

Pioneer



Pioneer Corporation is committed to realizing its group philosophy, “Move the Heart and Touch the Soul,” with more people around the world. Ever since its founding in 1938 as a speaker manufacturer, Pioneer has brought to market various revolutionary electronics products, and marked its 70th anniversary in January 2008.

We currently face an extremely challenging business environment. Pioneer is thus determined to make a concerted group-wide effort to achieve its newly established medium-term management targets so as to meet the expectations of all stakeholders.

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Financial Highlights

Pioneer Corporation and Subsidiaries
Years ended March 31

In millions of yen and thousands of U.S. dollars, except per share information

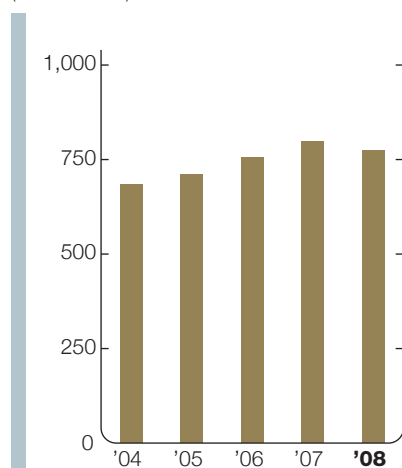
			Yen	% change	U.S. Dollars
	2006	2007	2008	2008/2007	2008
Operating revenue	¥754,964	¥797,102	¥774,477	-2.8%	\$7,744,770
Operating income (loss)	(16,409)	12,487	10,907	-12.7	109,070
Loss from continuing operations	(85,758)	(9,536)	(17,992)		(179,920)
Net loss	(84,986)	(6,761)	(17,992)		(179,920)
Per share of common stock:					
Loss from continuing operations	(491.66)	(54.67)	(98.23)		(0.98)
Net loss	(487.23)	(38.76)	(98.23)		(0.98)
Cash dividends	10.00	10.00	7.50		0.08
Cash flows from operating activities	68,329	16,752	22,032		220,320
Cash flows from investing activities	(29,759)	(16,468)	(72,373)		(723,730)
Cash flows from financing activities	(38,551)	(21,673)	35,932		(359,320)
Total assets	678,046	635,474	576,116		5,761,160
Shareholders' equity	273,250	268,116	247,395		2,473,950

Notes: 1. The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥100=US\$1.00 at March 31, 2008.

2. Operating income (loss) is presented as operating revenue less cost of sales and selling, general and administrative expenses in accordance with accounting practices generally accepted in Japan.

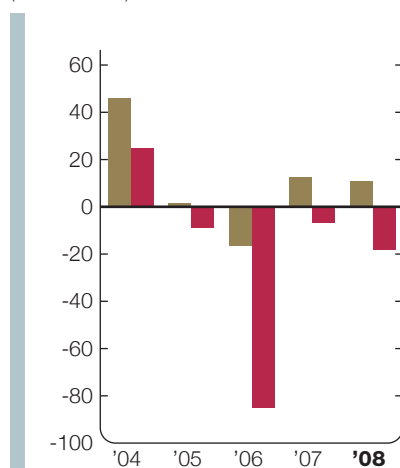
Operating Revenue

(Billions of Yen)



Income (Loss)

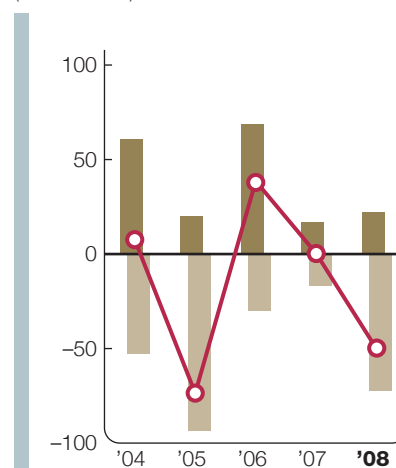
(Billions of Yen)



■ Operating income (loss)
■ Net income (loss)

Cash Flows

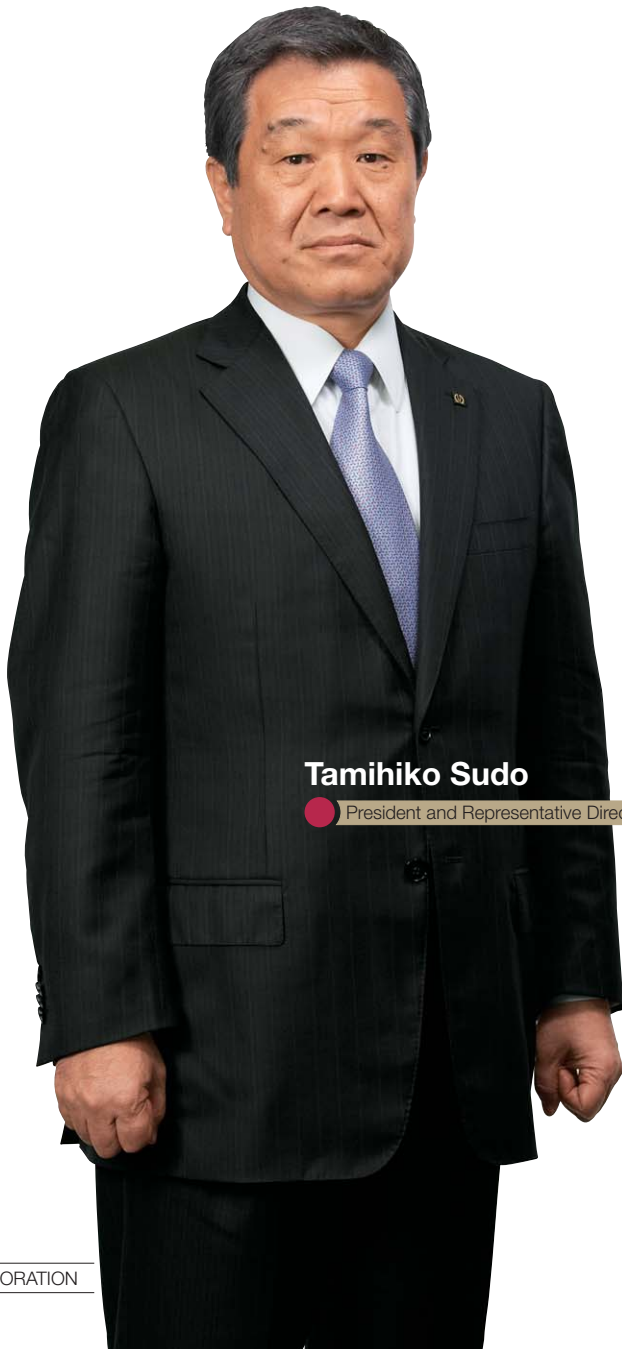
(Billions of Yen)



■ Cash flows from operating activities
■ Cash flows from investing activities
○ Free cash flows
(Cash flows from operating activities
+ Cash flows from investing activities)

To Our Stakeholders

In fiscal 2008, the year ended March 31, 2008, we steadily grew revenue in the Car Electronics business, but faced an uphill battle in fiercely competitive plasma display markets. Regrettably, we reported a large net loss in fiscal 2008. We will strive to generate earnings and improve our financial position by ensuring that we restructure our display business and by driving further expansion in the Car Electronics business and other growth businesses.



Tamihiko Sudo

President and Representative Director

Fiscal 2008 in Review

In fiscal 2008, consolidated operating revenue decreased 2.8% year on year to ¥774.5 billion. This decrease mainly reflected a drop in sales of plasma displays and DVD recorders, despite higher sales of DVD drives, Blu-ray Disc-related devices, car audio products and car navigation systems.

Operating income decreased 12.7% year on year to ¥10.9 billion, chiefly due to a larger loss in the plasma display business, despite higher earnings in the Car Electronics business. The net loss was ¥18.0 billion, compared with a net loss of ¥6.8 billion in the previous fiscal year. This was mainly due to impairment losses of ¥23.3 billion primarily on plasma display production facilities, and higher income taxes following an evaluation of deferred tax assets, despite a gain on sale of all land and buildings at the Tokorozawa Plant and some at the Omori Plant.

Display Business Restructuring Now Under Way

In fiscal 2008, the plasma display business was a major factor behind our weak performance. However, displays are the centerpiece of our Home Electronics business, and so we will continue the display business going forward. Therefore, we will implement far-reaching restructuring of our display business so as to optimize the scale of our business and generate earnings.

First, Pioneer will terminate in-house plasma

display panel production by March 2009, after completing panel production for models scheduled for release in 2008. We have decided instead to procure plasma display panels from Matsushita Electric Industrial Co., Ltd. from the summer of 2009. Both companies plan to cooperate on developing cutting-edge panels by combining their technologies. These panels will then be further augmented by Pioneer's proprietary image processing technologies, thereby enabling Pioneer to bring premium-grade, cost-competitive plasma displays to market.

Regarding production facilities after the termination of plasma display panel production, one plant will continue producing display products as an assembly center and is also scheduled to become a product distribution and inspection facility for the Japanese market. We will close the rest, and are currently considering ways of utilizing these assets, including selling them. Hand in hand with these measures, Pioneer plans to redeploy plasma display panel production personnel to ongoing display assembly operations, as well as to the Car Electronics business, professional sound & visual (Pro SV) business and other growth businesses. We also plan to offer an incentive-based early retirement program, as it may be difficult to absorb all affected employees within the Pioneer Group.

By carrying out these measures, Pioneer aims to reduce display business operating

expenses by ¥15.0 billion in fiscal 2010, compared with fiscal 2008.

On a different front, Pioneer intends to bring new LCD TVs to market. Pioneer will be supplied with LCD TVs from Sharp Corporation, with whom we have a business alliance, and will roll out these LCD TVs first in Europe in the summer of 2008. Going forward, Pioneer plans to develop LCD TVs that combine its proprietary technologies with Sharp-supplied LCD panels, for an expanding number of targeted regions.

Aiming for Improved Profitability in the Home Electronics Business

In the Home Electronics business, Pioneer will restructure its display business at the same time as it strives to boost sales in the Pro SV business, which involves DJ equipment, as well as in Blu-ray Disc-related products and other fields. Furthermore, to improve the profitability of the Home Electronics business as a whole, we plan to redeploy engineers in the display and audio/video product businesses to the Car Electronics business, Pro SV business, and other growth businesses. We will reduce fixed costs by overhauling our overseas sales structure and taking other actions, as well as lower selling, general and administrative expenses mainly by readjusting employment levels in administrative and sales divisions in Japan and by reducing spending on external resources through a review of outsourced operations.

We expect these measures, combined with display business restructuring, to yield cost savings of roughly ¥23.0 billion in the Home Electronics business. These measures are expected to have a significant beneficial impact on operating results from fiscal 2010.

Growth Strategies for the Car Electronics Business

In the Car Electronics business, we aim to expand our car navigation systems business and reinforce business development in the BRICs nations (Brazil, Russia, India and China) and other expanding markets.

In car navigation systems, we will work to expand our customer base by launching a model featuring telematics functions based on mobile phones and the Internet in the Japanese consumer market, while proposing new forms of value beyond mere car navigation mainly through new multi-functional car navigation systems models with built-in audio/video functions. In OEM car navigation systems, we will concentrate on winning more contracts from automakers and growing business in dealer options markets around the world.

In car audio/video products for consumer markets, we will compensate for contraction in the Japanese, U.S. and European consumer markets by concentrating on developing business in rapidly growing markets in the BRICs nations. Concurrently, we plan to maintain profitability by shifting our center of gravity to value-added models, such as those equipped with car DVD players.

To address increasing development costs, we will work to boost efficiency mainly by implementing reforms of software development processes and by adopting common platforms. These and other measures will help us to maintain profitability as we grow our business.

