products. Strengthening our business related to new media and content such as Blu-ray Discs and networking capabilities are also important.

## Car Electronics Business Strategies- Expansion of Business Domains



Looking ahead, as the auto industry becomes increasingly conscious of global environmental issues and seeks to help create more comfortable, safer and reliable motorized societies, the integration of automobiles and automotive information terminals should proceed apace.

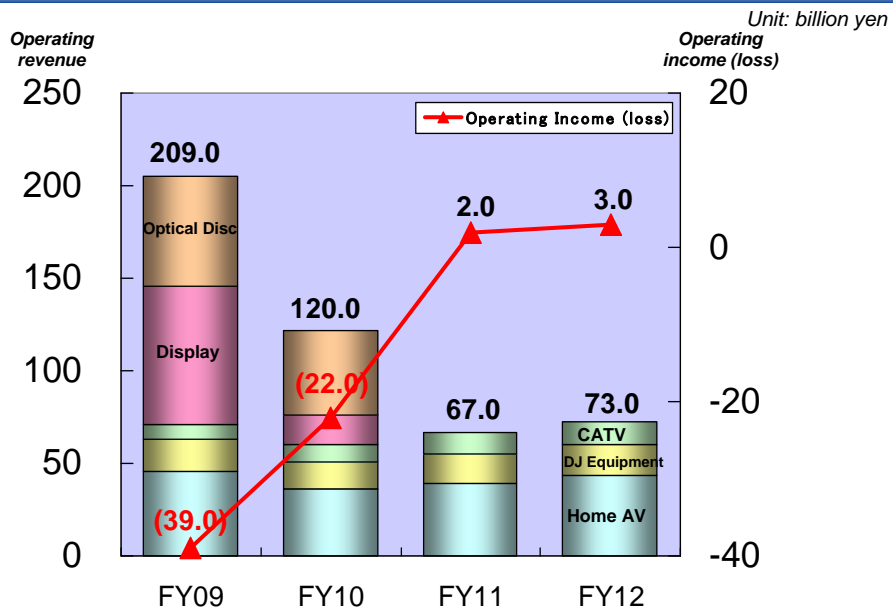
In this context, we plan to develop car navigation systems into a “gateway” for the flow of information between automobiles and the outside world.

Specifically, we will work to increase the sophistication of car navigation systems by developing systems that are linked to and operate together with vehicles, with the aim of helping to build safer and more reliable motorized societies. In the services domain, we will develop business-use services such as fleet operation and management services. In the information and content domain, our priority is to provide real-time content including “probe” information obtained from vehicles.

We will also work to expand business in the environmental domain. One initiative is to develop more energy efficient and lighter products in preparation for the electric vehicle era. These products will help to boost the energy efficiency and fuel economy of electric vehicles.

To expand our business domains in this manner, we will strive to bolster and drive growth in the Car Electronics business by honing unique technologies, while continuing to build closer business relationships with automakers and to deepen collaboration with business partners.

Home Electronics Business Strategies- Medium-Term Business Plan



Note: The above graph does not include the impact of the joint venture currently being discussed with Sharp Corporation.

Next is the Home Electronics business.

We will focus on three main fields described previously: home AV products, DJ equipment and cable TV set-top boxes.

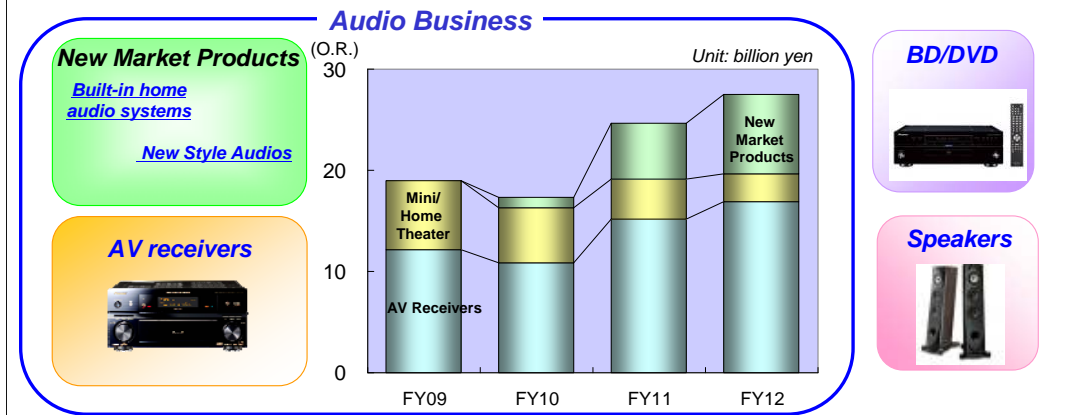
Home Electronics operating revenue is projected to decrease in line with business portfolio realignment. Nonetheless, we are determined to turn the Home Electronics business around by capturing restructuring benefits. In fiscal 2012, we are targeting operating revenue of ¥73 billion and operating income of ¥3 billion.

## Home Electronics Business Strategies- Home AV

### Strengthen the Audio Business

Expand sales with new market products in addition to our AV receivers having extensive product lineup

- Create markets with new concepts in audio products
- Introduction of new built-in home audio systems that support comfortable living through collaboration with housing-related companies



Next are our specific business strategies.

In home AV products, we are positioning AV receivers, where we have an extensive product lineup covering high-end to middle-market price ranges, as core products. We will concentrate business resources on these products to boost sales.

We expect the AV receiver market to remain of a certain size going forward. By redoubling our commitment to this field, we hope to establish Pioneer as a leading brand in the field and generate steady earnings.

