

CORPORATE GOVERNANCE

Pioneer recognizes that strengthening corporate governance is of vital importance to increasing corporate value.

Under the Company Law of Japan (the “Company Law”), Pioneer has elected to structure its corporate governance system as a company with a board of corporate auditors, which has a statutory duty to monitor, review and report on the administration of the affairs as well as accounts of Pioneer. The Board of Directors, which includes several outside directors, decides on fundamental issues such as management policies and supervises the execution of business activities, while the Board of Corporate Auditors audits the directors’ performance of their duties. By appointing several outside directors, Pioneer has reinforced the importance of supervisory functions of the Board of Directors over the execution of business activities.

Under this basic structure, Pioneer has adopted an executive officer system to expedite the execution of business activities and clarify the responsibilities for each business. Meanwhile, Pioneer has voluntarily established a Group Executive Committee and advisory committees to the Board of Directors.

Establishment of Group Executive Committee

The Group Executive Committee, which was formed to reinforce decision making, comprises directors and executive officers chosen by the Board of Directors. The Group Executive Committee, under the supervision of the Board of Directors, thoroughly discusses issues such as priorities for advancing business activities, investment projects, group realignment, and group-wide management strategies, as well as medium- and long-term policies, and either approves these issues or in cases where the Board of Directors are stipulated to have decision-making authority reports on these issues to the Board of Directors.

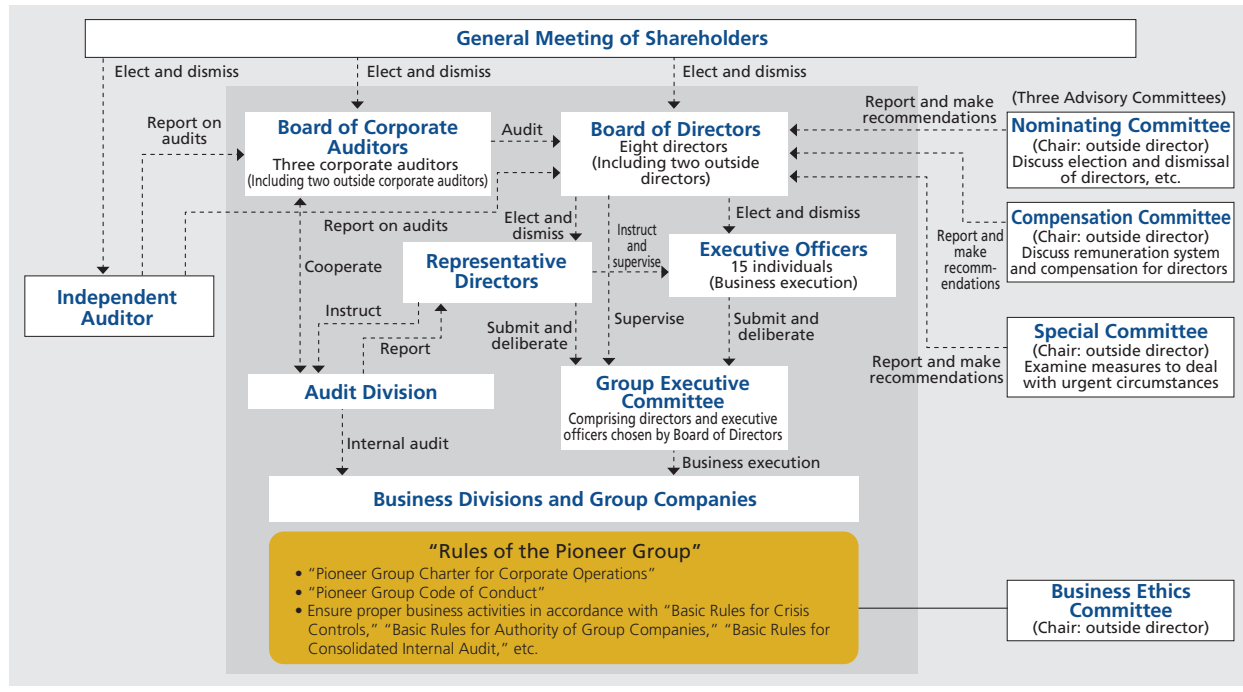
Establishment of Three Advisory Committees

In fiscal 2006, Pioneer voluntarily established three advisory committees to the Board of Directors chaired by outside directors: the Nominating Committee, Compensation Committee, and Special Committee. Their goals are to enhance the supervision of the execution of business activities by outside directors, improve management transparency and strengthen corporate governance. As committee representatives, the chairs of each committee report on the results of their committees’ deliberations to the President, who serves as the chair of the Board of Directors, and make related recommendations. The President gives due consideration to these reports and their recommendations, and seeks the approval of the Board of Directors for issues where necessary.

Nominating Committee

This committee discusses issues such as the election and dismissal of directors as well as the election, dismissal, promotion and demotion of executive officers.

Corporate Governance Structure (As of June 29, 2006)



Compensation Committee

This committee discusses issues such as basic policies and systems for remuneration and other benefits for directors and executive officers as well as individual evaluations and compensation levels.

Special Committee

This committee will examine and discuss measures to deal with affairs that have a significant impact on corporate value such as M&As, both before and as they occur, from the standpoint of legality, reasonableness, and appropriateness.

Internal Control Systems

In addition to the corporate governance structure explained above, we have formulated a set of common, basic rules called the "Rules of the Pioneer Group" for the entire Group, of which the "Pioneer Group Charter for Corporate Operations" is foremost in importance. Efforts are focused on ensuring the proper execution of business activities throughout the Group in accordance with these rules.

The "Rules of the Pioneer Group" position the "Pioneer Group Charter for Corporate Operations" and "Pioneer Group Code of Conduct" as decision-making and behavioral standards for the Group's directors, executive officers and employees. Furthermore, Pioneer has established a Business Ethics Committee chaired by an outside director to ensure legal compliance by the Group's directors, executive officers and employees, as well as thorough observance of the "Pioneer Group Code of Conduct." We have also established an internal reporting system called the "Business Ethics Hotline." All reports received by this hotline are dealt with appropriately and in good faith. We have also formulated the "Basic Rules for Authority of Group Companies" to clarify authority, responsibility, and approval procedures with respect to decision making on important matters for the Group. Further, the Audit Division, Pioneer's internal auditing unit, performs audits of business activities in accordance with the "Basic Rules for Consolidated Internal Audit" to ensure compliance with laws and internal regulations by Group companies.