Redoubling Efforts in the Speaker Business

The speaker business makes effective use of technologies and expertise accumulated by Pioneer over its entire 70-year history. We will work to expand this business as a whole by ensuring profitability through the supply of value-added products not only in the car speaker business, where we have a solid market position, but also in the home-use speaker business. Efforts will also be made to boost sales by focusing on speaker unit sales to customers outside the company, in parallel with developing speaker units not just for cellular phones as in the past, but also for flat-panel TVs and other fields. We are also trying to rapidly reap economies of scale and share product expertise by concentrating speaker development and production at Tohoku Pioneer Corporation, which became a wholly owned subsidiary of Pioneer Corporation in October 2007. Our aim is to become the world's leading speaker manufacturer in terms of both quality and quantity.

Business and Capital Alliance with Sharp Corporation

In the fiercely competitive electronics market, strategic alliances with other companies are essential to differentiating products and generating earnings while reducing the burden of increasing development expenses and the risks associated with capital expenditures. In September 2007, Pioneer and Sharp Corporation agreed to form a comprehensive business and capital alliance. Through this alliance, the two companies are jointly developing products by making effective use of each other's resources in their respective fields of expertise. In this manner, Pioneer and Sharp both aim to enhance their respective corporate value.

Specifically, in the field of flat-panel TVs, Pioneer will develop acoustic systems that will be



fitted to ultra-thin, flat-panel LCD TVs currently under development by Sharp. Furthermore, development efficiency will be raised by jointly developing high picture quality, premium-grade LCD TVs. Furthermore, in the optical disc field, Pioneer and Sharp will join forces not only to supply DVD-related products to each other, but also to expand their respective Blu-ray Disc-related product businesses. At the same time, in car electronics fields, the two companies will propose new forms of value by combining Pioneer's car navigation system technologies with Sharp's proprietary devices and mobile phones.

In December 2007, Pioneer issued 30 million new shares of common stock to Sharp for ¥41.6 billion. In parallel, Pioneer subscribed to 10 million shares of Sharp's treasury stock at a cost of ¥19.8 billion. This move was aimed at cementing the alliance between the two companies.

Medium-term Management Targets

We have established consolidated medium-term management targets of operating revenue of ¥900 billion, operating income of ¥37 billion and net income of ¥30 billion for fiscal 2011. These targets will be achieved by ensuring that the entire Group implements the above measures.

In terms of our main business segments, in the Car Electronics business, we are targeting operating revenue of ¥450 billion and operating

income of ¥26 billion in fiscal 2011. We also aim to maintain an operating margin of around 6% here. In the Home Electronics business, we are targeting operating revenue of ¥370 billion and operating income of ¥8 billion in fiscal 2011, but first we aim to restore profitability in fiscal 2010.

Furthermore, we will work to enhance profitability while improving cash flows through such means as reducing inventories and accounts receivable, and curbing capital expenditures.

Our initiatives to improve profitability, including display business restructuring, will be painful in many respects. However, we regard them as essential for Pioneer to turn things around, and will by all means make a Group-wide effort to achieve our medium-term management targets. Your continued understanding and support will be vital to our success.

June 26, 2008

Tamihiko Sudo

President and Representative Director

Review of Operations

Year ended March 31, 2008

Business Segments

CAR ELECTRONICS

Car Electronics sales increased 4.5% year on year to ¥373.9 billion (US\$3,738.8 million) due to higher sales of both car navigation systems and car audio products. In car navigation systems, consumer-market sales were mostly the same as in the previous fiscal year, while OEM sales increased in North America. In car audio products, consumer-market sales increased in Central and South America, but decreased in North America due to market contraction, while OEM sales rose in Japan, China and North America. Total OEM sales in this segment accounted for approximately 39% of Car Electronics sales in fiscal 2008, compared with approximately 36% in fiscal 2007.

Operating income in this segment rose 18.3% to ¥26.2 billion (US\$261.5 million). This principally reflected lower selling expenses for consumer-market products, such as advertising and sales promotion expenses, despite higher development expenses in the OEM business.

HOME ELECTRONICS

Home Electronics sales decreased 8.8% year on year to ¥329.5 billion (US\$3,295.3 million). Plasma display sales declined due to a drop in sales volume mainly in North America and Europe. Plasma display sales accounted for approximately 40% of Home Electronics sales, compared with approximately 49% in the previous fiscal year. Sales of DVD drives and Blu-ray Disc-related devices rose, while sales of DVD recorders fell.

The operating loss in this segment was ¥18.0 billion (US\$179.7 million), compared with an operating loss of ¥15.8 billion in the previous fiscal year. This was mainly attributable to the larger loss in the plasma display business due to falling sales, despite a smaller loss in DVD recorders reflecting a reduction in development expenses.

PATENT LICENSING

In Patent Licensing, royalty revenue decreased 57.1% year on year to ¥2.0 billion (US\$20.0 million). This decrease was attributable to the impact of the expiration of some patents licensed to the optical disc industry.

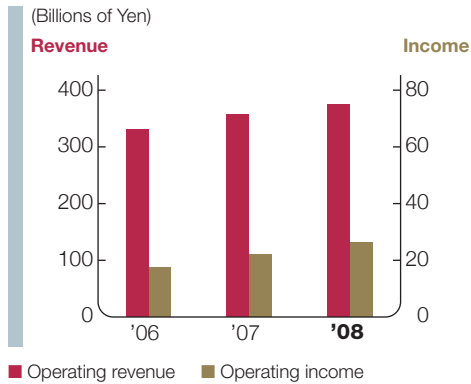
Operating income in this segment declined 59.5% to ¥1.6 billion (US\$15.9 million), in line with the decrease in royalty revenue.

OTHERS

In the Others segment, sales decreased 5.5% year on year to ¥69.1 billion (US\$690.7 million). This mainly reflected lower sales of factory automation (FA) systems and business-use AV systems.

Operating income in this segment was ¥0.2 billion (US\$1.6 million), down 93.4% year on year. This was mainly attributable to lower profitability in FA systems and business-use AV systems due to lower sales.

Revenue and Income



Main Products and Services

- Car Navigation Systems
- Car Stereos



Car navigation system



Car AV system

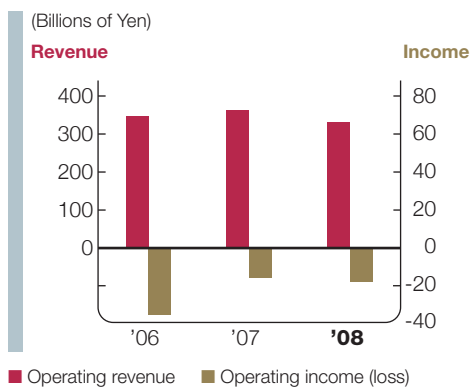
- Car AV Systems
- Car Speakers



Car CD player



Car speakers



- Plasma Displays
- DVD Recorders
- DVD Players
- DVD Drives



Plasma display



Speaker system

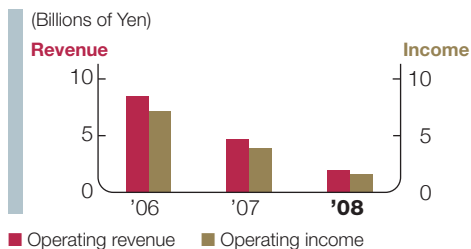
- Blu-ray Disc Players
- Blu-ray Disc Drives
- Audio Systems
- Audio Components



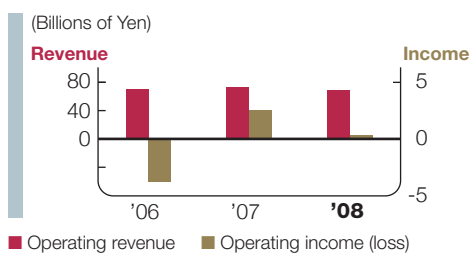
Blu-ray Disc Player



DJ equipment



- Licensing of Patents Related to Laser Optical Disc Technologies



- Organic Light-Emitting Diode (OLED) Displays
- Factory Automation Systems
- Speaker Units



OLED display

- Electronics Devices and Parts
- Telephones
- Business-use AV Systems



Speaker units

Notes: 1. Operating income (loss) is presented as operating revenue less cost of sales and selling, general and administrative expenses, in accordance with accounting practices generally accepted in Japan.
 2. Operating income (loss) in each business segment represents operating income (loss) before elimination of intersegment transactions.
 3. In fiscal 2008, the Company classified telephones in "Others," which were previously included in "Home Electronics." Previously reported figures have been reclassified to conform to this presentation.

TUNING INTO CAR ELECTRONICS MARKETS WORLDWIDE

It is important for us to continuously generate earnings in the Car Electronics business in order to drive further growth at Pioneer. In our consumer markets, we actively propose value from a customer-centric standpoint so as to garner market support and thereby enhance brand value. In parallel, we strive to expand our OEM business by leveraging advanced technologies and other assets we have cultivated in consumer markets. Developing businesses that deliver sustained earnings based on an accurate understanding of market characteristics and trends in customer demand is vital to this end. Here, we introduce the business strategies we are implementing in various regions worldwide to ensure that we remain a leading company.



Car Electronics Market in

JAPAN

Japan is a major market for car navigation systems—total sales account for more than 80% of the country's consumer car electronics market. By producing solid results in the Japanese car navigation systems market, we aim to enhance the overall profitability of our Car Electronics business in Japan.

Convergence of Communications and Navigation Functions

The key for Pioneer to achieve future growth in this market, where products evolve at a breathtaking pace, is to continuously provide new forms of value. We will work to expand our market share by further fusing communications and navigation functions.

Specifically, based on our proprietary Smart Loop Concept for sharing knowledge among users over a network, we will develop systems that provide even more accurate traffic and positioning information by allowing drivers to share an immense amount of data gathered by linking car navigation systems over a network. In addition, we will create services that allow drivers to obtain a variety of information when needed, such as weather updates for their destinations and descriptions of nearby shops and restaurants.

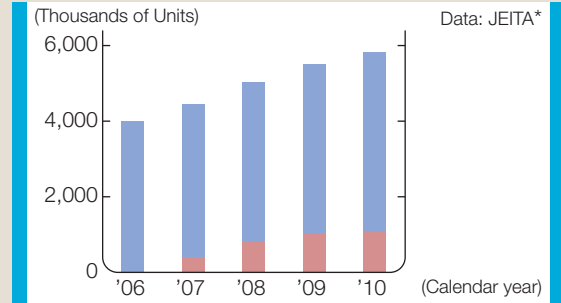
Building on these measures, in the field of car navigation systems with built-in audio/video (AV) functions, we will concentrate our efforts not only on user interfaces and navigation functions, but also on responding to the emergence of terrestrial digital broadcasting and enhancing internal AV functions. These efforts will be made in line with the respective brand concepts of *Cyber Navi*, our top-of-the-line model, and *Raku Navi*, which combines functionality with usability. In this manner, we aim to maintain a leading position in this field. Turning to the portable navigation devices

field, we launched the new *Air Navi* AVIC-T10 car navigation system in June 2008. This revolutionary product offers sophisticated communications functions with outstanding basic performance in a conventional price range for portable navigation devices. With this product, we will work to capture new customer segments with the aim of expanding overall earnings from the consumer car navigation systems market.

OEM Car Navigation Systems Initiatives

In the growing OEM business, we aim to expand business further by winning more orders for a broader range of models from both automakers and car dealerships. This will be done by leveraging our competitiveness in consumer markets and collective capabilities in AV and navigation functions. We will also steadily respond to demanding customer requirements while working to enhance profitability by reducing development costs.

Demand in the Japanese Car Navigation Systems Market



■ Fixed Navigation Systems
■ Portable Navigation Devices



● Air Navi AVIC-T10



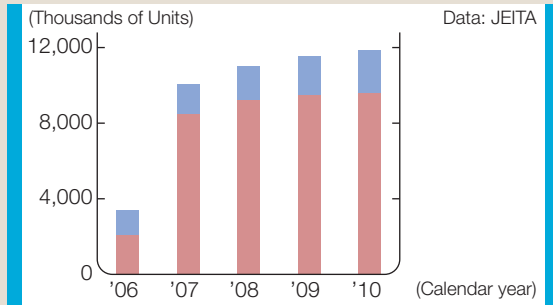
● Cyber Navi AVIC-VH9000: The removable main unit allows drivers to bring driving plans prepared on a home PC, information from the Internet, audio data and more into their cars.