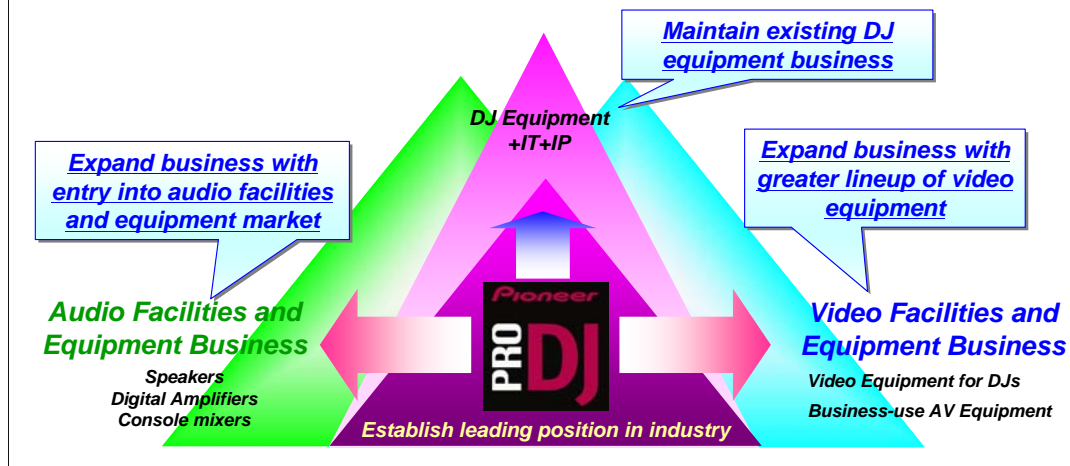
We will also create entirely new markets with audio products based on new concepts.

Through collaboration with housing-related companies, we are also rolling out new built-in home audio systems that cater to living environments within the home.

In this manner, we are bolstering the audio business, our origin. Our goal is to restore profitability by boosting sales of new market products and by improving cost effectiveness by reducing fixed expenses.

## Home Electronics Business Strategies- DJ Equipment

- Continue product development that satisfies the demands of professional use
- Expand business with video and audio facilities and equipment in addition to the DJ equipment business



Next is DJ equipment.

We have established a dominant leading position in the DJ equipment industry.

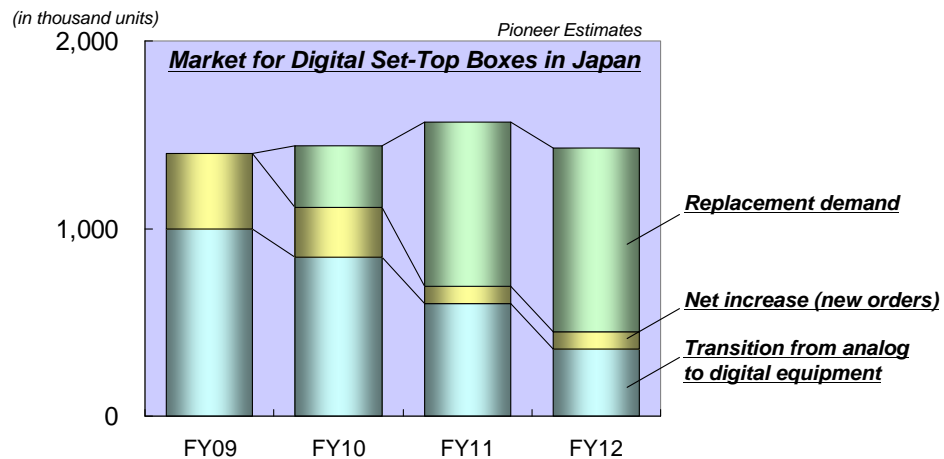
In this field, we seek to drive earnings growth by further stimulating and expanding the market through continuous product development that satisfies the demands of professional use. These efforts will build on our outstanding technological expertise and product planning capabilities, which have made Pioneer DJ equipment the *de facto* industry standard, and the trust we have achieved with professional DJs and nightclubs.

In the existing DJ equipment business, we will strive to extend its product lines and capture more market share, as it steps up sales in Japan, North America, Europe as well as newly emerging markets.

In addition, taking full advantage of our industry position and brand recognition, we plan to advance into the entire market for nightclub facilities by introducing audio facilities/equipment and expanding video facilities/equipment. Through these steps, we aim to achieve further growth by expanding our business domains.

## Home Electronics Business Strategies- Cable TV

- *In a mature market, maintain profitability with a high market share achieved with reliable products*  
*<30% share of Japanese market for set-top boxes>*



Next, cable TV set-top boxes.

As to cable TV set-top boxes, where we conduct business in Japan, we command a strong position with a 30% share of the domestic market. At present, we are working to encourage more cable TV stations to adopt our products, with the aim of increasing the number of such cable TV stations by 20 compared with fiscal 2009 to 140 in fiscal 2010.

The cable set-top box market is seeing demand fuelled by digitalization, and demand for regular replacement of products in use at subscribers' homes can also be expected. Building on long-standing trust and our current market position, we seek to steadily expand business to generate stable earnings.



In fiscal 2009 ended March 2009, Pioneer posted its largest net loss in its history. Our share price dropped greatly and our credit ratings were also sharply downgraded. I am very sorry for causing the concern and anxiety to all stakeholders.

As I've explained, in fiscal 2010, we will implement restructuring that will be quite painful in some respects. However, I am determined that I never fail to carry out the restructuring. I will also try to form the financial partnerships currently being discussed as soon as possible, and steadily implement our medium-term business plan to restore growth. I am committed to doing our very best to meet stakeholder expectations. This will chiefly entail returning Pioneer to profitability, including net income, from fiscal 2011 on, raising its corporate value and pay dividends again at the earliest possible time.

Going forward, we will strive to develop new products following unique Pioneer DNA that deliver impressive value to customers while generating earnings.

I look forward to your continued support and understanding.

Thank you for your attention.