* Japan Electronics and Information Technology Industries Association

Car Electronics Markets in

NORTH AMERICA

Demand in the North American Car Navigation Systems Markets



- Fixed Navigation Systems
- Portable Navigation Devices

North America is the Car Electronics business' second largest market after Japan. To compensate for contraction in North American consumer markets for car audio products, Pioneer plans to focus on product categories with growth potential such as car navigation systems and car AV products to generate earnings.

Expanding the Markets for In-dash Car Navigation Systems

The North American car navigation systems market continues to grow rapidly, with market-wide sales surpassing the 10 million-unit mark in 2007. In particular, demand for low-end portable navigation devices with limited functionality is increasing sharply. However, we are focusing on in-dash car navigation systems with built-in AV functions because we believe we can propose value not offered by portable navigation devices. For example, our in-dash car navigation systems provide a perfect fit with automobile dashboards, as well as multi-functionality in terms of traffic information reception, interoperability with peripheral devices and much more, and in the process of delivering this added value, we plan to increase our market share. In fiscal 2008, the AVIC-D3 model DVD car navigation system, launched at mass-market prices, earned a strong customer response. In June 2008, we brought to

market a new model using flash memory as storage media for digital map data. With this new model, we will strive to further expand our customer base for in-dash car navigation systems as we aim to become a leading car navigation systems company in the North American market.

Value-added Propositions for Car AV Products

In the car AV market, we will bolster our lineup of value-added car AV products, such as DVD-compatible models, and models compatible with portable digital audio players and USB memory. Separately, by offering diverse value propositions tailored to the lifestyles of North American consumers, such as Bluetooth®* functionality and digital satellite and terrestrial digital radio reception, we aim to maintain our top market share and sustain profitability.

Communicating with the Markets

Since 2007, we have been holding a series of our own product exhibitions called the Dome Tour in major U.S. cities, with the aim of enhancing the image of our brands. We have also launched a retailers-only website not only to provide product and installment information, but also as a contact point for inquiries to Pioneer and as a forum for retailers to exchange information. In this manner, we are effectively supporting our U.S. sales structure, which spans all of this vast country.



- The AVIC-F90BT flash memory in-dash car navigation system



- The Dome Tour was well received in the 18 U.S. cities where it was held in fiscal 2008.

Car Electronics Markets in



In Europe, Pioneer is actively strengthening initiatives for establishing sales channels to capture a greater share of the car navigation systems market, and for expanding business in Russia and Eastern Europe, where future growth is expected.

Measures for Establishing New Sales Channels

The European portable navigation devices market has grown faster than in North America, driven by demand spurred by falling prices and a market characterized by the popularity of small cars. However, because we believe that it is crucial to differentiate our products by offering customer value propositions for enhancing car passenger cabins, in addition to basic navigation performance, as the portable navigation devices market matures, we are concentrating on enhancing car navigation systems with built-in AV functions.

Additionally, Pioneer is bolstering dealer option sales, where car dealerships offer car navigation systems as options to customers buying new cars. Pioneer is working to respond to the needs of car dealerships by, for example, introducing car navigation systems with enhanced customization features for displaying the automaker's logo when



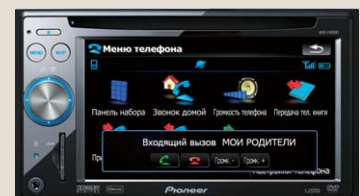
Pioneer products on display at a car dealership

starting up systems and showing the location of its affiliated repair network on navigation maps.

Going forward, we will strive to reinforce existing partnerships with car accessories retailers, while growing sales at car dealerships, with the aim of expanding business and maintaining profitability.

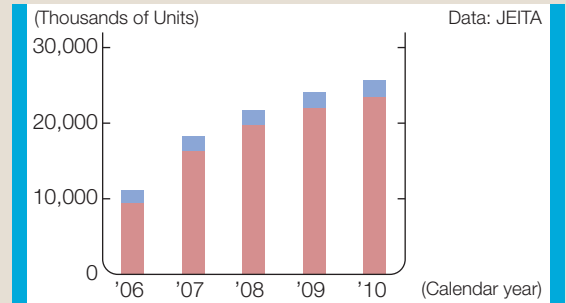
An Expanding Russian Market

Russia has been experiencing rapid economic growth as an oil-producing nation, and consumers are enjoying strong purchasing power. The country is expected to enter a period of full-scale motorization, raising hopes for steady expansion in its car audio product market and for growth in its car navigation systems market as coverage of digital map data increases. Pioneer's products have always enjoyed extremely strong customer support in Russia. By strengthening operations through its sales subsidiary in Moscow, Pioneer plans to steadily increase its market share by catering to local demand. In Eastern Europe and Turkey, which have strong growth potential, Pioneer is working to expand its business through its European regional headquarters in Belgium.



Car navigation system for Russia

Demand in the European Car Navigation Systems Markets

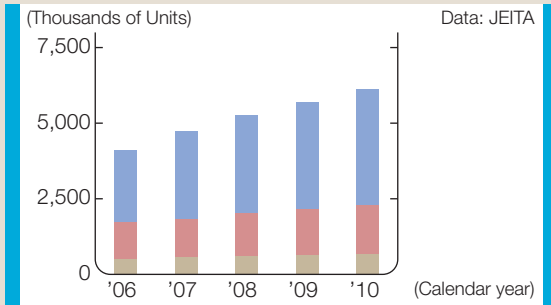


Legend:
■ Fixed Navigation Systems
■ Portable Navigation Devices

Car Electronics Markets in

CENTRAL AND SOUTH AMERICA

Demand in the Central and South American Car Audio Product Markets



- Brazil
- Mexico
- Other Countries

The Car Electronics business is steadily growing sales in Central and South America, supported by significant growth in Brazil's market. Pioneer's current priorities are to shift its center of gravity to value-added models in car audio products and bolster marketing activities that raise customer satisfaction. By carrying out these measures, we aim to drive further business expansion.

Market Leadership in Central and South America

Brazil's consumer market for car audio products has been expanding significantly on the back of sharp new car sales growth. Going forward, Pioneer expects to see increasing demand for car AV products such as car DVD players here. To prepare for further market expansion, we have roughly doubled annual production capacity to 1 million units with the completion of a new plant in Manaus, Brazil, in April 2008. This should help to enhance operating profitability by further expanding sales of Pioneer products, which already account for a large share of the Brazilian market.

Mexico is the second largest market in this region after Brazil, but this market is already maturing. Here, we are forging stronger ties with prominent car audio installers and encouraging them to design stores around Pioneer products. These and other cooperative efforts are geared toward increasing our share of this highly

competitive market. Separately, we will also actively develop business in developing markets in Argentina and Colombia.

Reinforcing Brand Power

In Central and South America, the daily enjoyment of music is part and parcel of the local culture. There is strong demand for car audio products, especially from younger people, and events such as motor shows in various regions, and car sound contests in which car owners compete in terms of the sound quality of their car audio systems, attract much attention. We are working to enhance the image of our brands by actively participating in these events and promoting the advantages of our products. Efforts are also focused on enhancing our website dedicated to sales promotions in order to efficiently cover the vast Central and South American region. In Brazil, communication activities through Web magazines and newsletters, involving the distribution of product information and questionnaires, have enjoyed favorable support from customers and retailers.



● New plant in Manaus, Brazil



● Designing stores in cooperation with car audio installers

Car Electronics Markets in

ASIA, THE MIDDLE EAST AND OTHER REGIONS

We are striving to boost sales by leveraging our network of sales bases and independent distributors in the growing markets such as India and the Middle East. We also seek to generate earnings in Southeast Asia where demand is shifting to car AV products, while responding accurately to market dynamics.

Growth Continues in India

In recent years, India has been experiencing rapid motorization. New car sales reached approximately 1.5 million units in 2007 and growth is expected to continue. For these reasons, combined with strong demand for installing car audio products, India will remain one of Pioneer's most important markets going forward. Car CD players and car speakers currently make up the bulk of sales here, but we plan to drive further earnings growth by putting more emphasis on USB-compatible models and car AV products such as car DVD players, for which demand is increasing. We are also actively participating in automotive events to enhance our brand power.

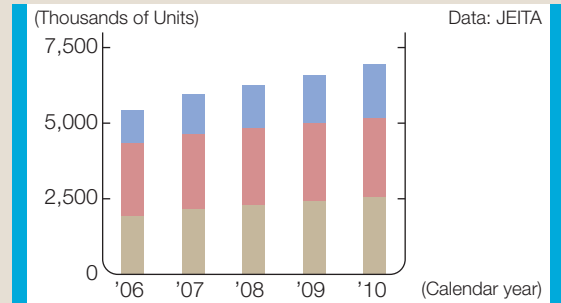
The Middle East, Central Asia and Africa

The Middle East was one region where our Car Electronics business achieved its largest growth



Pioneer's exhibit at Auto Expo 2008, one of India's largest international motor shows, which was held in New Delhi in January 2008

Demand in the Indian, Middle Eastern and Southeast Asian Car Audio Product Markets



India
Middle East
Southeast Asia

in sales in fiscal 2008. This reflected growth in local car audio product markets supported by sharply higher new car sales, and growing demand for relatively highly priced models provided a further boost. Pioneer has a powerful local sales network made up of major independent distributors, which has allowed us to capture a large market share. In Central Asia and South Africa, we aim to expand business by conducting marketing activities closely linked to local regions.

Southeast Asia and China

In Southeast Asia, demand in the car audio product market is shifting to car AV products such as car DVD players. For Pioneer, this region continues to offer prospects for strong sales. We plan to boost our market share and sustain earnings by bolstering value-added product sales. In China, because installation of assembly line products in new cars is the main market, we are focusing on expanding OEM business, but we also plan to strengthen our presence in consumer markets.



The DEH-3050UB USB-compatible car CD player

Research and Development

Pioneer believes that research and development (R&D) is a driving force behind the creation of new markets, positioning it as a lifeline for the continued existence and growth of enterprises. Pioneer is therefore actively engaged in all aspects of R&D, from basic research aimed at realizing future new businesses to technology development aimed at adding value to existing products.

In basic research, Pioneer focuses on fields where it can leverage its business resources and technologies. The Company conducts research in fields such as next-generation optical discs, organic light-emitting diode (OLED) displays, next-generation memory devices as well as audio/video structure analysis technology and image compression technology related to information and communications services.

In technology development for existing businesses, Pioneer's goals are to improve product functions and usability, while rapidly bringing to market new technologies that will lead to new products.

Pioneer's overseas research centers in the U.S., the U.K., and China develop technologies in line with the characteristics of each region. Pioneer also actively participates in national research projects and conducts joint research with universities and other companies.

Organic Dye BD-R and Metal Nitride BD-R Discs

Pioneer has been focusing on developing technologies for popularizing write-once Blu-ray Discs (BD-R) as a new generation of optical recording media following DVD-R and DVD-RW discs.

Through joint development with Mitsubishi Kagaku Media Co., Ltd., Pioneer has successfully developed a commercial-grade BD-R disc

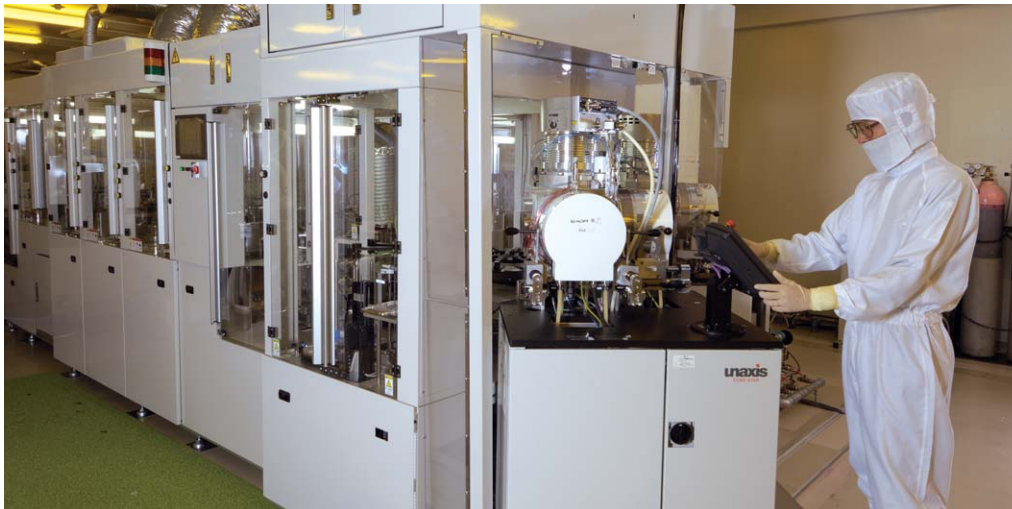
with an organic dye recording layer. Because CD-R and DVD-R disc production technology and production facilities can be converted to organic dye BD-R production, we expect to be able to realize BD-R disc media that can be offered at low prices. In April 2007, the Blu-ray Disc Association, an industry consortium responsible for establishing format standards, standardized a recording format compatible with organic



● Prototype BD-R disc with an organic dye recording layer



● Pioneer is developing a disc drive product compatible with BD-R discs with organic dye/metal nitride recording layers. Shown here is a prototype displayed at CEATEC JAPAN* 2007.



● R&D in next-generation optical discs

dye BD-R discs. As a result, a multitude of media manufacturers are now expected to enter this field with the view to achieving full-scale consumer uptake of BD-R discs going forward.

Also in collaboration with Mitsubishi Kagaku Iida, Pioneer has successfully developed a commercial-grade BD-R disc with a metal nitride recording layer. Because this recording layer has high information storage stability and low susceptibility to power fluctuations and dispersion in the drive's recording laser, one advantage is that it facilitates the development of discs with faster data write speeds. Separately, because this recording layer is a proprietary Pioneer technology, we plan to license the use of this technology's basic patents to media manufacturers, with the aim of playing a part in the development of BD-R discs with outstanding recording performance.

Image Recognition Car Navigation System

Recently, the automotive industry has been equipping vehicles with rear-view and other video cameras that monitor vehicle surroundings. In response, Pioneer is conducting R&D focused on new car navigation systems that combine technologies for analyzing images from these vehicle cameras with navigation functions.

Pioneer exhibited an image recognition car navigation system applying image analysis technologies that was well received at CEATEC JAPAN* 2007 in October 2007. The system has three primary functions: "Real View Navigation" provides real-time video-based driving guidance by recognizing traffic lights, road lines, signs and other cues from a forward video camera; "Around Monitor Navigation" warns the driver of dangers by analyzing the movements of the driver's vehicle and adjacent traffic; and "Roadscape Navigation" recognizes road scenery, and suggests alternate routes when similar scenery has continued along the current route. Based on these three functions, the system provides greater navigation convenience, enhanced driving safety and new ways of enjoying driving.

Building on these and other technologies, Pioneer aims to quickly commercialize automotive devices that incorporate image-processing technologies.



● Real View Navigation screen-shot

* One of the largest international exhibitions in Asia featuring imaging, information and communications

Environmental Preservation Activities

Aiming to truly integrate business activities and environmental preservation activities, Pioneer is making a group-wide effort to reinforce measures such as reducing greenhouse gas emissions, maintaining “zero emission*1” status and providing environmentally friendly products.

Integrated ISO 14001 Certification

Environmental preservation activities have been taking on increasing importance. In this context, it is essential to pursue environmental management in an effective and powerful manner to enhance environmental performance.

In this process, strengthening environmental governance within the Pioneer Group is an important task. In August 2007, as the first step, we integrated the ISO 14001 environmental management systems of all business sites of the parent company, Pioneer Corporation (Headquarters, the Kawagoe and Kawasaki plants and the Corporate Research and Development Laboratories). With this integration process, Pioneer seeks to promote activities designed to achieve its environmental goals by establishing Plan, Do, Check and Act (PDCA) cycles within a larger framework, while effectively utilizing environmental management systems specific to each business site. Going forward, Pioneer will extend the integration process to all domestic group companies, followed by its overseas group companies. We thus aim to further enhance the achievements of environmental preservation activities of the Pioneer Group as a whole.

Pioneer Pure Malt Speaker Series —Recycling Natural Materials

Pioneer Pure Malt Speakers, developed in collaboration with major brewer Suntory Limited, are housed in speaker cabinets made from recycled whiskey barrels used for aging whiskey for more than 50 years. This special wood produces a warm, rich and mellow sound quality. Since their release in 1998, Pure Malt Speakers have been acclaimed by society as a recycling initiative and for their rich timbre. Another advantage of this speaker series is that it uses whiskey barrels that do not contain any formaldehyde, reducing the emissions of volatile organic compounds (VOCs), which are considered a cause of “sick building syndrome*2.”

In recent years, Pioneer has launched the Pure Malt series overseas with the S-A4SPT-PM model and has expanded this series’ product lineup mainly by adding audio racks made from recycled whiskey barrels. In this manner, Pioneer promotes environmental protection through its products.



● Pure Malt Speakers S-A4SPT-PM

*1 Recycling of over 99% of facility-generated waste, thus bringing our landfill disposal to almost zero (Pioneer’s definition)

*2 Various allergic reactions caused by indoor air pollution due to VOCs, including eye and throat discomfort, headaches, and poor concentration

Social Contribution Activities

Pioneer conducts social contribution activities in fields such as audio/video, and educational support, by leveraging its own technologies and expertise, with the aim of helping to realize a fulfilling and sustainable society.

“Listen through the Body” Concert for the Hard of Hearing

Pioneer, using special vibrating chairs that convert sounds into vibrations, holds performances of the “Listen through the Body” Concert in Japan and overseas, to bring the joy of music to people who are hard of hearing.



● “Listen through the Body” Concert in Shanghai, China

In September 2007, Pioneer received the “Mecenat Award for Physical Acoustics” and the “Readers’ Choice for Mecenat Award” at the 2007 Japan Mecenat Awards, which honors outstanding support of arts and cultural activities. Pioneer was recognized for using acoustics technology developed in-house to steadily expand its circle of activities, with operations led mainly by employee volunteers and their families. In March 2008, with local government backing, Pioneer held its first “Listen through the Body” Concert in China at a school for the hard of hearing in Shanghai.

Pioneer plans to convey the joy of music to an even broader audience by expanding its activities while continuing its programs in various regions around the world.

Supporting Education Activities

Pioneer puts considerable effort into the active support of education to pass its technology and expertise as an electronics manufacturer on to the next generation.

Pioneer Technology (Malaysia) Sdn. Bhd. holds an annual Pioneer Mathematics Contest for high school students to develop an awareness of the importance of mathematics as the foundation of electronics. The subsidiary has been working with local education authorities to hold this contest every year since 1995. With the cumulative number of participants now exceeding 15,000 students, the program’s social significance has become widely recognized. For instance, the contest participation certificate has become an important document for students proceeding on to higher education. At the annual contest held in September 2007, approximately 1,000 students from 33 schools participated, with the winning schools being presented with Pioneer products, such as DVD players.

Elsewhere, Pioneer North America, Inc. and Pioneer Electronics Service, Inc. have been conducting the Pioneer Academy educational support program for local high school students since 1994. This program offers a wide range of activities, from classroom educational support to tours of Pioneer facilities. In fiscal 2008, Pioneer Academy provided design and craftsmanship guidance and funding support for a team of students participating in a robot contest.



● Pioneer Academy

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

Under the Company Law of Japan, 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 the 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.

Based on this institutional structure, Pioneer has adopted an executive officer system to expedite the execution of business activities and clarify the responsibilities for each business. Meanwhile, aiming to enhance the transparency of decision making, Pioneer has established a Group Executive Committee and voluntary 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 and holds regular monthly meetings. 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 is stipulated to have decision-making authority reports on these issues to the Board of Directors.

Establishment of Three Advisory Committees

Pioneer has voluntarily established the following three advisory committees to the Board of Directors, each chaired by an outside director:

the Nominating Committee, the Compensation Committee, and the 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. These committees report on the results of their deliberations to the Board of Directors, and make related recommendations. The Board of Directors discusses these reports and their recommendations, giving due consideration to their content.

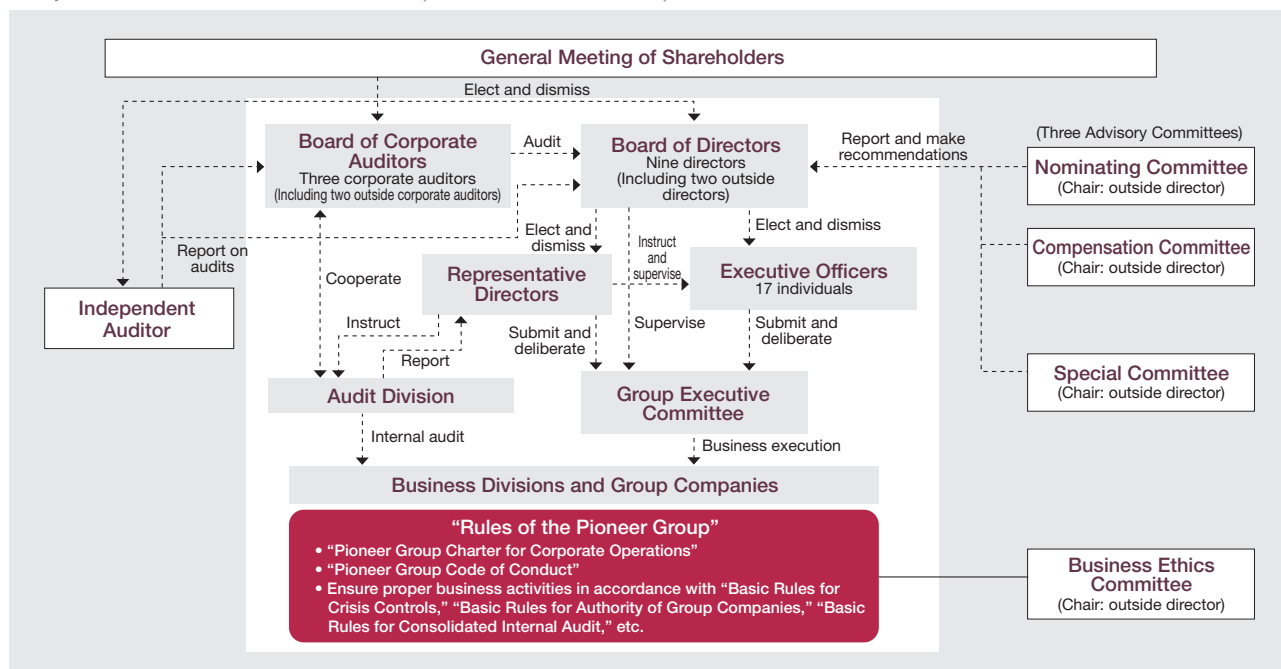
Nominating Committee

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

Compensation Committee

This committee discusses issues such as basic policies and systems for remuneration and other benefits for directors and executive

Corporate Governance Structure (As of June 26, 2008)



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.

Systems for Ensuring Appropriate Execution of Business

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 through 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 in good faith. Furthermore, based on the “Basic Rules for Crisis Controls,” we have established a crisis control structure for the Pioneer Group and strive to ensure proper responses in the event of a crisis. 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 each Group company. In addition, 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.

Management

(As of June 26, 2008)

Directors



Tamihiko Sudo

President and
Representative Director



Hajime Ishizuka

Executive Vice President and Representative Director
In charge of Corporate Management Group and Corporate
Planning Division, and export management in general



Akira Haeno

Senior Managing Director and Representative Director
General Manager of Mobile Entertainment Business Group
and in charge of Procurement Group



Satoshi Matsumoto

Managing Director
In charge of Quality Control Division
and Creative Sound & Voice Division



Hideki Okayasu

Managing Director
General Manager of Finance and Accounting Division,
and Chief Financial Officer



Susumu Kotani

Managing Director
General Manager of Home Entertainment Business Group



Masanori Koshoubu

Managing Director
General Manager of Research & Development Group and
General Manager of Technology Development Center



Shunichi Sato

Director



Koichi Ueda

Director
Professor at Meiji Law School and Attorney-at-Law

Corporate Auditors



Michiyoshi Ogawa

Corporate Auditor (full time)



Keiichi Nishikido

Corporate Auditor
Attorney-at-Law



Shinichi Yamada

Corporate Auditor
Certified Public Accountant

Senior Executive Officers

Masao Kawabata

Yoshio Taniyama

Yoichi Sato

Haruyuki Inohana

Toshiyuki Ito

Seiichiro Matsuki

Tatsuo Takeuchi

Executive Officers

Sumitaka Matsumura

Kenji Sato

Keiichi Yamauchi

Kazumi Kuriyama

Masanori Kurosaki

Hiroyuki Mineta

Takashige Nakano

Yasuhiko Danjo

Gen Inoshita

Harumitsu Saito

Notes: 1. Messrs. Shunichi Sato and Koichi Ueda are outside directors pursuant to the Company Law of Japan.

2. Messrs. Keiichi Nishikido and Shinichi Yamada are outside corporate auditors pursuant to the Company Law of Japan.

Financial Section

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Five-Year Summary of Operations

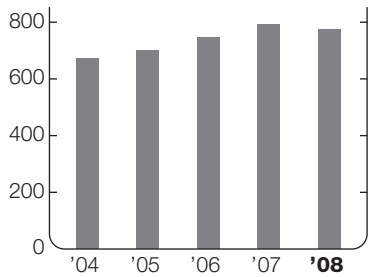
Pioneer Corporation and Subsidiaries
Years ended March 31

In millions of yen and thousands of U.S. dollars					Yen	U.S. Dollars
	2004	2005	2006	2007	2008	2008
Operating revenue:						
Net sales	¥672,928	¥700,805	¥746,424	¥792,441	¥772,478	\$7,724,780
Royalty revenue	11,821	10,237	8,540	4,661	1,999	19,990
Total operating revenue	684,749	711,042	754,964	797,102	774,477	7,744,770
Income (loss) from continuing operations	19,464	(10,112)	(85,758)	(9,536)	(17,992)	(179,920)
Income from discontinued operations, net of tax	5,374	1,323	772	2,775	-	-
Net income (loss)	¥ 24,838	¥ (8,789)	¥ (84,986)	¥ (6,761)	¥ (17,992)	\$ (179,920)
Basic net income (loss) per share of common stock (yen):						
Income (loss) from continuing operations	¥110.95	¥(57.65)	¥(491.66)	¥(54.67)	¥(98.23)	\$(0.98)
Income from discontinued operations, net of tax	30.63	7.54	4.43	15.91	-	-
Net income (loss)	141.58	(50.11)	(487.23)	(38.76)	(98.23)	(0.98)
Diluted net income (loss) per share of common stock (yen):						
Income (loss) from continuing operations	110.09	(57.65)	(491.66)	(54.67)	(98.23)	(0.98)
Income from discontinued operations, net of tax	30.43	7.54	4.43	15.91	-	-
Net income (loss)	140.52	(50.11)	(487.23)	(38.76)	(98.23)	(0.98)
Cash dividends per share declared (yen)	¥ 25.00	¥ 25.00	¥ 10.00	¥ 10.00	¥ 7.50	\$ 0.08
Capital expenditures	¥ 57,978	¥ 63,866	¥ 40,325	¥ 41,932	¥ 41,989	\$ 419,890
Depreciation and amortization	41,047	46,990	46,703	41,127	33,309	333,090
Research and development expenses	51,449	55,858	63,442	59,222	59,395	593,950
Total assets	722,542	725,167	678,046	635,474	576,116	5,761,160
Borrowings:						
Short-term borrowings and current portion of long-term debt	27,837	52,428	30,370	18,605	28,484	284,840
Long-term debt	89,691	81,219	92,970	86,015	72,041	720,410
Total borrowings	117,528	133,647	123,340	104,620	100,525	1,005,250
Common stock	49,049	49,049	49,049	49,049	69,824	698,240
Shareholders' equity	¥332,938	¥332,239	¥273,250	¥268,116	¥247,395	\$2,473,950
Return on assets (%)	3.6	(1.2)	(12.1)	(1.0)	(3.0)	
Return on equity (%)	7.6	(2.6)	(28.1)	(2.5)	(7.0)	
Weighted-average number of shares						
outstanding (in thousands)	175,433	175,389	174,426	174,419	183,159	
Diluted average number of shares						
outstanding (in thousands)	176,609	175,389	174,426	174,419	183,159	
Number of shares issued (in thousands)	180,064	180,064	180,064	180,064	210,064	
Number of employees	32,526	33,409	38,826	37,622	42,775	

- Notes: 1. The U.S. dollar amounts in this report represent translation of Japanese yen, for convenience only, at the rate of ¥100=US\$1.00, the approximate current rate prevailing on March 31, 2008.
2. Basic net income (loss) per share of common stock has been computed based on the weighted-average number of shares outstanding during each fiscal year. Diluted net income (loss) per share of common stock has been computed on the basis that all dilutive warrants and stock options were exercised. See Note 23 of notes to consolidated financial statements.
3. Return on assets represents net income (loss) as a percentage of average total assets. Return on equity represents net income (loss) as a percentage of average shareholders' equity.
4. In fiscal 2004 the Company sold subsidiaries in the audio/video software business, in fiscal 2006 sold a subsidiary engaged in the development of cable TV software, and in fiscal 2007 sold subsidiaries involved in the electronic components business. As a result, the operating results of these subsidiaries and the gain on the sales are presented as income from discontinued operations in the consolidated statements of operations in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Corresponding figures for the previous fiscal years have been reclassified accordingly. See Note 5 of notes to consolidated financial statements.
5. In fiscal 2006, the Company changed the standard for counting the number of employees. Contract employees with contract period of less than one year and temporary employees, previously included in the number of employees, have been excluded. Previously reported numbers have been adjusted accordingly.

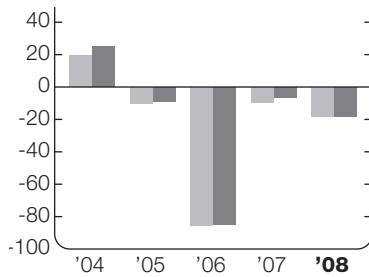
Operating Revenue

(Billions of Yen)



Income (Loss)

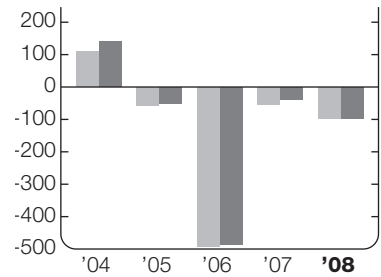
(Billions of Yen)



■ Income (loss) from continuing operations
■ Net income (loss)

Income (Loss) per Share

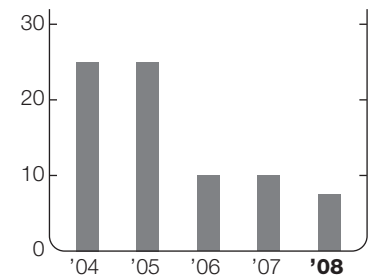
(Yen)



■ Income (loss) from continuing operations per share
■ Net income (loss) per share

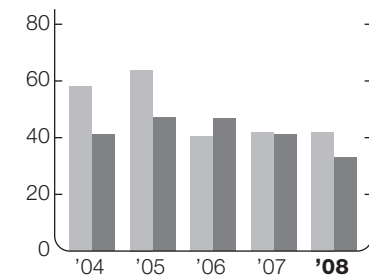
Cash Dividends per Share

(Yen)



Capital Expenditures and Depreciation and Amortization

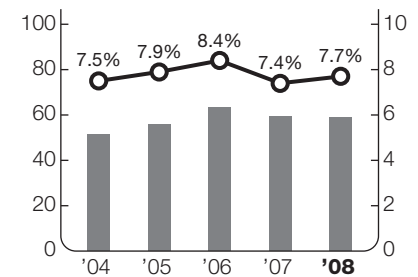
(Billions of Yen)



■ Capital expenditures
■ Depreciation and amortization

R&D Expenses

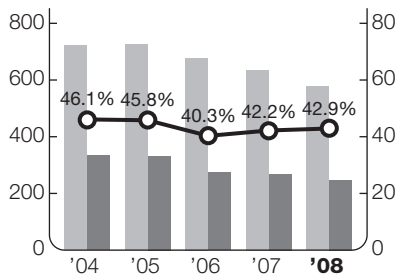
(Billions of Yen) (%)



■ R&D expenses
● As % of operating revenue

Total Assets and Shareholders' Equity

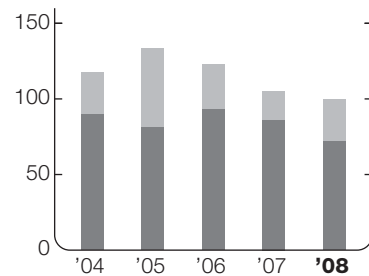
(Billions of Yen) (%)



■ Total assets
■ Shareholders' equity
● Shareholders' equity ratio

Borrowings

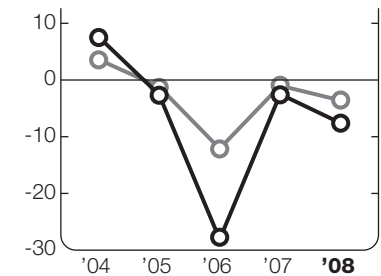
(Billions of Yen)



■ Short-term borrowings and current portion of long-term debt
■ Long-term debt

ROA and ROE

(%)



○ Return on assets (ROA)
● Return on equity (ROE)

Financial Review

Year ended March 31, 2008, compared with year ended March 31, 2007

Results of Operations

Operating revenue

Net sales amounted to ¥772.5 billion, a 2.5% decrease from fiscal 2007. Sales in Japan were ¥215.6 billion, down 7.7% from fiscal 2007, and overseas sales decreased 0.4% to ¥556.8 billion. Royalty revenue decreased 57.1% from fiscal 2007 to ¥2.0 billion.

Car Electronics sales increased 4.5% year on year to ¥373.9 billion due to higher sales of both car navigation systems and car audio products. In car navigation systems, consumer-market sales were mostly the same as in the previous fiscal year, while OEM (original equipment manufacturing) sales increased in North America. In car audio products, consumer-market sales increased in Central and South America, but decreased in North America due to market contraction, while OEM sales rose in Japan, China and North America. Total OEM sales in this segment accounted for approximately 39% of Car Electronics sales in fiscal 2008, compared with approximately 36% in the previous year. In terms of geographic sales, sales in Japan were ¥126.4 billion, largely unchanged from fiscal 2007. In Japan, sales of OEM car audio products increased, but sales of car navigation systems decreased. Overseas sales increased 6.9% year on

year to ¥247.5 billion, mainly due to increased sales of OEM car navigation systems in North America and OEM car audio products in China and North America.

Home Electronics sales decreased 8.8% year on year to ¥329.5 billion. Plasma display sales declined due to a drop in sales volume mainly in North America and Europe. Plasma display sales accounted for approximately 40% of Home Electronics sales, compared with approximately 49% in the previous fiscal year. Sales of DVD drives and Blu-ray Disc-related devices rose, while sales of DVD recorders fell. In terms of geographic sales, sales in Japan declined 21.4% to ¥46.3 billion, due to decreased sales of DVD recorders and plasma displays. Overseas sales decreased 6.4% to ¥283.2 billion, due to decreased sales of plasma displays and DVD recorders, despite increased sales of DVD drives and Blu-ray Disc-related devices.

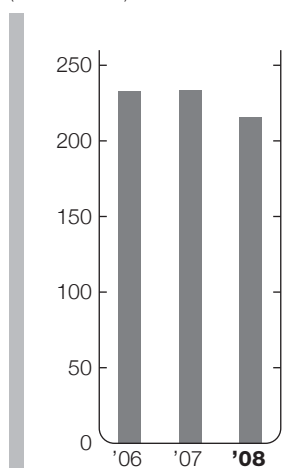
Royalty revenue from *Patent Licensing* decreased 57.1% year on year to ¥2.0 billion. This decrease was attributable to the impact of the expiration of some patents licensed to the optical disc industry.

Others sales decreased 5.5% year on year to ¥69.1 billion. This mainly reflected lower sales of factory automation (FA) systems and business-use AV systems. In terms of

Operating Revenue by Geographic Market

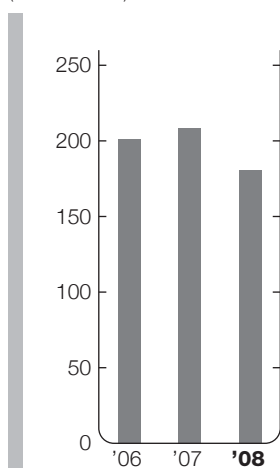
Japan

(Billions of Yen)



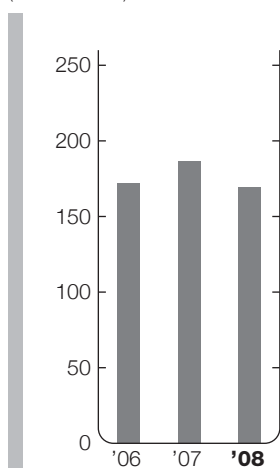
North America

(Billions of Yen)



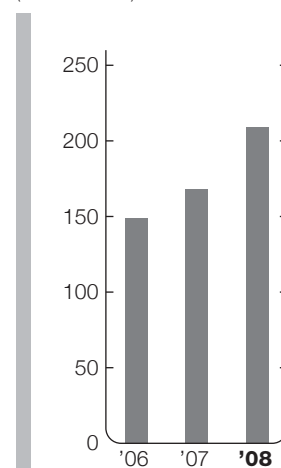
Europe

(Billions of Yen)



Other Regions

(Billions of Yen)



Note: Operating revenue by geographic market is based on the location of each unaffiliated customer.

geographic sales, sales in Japan decreased 11.3% to ¥43.0 billion due to decreased sales of FA systems and business-use AV systems. Overseas sales increased 5.8% to ¥26.1 billion.

Other income

Other income includes interest income, gain on sale of fixed assets and others. Gain on sale of fixed assets increased from ¥1.2 billion to ¥12.4 billion, due to the sale of all land and buildings at the Tokorozawa Plant and some at the Omori Plant. While interest income increased from ¥5.9 billion to ¥6.5 billion, others decreased from ¥2.3 billion to ¥2.0 billion.

Cost and expenses

Cost of sales decreased to ¥601.9 billion from fiscal 2007's ¥614.4 billion. Cost of sales for fiscal 2008 represented 77.7% of operating revenue, up by 0.6 percentage points from 77.1% for fiscal 2007. This increase in cost of sales ratio is primarily due to worsened profitability of plasma displays, reflecting intensified price competition.

Selling, general and administrative ("SGA") expenses decreased by ¥8.5 billion to ¥161.7 billion from fiscal 2007's ¥170.2 billion. This decrease is chiefly due to the decrease of patent fees and the effect of general cost saving efforts.

R&D expenses, which are included in cost of sales and SGA expenses, increased 0.3% to ¥59.4 billion, representing 7.7% of operating revenue. R&D expenses are mostly spent for activities to enhance our technological advantage in our strategic products such as car navigation systems and plasma displays.

Loss on sale and disposal of fixed assets decreased by ¥0.7 billion. This decrease was mainly attributable to losses recorded in fiscal 2007 for disposal of software.

Other deductions increased slightly from ¥25.5 billion to ¥25.8 billion. During fiscal 2007 and 2008, we reviewed the production facilities for plasma displays and DVD-related products because of a decline in profitability. As a result of the review, impairment losses of ¥20.4 billion in assets for plasma displays and ¥2.3 billion in those for DVD-related products were recognized in fiscal 2007, as the excess of the carrying value of the asset group over the estimated fair value of the asset group. In fiscal 2008, impairment losses of ¥22.2 billion in assets for plasma displays and ¥1.1 billion in those for DVD-related products were recognized.

Income (loss) from continuing operations before income taxes

As a result of factors discussed previously, we posted ¥3.4 billion income before income taxes in fiscal 2008, compared with a loss of ¥7.7 billion in fiscal 2007.

Income taxes

In fiscal 2008, the provision for income taxes was ¥21.3 billion against ¥3.4 billion income before income taxes. The relationship between income before taxes and tax expense was distorted primarily due to a valuation allowance set up for deferred tax assets of the parent company and certain subsidiaries which posted losses.

Minority interest in earnings of subsidiaries

Minority interest in earnings of subsidiaries amounted to ¥0.3 billion in fiscal 2008 compared with ¥0.4 billion in fiscal 2007.

Equity in earnings of affiliated companies

Equity in earnings of affiliated companies was ¥0.1 billion in fiscal 2008, compared with ¥0.3 billion in fiscal 2007.

Income from discontinued operations, net of tax

In fiscal 2007, we sold 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. Income from discontinued operations, net of tax, for fiscal 2007 was ¥2.8 billion. There was no such income in fiscal 2008.

Net loss

Net loss in fiscal 2008 was ¥18.0 billion, compared with a net loss of ¥6.8 billion posted in fiscal 2007. Net loss per share of common stock in fiscal 2008 was ¥98.23, compared with net loss per share of ¥38.76 in fiscal 2007.

Liquidity and Capital Resources

Cash flows

Net cash provided by operating activities in fiscal 2008 was ¥22.0 billion. This was primarily due to adjustments for non-cash expenses, such as depreciation and amortization of ¥33.3 billion, impairment losses of ¥23.3 billion on long-lived assets, and deferred income taxes of ¥13.3 billion. These outweighed the following factors reducing cash: a net loss of ¥18.0 billion, a decrease in accrued liabilities of ¥12.3 billion and a gain on sale and disposal of fixed assets, net of ¥11.7 billion, for which we received most of the cash proceeds as a deposit from the buyer in fiscal 2007.

Net cash used in investing activities was ¥72.4 billion. This reflected capital expenditures of ¥42.0 billion, mainly related to the Car Electronics business and the newly established Kawasaki Plant, as well as ¥19.8 billion for the purchase of Sharp Corporation shares as part of the business and capital alliance with Sharp. Additionally, ¥14.7 billion was paid for additional investments in subsidiaries, mainly for making Tohoku Pioneer Corporation a wholly owned subsidiary.

Net cash provided by financing activities was ¥35.9 billion, largely attributable to the proceeds of ¥41.4 billion from a third-party allotment of newly issued Pioneer shares to Sharp.

As a result of these activities and the effect of changes in exchange rates on cash and cash equivalents of overseas subsidiaries, cash and cash equivalents decreased by ¥20.6 billion to ¥81.2 billion at the end of fiscal 2008, from ¥101.8 billion at the end of fiscal 2007.

The alliance with Sharp provided net cash of ¥21.6 billion, after offsetting the aforementioned purchase of Sharp shares against the above proceeds from the third-party allotment of newly issued Pioneer shares to Sharp.

Capital requirements

Our requirements for operating capital are primarily for the purchase of raw materials and parts for manufacturing our products. Also, operating expenses, including manufacturing expenses and SGA expenses, require a substantial amount of operating capital. Payroll and payroll-benefits, and marketing expenses, such as those for advertising and sales promotion, account for a significant portion of operating expenses. Our expenditure for R&D is included in various operating expenses, and payroll for R&D-related personnel accounts for a substantial portion of R&D expenses.

We believe that our ability to generate positive operating cash flows and liquidity discussed in the following financial management section provides sufficient resources to fund future operating capital requirements and capital expenditures.

Financial management

At present, funds required for operating capital and capital expenditures are generally financed through internally generated cash and debt or equity financing. With regard to debt financing, short-term debt financing with maturities of one year or less is utilized to fund operating capital requirements. Short-term borrowing is generally arranged locally by each consolidated subsidiary based on its capital requirements. At March 31, 2008, short-term borrowings of ¥14.8 billion were principally in Japanese yen. On the other hand, financing of long-term funding requirements such as investments in production facilities through debt and equity securities markets is arranged in Japan, and long-term borrowing from financial institutions is arranged locally by each consolidated subsidiary. At March 31, 2008, substantially all of the long-term debt of ¥85.7 billion, including the portion due within one year, was comprised of ¥60.9 billion of zero coupon convertible bonds due 2011 including ¥0.9 billion unamortized issue premium, ¥10.0 billion of unsecured bonds due 2008, and capital lease obligations and other loans arranged locally.

We believe we have sufficient resources to fund future requirements for operating capital and for capital expenditures with uncommitted and unused credit lines of ¥271.2 billion to sustain the growth of Pioneer. Also, the parent company and its four subsidiaries in Japan and China entered into a three-year global credit facility agreement for the amount of ¥70.0 billion, which includes a ¥59.0 billion unused portion included in the above unused credit lines, effective from May 2005. After this agreement was terminated, the parent company entered into a one-year revolving credit facility agreement for the amount of ¥70.0 billion, effective from May 2008. This will ensure that the parent company has an efficient and stable financing source for its operational funding needs.

Contractual obligations and off-balance sheet arrangements

The following summarizes our contractual obligations at March 31, 2008:

	Billions of Yen				
	Total	Payment Due by Period			
Less than 1 year		1-3 years	3-5 years	More than 5 years	
Contractual obligations:					
Long-term debt	¥84.8	¥13.7	¥66.5	¥4.6	—
Operating leases	9.5	3.1	3.3	1.6	¥1.5
Purchase commitment	33.6	33.6	—	—	—
Interest payments	2.1	0.9	1.0	0.2	—
Contribution to defined benefit plans	6.9	6.9	—	—	—

Notes: 1. Total long-term debt of ¥84.8 billion does not include a ¥0.9 billion unamortized issue premium on convertible bonds.
2. Long-term debt includes capital lease obligations.
3. The amount that we will contribute under our defined pension plans is based on a number of factors, primarily rate of salary increase and the number of employees. As such, we have estimated the amount of such contribution for the year ending March 31, 2009 but not for the years thereafter.

The ¥33.6 billion purchase commitment outstanding at March 31, 2008 was for raw materials, property, plant and equipment and advertising. This included a part of our ¥35.0 billion capital expenditures planned for fiscal 2009.

We have the following accounts receivable securitization programs.

In the United States of America, we have established PUSA Receivables Funding Corporation, a wholly owned, bankruptcy-remote, special-purpose entity and established an accounts receivable securitization program of eligible trade accounts receivable. A bankruptcy-remote subsidiary is a company that has been structured so as to make it highly unlikely that it would be drawn into a bankruptcy of any Pioneer Group companies. Through this program, we can securitize and sell, without recourse, on a revolving basis, an undivided interest up to US\$100 million in that pool of receivables to third-party conduits owned by a bank. These securitization transactions are accounted for as sales in accordance with SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," because we have surrendered control over the receivables. We sold a total of ¥14.7 billion of receivables under this program in fiscal 2008.

In Japan and foreign countries, we set up several accounts receivable sale programs of eligible trade accounts receivable. Through these programs, we can sell receivables, without recourse, to financial institutions. These transactions are accounted for as sales in accordance with SFAS No. 140, because we have surrendered control over the receivables. We sold a total of ¥18.3 billion of receivables under these programs in fiscal 2008.

We utilize these programs to diversify our options to increase the flexibility of our cash flow management. Therefore, our cash flow management would not be critically effected without these programs.

Segment Information

The following segment information is prepared pursuant to the regulations under the Financial Instruments and Exchange Law of Japan and is not in accordance with accounting principles generally accepted in the United States.

Business segments

	Millions of Yen						
Year ended March 31, 2008	Car Electronics	Home Electronics	Patent Licensing	Others	Total	Corporate and Eliminations	Consolidated
Operating revenue:							
Unaffiliated customers	¥373,883	¥329,530	¥1,999	¥ 69,065	¥774,477	-	¥774,477
Inter-segment	2,002	670	617	32,936	36,225	¥ (36,225)	-
Total	375,885	330,200	2,616	102,001	810,702	(36,225)	774,477
Operating income (loss)	26,154	(17,968)	1,591	161	9,938	969	10,907
Identifiable assets	199,878	165,562	1,257	74,489	441,186	134,930	576,116
Depreciation and amortization	13,894	8,148	99	7,446	29,587	3,722	33,309
Capital expenditures (additions to fixed assets)	¥ 18,515	¥ 10,158	¥ 1	¥ 6,076	¥ 34,750	¥ 3,777	¥ 38,527

	Millions of Yen						
Year ended March 31, 2007	Car Electronics	Home Electronics	Patent Licensing	Others	Total	Corporate and Eliminations	Consolidated
Operating revenue:							
Unaffiliated customers	¥357,809	¥361,510	¥4,661	¥ 73,122	¥797,102	-	¥797,102
Inter-segment	1,993	647	762	34,454	37,856	¥ (37,856)	-
Total	359,802	362,157	5,423	107,576	834,958	(37,856)	797,102
Operating income (loss)	22,116	(15,814)	3,924	2,453	12,679	(192)	12,487
Identifiable assets	187,558	158,538	464	80,074	426,634	208,840	635,474
Depreciation and amortization	11,671	15,647	126	7,704	35,148	5,979	41,127
Capital expenditures (additions to fixed assets)	¥ 14,576	¥ 23,285	¥ 89	¥ 6,574	¥ 44,524	¥ 3,327	¥ 47,851

Notes: 1. Operating income (loss) is presented as operating revenue less cost of sales and selling, general and administrative expenses, in accordance with accounting practices generally accepted in Japan.

2. In fiscal 2008, the Company classified telephones in "Others," which were previously included in "Home Electronics." Previously reported figures have been reclassified to conform to this presentation.

Geographic segments

Millions of Yen

Year ended March 31, 2008	Japan	North America	Europe	Other Regions	Total	Corporate and Eliminations	Consolidated
Operating revenue:							
Unaffiliated customers	¥278,243	¥179,393	¥166,905	¥149,936	¥ 774,477	-	¥774,477
Inter-area	352,153	5,504	437	241,397	599,491	¥(599,491)	-
Total	630,396	184,897	167,342	391,333	1,373,968	(599,491)	774,477
Operating income (loss)	(6,375)	640	1,082	14,221	9,568	1,339	10,907
Identifiable assets	233,927	34,303	66,719	122,284	457,233	118,883	576,116
Depreciation and amortization	16,622	1,812	1,551	9,602	29,587	3,722	33,309
Capital expenditures (additions to fixed assets)	¥ 18,660	¥ 1,439	¥ 777	¥ 13,874	¥ 34,750	¥ 3,777	¥ 38,527

Millions of Yen

Year ended March 31, 2007	Japan	North America	Europe	Other Regions	Total	Corporate and Eliminations	Consolidated
Operating revenue:							
Unaffiliated customers	¥276,034	¥203,198	¥179,730	¥138,140	¥ 797,102	-	¥797,102
Inter-area	356,696	5,716	308	212,291	575,011	¥(575,011)	-
Total	632,730	208,914	180,038	350,431	1,372,113	(575,011)	797,102
Operating income (loss)	(941)	423	4,945	6,580	11,007	1,480	12,487
Identifiable assets	225,645	48,327	73,520	125,809	473,301	162,173	635,474
Depreciation and amortization	23,972	2,079	1,822	7,275	35,148	5,979	41,127
Capital expenditures (additions to fixed assets)	¥ 29,632	¥ 1,857	¥ 1,032	¥ 12,003	¥ 44,524	¥ 3,327	¥ 47,851

Notes: 1. Geographic segment information is based on the location of the parent company and its subsidiaries.

2. Operating income (loss) is presented as operating revenue less cost of sales and selling, general and administrative expenses, in accordance with accounting practices generally accepted in Japan.

Quarterly Information (Unaudited)

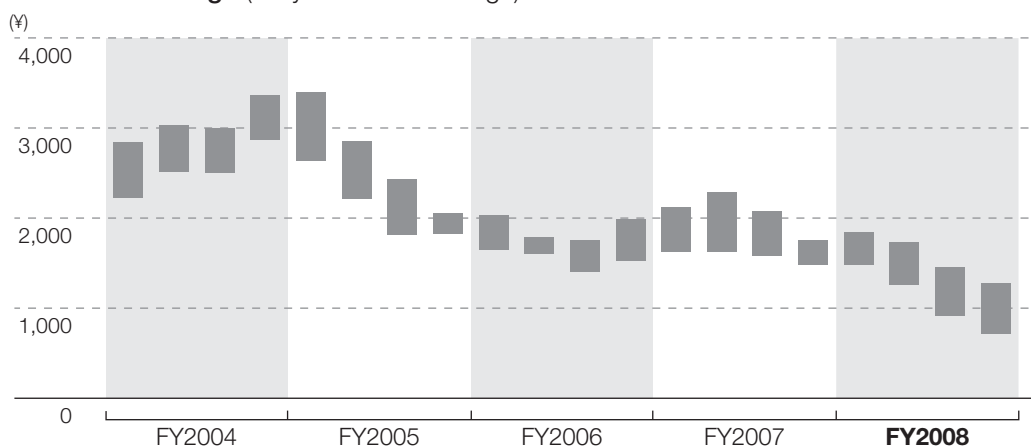
Pioneer Corporation and Subsidiaries

In millions of yen except per share information and share prices

	Year ended March 31, 2007				Year ended March 31, 2008			
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
Revenues and other income:								
Operating revenue:								
Net sales	¥190,415	¥188,143	¥214,252	¥199,631	¥182,534	¥200,212	¥210,891	¥178,841
Royalty revenue	1,261	500	349	2,551	107	308	148	1,436
Total operating revenue	191,676	188,643	214,601	202,182	182,641	200,520	211,039	180,277
Other income	1,804	2,097	3,031	2,442	16,121	977	1,805	2,054
Total revenues and other income	193,480	190,740	217,632	204,624	198,762	201,497	212,844	182,331
Cost and expenses	185,476	186,120	212,151	230,446	182,577	200,037	205,224	204,162
Income (loss) from continuing								
operations before income taxes	8,004	4,620	5,481	(25,822)	16,185	1,460	7,620	(21,831)
Income taxes	2,744	3,470	2,634	(7,090)	3,651	3,927	5,929	7,749
Minority interest in losses (earnings) of subsidiaries	246	(245)	(406)	1	(92)	(46)	(63)	(105)
Equity in earnings (losses) of affiliated companies	40	(18)	(5)	326	(111)	118	60	69
Income (loss) from continuing operations	5,546	887	2,436	(18,405)	12,331	(2,395)	1,688	(29,616)
Income from discontinued operations, net of tax	116	2,659	-	-	-	-	-	-
Net income (loss)	¥ 5,662	¥ 3,546	¥ 2,436	¥ (18,405)	¥ 12,331	¥ (2,395)	¥ 1,688	¥ (29,616)
Basic net income (loss)								
per share of common stock:								
Income (loss) from continuing operations	¥31.80	¥ 5.09	¥13.97	¥(105.52)	¥70.70	¥(13.73)	¥9.43	¥(144.46)
Income from discontinued operations, net of tax	0.66	15.24	-	-	-	-	-	-
Net income (loss)	¥32.46	¥20.33	¥13.97	¥(105.52)	¥70.70	¥(13.73)	¥9.43	¥(144.46)
Diluted net income (loss)								
per share of common stock:								
Income (loss) from continuing operations	¥28.87	¥ 4.28	¥12.46	¥(105.52)	¥64.68	¥(13.73)	¥8.31	¥(144.46)
Income from discontinued operations, net of tax	0.61	14.04	-	-	-	-	-	-
Net income (loss)	¥29.48	¥18.32	¥12.46	¥(105.52)	¥64.68	¥(13.73)	¥8.31	¥(144.46)
Share prices on the Tokyo Stock Exchange:								
High	¥2,120	¥2,295	¥2,075	¥1,751	¥1,837	¥1,738	¥1,459	¥1,282
Low	1,628	1,630	1,586	1,480	1,482	1,262	917	722

Note: In fiscal 2007, the Company sold subsidiaries involved in the electronic components business. As a result, the operating results of these subsidiaries and the gain on the sales are presented as income from discontinued operations in the consolidated statements of operations.

Share Price Range (Tokyo Stock Exchange)



Consolidated Balance Sheets

Pioneer Corporation and Subsidiaries
March 31

Assets	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2008	2008
Current assets:			
Cash and cash equivalents—			
Cash, including time deposits of ¥30,487 million— \$304,870 thousand (¥41,342 million in 2007)	¥ 101,820	¥ 81,180	\$ 811,800
Trade receivables—			
Notes	2,210	1,192	11,920
Accounts (Notes 7 and 12)	118,446	94,257	942,570
Allowance for doubtful notes and accounts (Note 24)	(2,781)	(2,381)	(23,810)
Inventories (Note 8)	105,331	104,168	1,041,680
Deferred income taxes (Note 14)	28,245	20,254	202,540
Prepaid expenses and other current assets	40,821	50,567	505,670
Total current assets	394,092	349,237	3,492,370
Investments and long-term receivables:			
Available-for-sale securities (Notes 3 and 6)	22,265	32,357	323,570
Investments in and advances to affiliated companies (Note 9)	1,998	2,226	22,260
Sundry investments (Notes 6 and 22)	2,857	1,662	16,620
Long-term receivables, less allowance for doubtful accounts of ¥109 million—\$1,090 thousand (¥106 million in 2007) (Note 24)	99	152	1,520
Total investments and long-term receivables	27,219	36,397	363,970
Property, plant and equipment (Note 11):			
Land (Notes 12 and 18)	33,196	33,801	338,010
Buildings (Notes 12 and 18)	114,727	104,524	1,045,240
Machinery and equipment	235,779	214,091	2,140,910
Construction in progress	15,035	5,317	53,170
Total	398,737	357,733	3,577,330
Accumulated depreciation	(252,262)	(234,981)	(2,349,810)
Net property, plant and equipment	146,475	122,752	1,227,520
Other assets:			
Intangible assets (Note 10)	18,248	15,914	159,140
Goodwill (Note 10)	—	1,824	18,240
Deferred income taxes (Note 14)	37,903	39,915	399,150
Other	11,537	10,077	100,770
Total other assets	67,688	67,730	677,300
Total assets	¥ 635,474	¥ 576,116	\$ 5,761,160

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
Liabilities and Shareholders' Equity	2007	2008	2008
Current liabilities:			
Short-term borrowings (Note 12)	¥ 12,028	¥ 14,812	\$ 148,120
Current portion of long-term debt (Note 12)	6,577	13,672	136,720
Trade payables	93,351	86,195	861,950
Accrued liabilities—			
Taxes on income	7,674	5,601	56,010
Payroll	16,965	16,346	163,460
Royalty	17,164	14,002	140,020
Other	46,928	39,418	394,180
Warranty reserve (Note 24)	6,843	5,265	52,650
Dividends payable	872	513	5,130
Deposit on sales contract (Note 18)	14,112	-	-
Other current liabilities	20,199	26,183	261,830
Total current liabilities	242,713	222,007	2,220,070
Long-term liabilities:			
Long-term debt (Note 12)	86,015	72,041	720,410
Accrued pension and severance cost (Note 13)	23,793	30,319	303,190
Deferred income taxes (Note 14)	285	281	2,810
Other long-term liabilities	263	2,711	27,110
Total long-term liabilities	110,356	105,352	1,053,520
Commitments and contingent liabilities (Note 25)			
Minority interests (Note 4)	14,289	1,362	13,620
Shareholders' equity (Note 15):			
Common stock, no par value (Note 3)			
Authorized—400,000,000 shares			
Issued—180,063,836 shares—2007 and 210,063,836 shares—2008	49,049	69,824	698,240
Capital surplus (Note 3)	82,983	103,578	1,035,780
Retained earnings	165,321	145,295	1,452,950
Accumulated other comprehensive loss (Note 17)	(16,784)	(60,178)	(601,780)
Treasury stock at cost, 5,647,513 shares—2007 and 5,046,888 shares—2008	(12,453)	(11,124)	(111,240)
Total shareholders' equity	268,116	247,395	2,473,950
Total liabilities and shareholders' equity	¥635,474	¥576,116	\$5,761,160

See notes to consolidated financial statements.

Consolidated Statements of Operations

Pioneer Corporation and Subsidiaries
Years ended March 31

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2006	2007	2008	2008
Revenues and other income:				
Operating revenue:				
Net sales	¥746,424	¥792,441	¥772,478	\$7,724,780
Royalty revenue	8,540	4,661	1,999	19,990
Total operating revenue	754,964	797,102	774,477	7,744,770
Interest income	2,658	5,873	6,508	65,080
Gain on sale of fixed assets (Note 18)	-	1,238	12,426	124,260
Others (Notes 6 and 19)	6,789	2,263	2,023	20,230
Total revenues and other income	764,411	806,476	795,434	7,954,340
Cost and expenses:				
Cost of sales	593,238	614,444	601,875	6,018,750
Selling, general and administrative expenses	178,135	170,171	161,695	1,616,950
Interest expense	1,479	2,622	1,897	18,970
Loss on sale and disposal of fixed assets	2,704	1,423	684	6,840
Other deductions (Notes 11, 18 and 19)	60,020	25,533	25,849	258,490
Total cost and expenses	835,576	814,193	792,000	7,920,000
Income (loss) from continuing operations before income taxes	(71,165)	(7,717)	3,434	34,340
Income taxes (Note 14):				
Current	8,074	9,180	7,979	79,790
Deferred	(12,734)	(7,422)	13,277	132,770
Total income taxes	(4,660)	1,758	21,256	212,560
Loss from continuing operations before minority interest and equity in earnings (losses)				
	(66,505)	(9,475)	(17,822)	(178,220)
Minority interest in losses (earnings) of subsidiaries				
	4,774	(404)	(306)	(3,060)
Equity in earnings (losses) of affiliated companies (Note 9)				
	(24,027)	343	136	1,360
Loss from continuing operations	(85,758)	(9,536)	(17,992)	(179,920)
Income from discontinued operations, net of tax (Note 5)	772	2,775	-	-
Net loss	¥ (84,986)	¥ (6,761)	¥ (17,992)	\$ (179,920)

	Yen			U.S. Dollars (Note 1)
	2006	2007	2008	2008
Basic net income (loss) per share of common stock (Note 23):				
Loss from continuing operations	¥(491.66)	¥(54.67)	¥(98.23)	\$(0.98)
Income from discontinued operations, net of tax	4.43	15.91	-	-
Net loss	¥(487.23)	¥(38.76)	¥(98.23)	\$(0.98)
Diluted net income (loss) per share of common stock (Note 23):				
Loss from continuing operations	¥(491.66)	¥(54.67)	¥(98.23)	\$(0.98)
Income from discontinued operations, net of tax	4.43	15.91	-	-
Net loss	¥(487.23)	¥(38.76)	¥(98.23)	\$(0.98)

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Pioneer Corporation and Subsidiaries
Years ended March 31

	Millions of Yen						
	Number of Shares Issued (Thousands)	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Shareholders' Equity
Balance at March 31, 2005	180,064	¥49,049	¥ 82,735	¥260,556	¥(47,669)	¥(12,432)	¥332,239
Comprehensive income (loss):							
Net loss				(84,986)			(84,986)
Other comprehensive income (Note 17)					27,577		27,577
Total comprehensive loss							(57,409)
Value ascribed to stock options (Note 16)			175				175
Cash dividends (¥10.00 per share)				(1,744)			(1,744)
Acquisition of treasury stock (Note 15)						(12)	(12)
Disposal of treasury stock						1	1
Balance at March 31, 2006	180,064	49,049	82,910	173,826	(20,092)	(12,443)	273,250
Comprehensive income (loss):							
Net loss				(6,761)			(6,761)
Other comprehensive income (Note 17)					5,091		5,091
Total comprehensive loss							(1,670)
Adjustment to initially apply							
SFAS No. 158					(1,783)		(1,783)
Value ascribed to stock options (Note 16)			73				73
Cash dividends (¥10.00 per share)				(1,744)			(1,744)
Acquisition of treasury stock (Note 15)						(12)	(12)
Disposal of treasury stock						2	2
Balance at March 31, 2007	180,064	49,049	82,983	165,321	(16,784)	(12,453)	268,116
Adjustment to initially apply							
FIN No. 48 (Note 14)				(302)			(302)
Comprehensive loss:							
Net loss				(17,992)			(17,992)
Other comprehensive loss (Note 17)					(43,394)		(43,394)
Total comprehensive loss							(61,386)
Issuance of new shares (Note 3)	30,000	20,775	20,583				41,358
Value ascribed to stock options (Note 16)			12				12
Cash dividends (¥7.50 per share)				(1,385)			(1,385)
Acquisition of treasury stock (Note 15)						(9)	(9)
Disposal of treasury stock (Note 4)				(347)		1,338	991
Balance at March 31, 2008	210,064	¥69,824	¥103,578	¥145,295	¥(60,178)	¥(11,124)	¥247,395

	Thousands of U.S. Dollars (Note 1)						
	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Shareholders' Equity	
Balance at March 31, 2007	\$490,490	\$ 829,830	\$1,653,210	\$(167,840)	\$(124,530)	\$2,681,160	
Adjustment to initially apply							
FIN No. 48 (Note 14)			(3,020)			(3,020)	
Comprehensive loss:							
Net loss			(179,920)			(179,920)	
Other comprehensive loss (Note 17)				(433,940)		(433,940)	
Total comprehensive loss						(613,860)	
Issuance of new shares (Note 3)	207,750	205,830				413,580	
Value ascribed to stock options (Note 16)		120				120	
Cash dividends (\$0.08 per share)			(13,850)			(13,850)	
Acquisition of treasury stock (Note 15)					(90)	(90)	
Disposal of treasury stock (Note 4)			(3,470)		13,380	9,910	
Balance at March 31, 2008	\$698,240	\$1,035,780	\$1,452,950	\$(601,780)	\$(111,240)	\$2,473,950	

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Pioneer Corporation and Subsidiaries
Years ended March 31

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2006	2007	2008	2008
Operating activities:				
Net loss	¥(84,986)	¥ (6,761)	¥ (17,992)	\$ (179,920)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization	46,703	41,127	33,309	333,090
Minority interest in earnings (losses) of subsidiaries	(4,773)	404	306	3,060
Equity in (earnings) losses of affiliated companies, less dividends	24,031	(329)	(51)	(510)
Deferred income taxes	(13,056)	(7,422)	13,277	132,770
Provision for pension and severance cost, less payments	(2,862)	(3,263)	(4,064)	(40,640)
Loss (gain) on sale and disposal of fixed assets, net	2,704	185	(11,742)	(117,420)
Impairment of long-lived assets	41,422	22,711	23,293	232,930
Write-down of available-for-sale securities and sundry investments	133	38	334	3,340
Gains on sale of available-for-sale securities and sundry investments, net	(5,673)	(1,154)	(758)	(7,580)
Gain on sale of discontinued operations	(434)	(2,488)	-	-
Stock-based compensation expenses	175	73	12	120
Decrease (increase) in trade notes and accounts receivable	19,329	(6,348)	18,869	188,690
Decrease (increase) in inventories	9,530	4,380	(6,986)	(69,860)
Decrease (increase) in prepaid expenses and other current assets	(7,898)	1,689	(10,442)	(104,420)
Increase (decrease) in trade payables	13,941	(11,841)	(358)	(3,580)
Increase (decrease) in accrued taxes on income	2,069	(219)	(2,549)	(25,490)
Increase (decrease) in other accrued liabilities	22,045	(12,225)	(9,788)	(97,880)
Other	5,929	(1,805)	(2,638)	(26,380)
Net cash provided by operating activities	68,329	16,752	22,032	220,320
Investing activities:				
Purchase of fixed assets	(40,325)	(41,932)	(41,989)	(419,890)
Purchase of investment securities	(6)	(179)	(722)	(7,220)
Purchase of available-for-sale securities (Note 3)	(1)	(2,478)	(19,843)	(198,430)
Payment for additional investments in subsidiaries (Note 4)	-	(485)	(14,732)	(147,320)
Payment for other assets	(578)	(253)	(739)	(7,390)
Proceeds from sale of fixed assets	3,049	2,284	3,251	32,510
Proceeds from sale of discontinued operations (Note 5)	754	10,949	-	-
Proceeds from sale of investment securities	282	1,496	1,822	18,220
Proceeds from sale of available-for-sale securities	7,068	28	671	6,710
Deposit on sales contract (Note 18)	-	14,112	-	-
Other	(2)	(10)	(92)	(920)
Net cash used in investing activities	(29,759)	(16,468)	(72,373)	(723,730)
Financing activities:				
Payment of long-term debt	(26,123)	(7,244)	(6,582)	(65,820)
Increase (decrease) in short-term borrowings	(8,616)	(12,917)	3,092	30,920
Proceeds from issuance of new shares, net of issuance cost (Note 3)	-	-	41,358	413,580
Acquisition of treasury stock (Note 15)	(12)	(12)	(9)	(90)
Proceeds from sales of treasury stock	1	2	1	10
Dividends paid	(3,499)	(1,308)	(1,744)	(17,440)
Dividends paid to minority interests	(302)	(194)	(184)	(1,840)
Net cash provided by (used in) financing activities	(38,551)	(21,673)	35,932	359,320
Effect of exchange rate changes on cash and cash equivalents	4,980	1,529	(6,231)	(62,310)
Net increase (decrease) in cash and cash equivalents	4,999	(19,860)	(20,640)	(206,400)
Cash and cash equivalents, beginning of year	116,681	121,680	101,820	1,018,200
Cash and cash equivalents, end of year	¥121,680	¥101,820	¥ 81,180	\$ 811,800

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Pioneer Corporation and Subsidiaries

1. Basis of presentation and significant accounting policies:

1) Basis of Presentation

Basis of Financial Statements—

The accompanying consolidated financial statements are stated in Japanese yen, the currency of the country in which Pioneer Corporation (Pioneer Kabushiki Kaisha) (the “parent company”) is incorporated. The translation of Japanese yen amounts into U.S. dollar amounts for the year ended March 31, 2008 is included solely for the convenience of readers outside Japan and has been made at the rate of ¥100 to US\$1.00, the approximate rate of exchange prevailing at the Tokyo Foreign Exchange Market at March 31, 2008. Such translation should not be construed as a representation that Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

The accompanying consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the United States (“U.S. GAAP”) concerning the operations of the parent company and its majority-owned subsidiaries (together, the “Company”), except for the omission of segment information as required by Statement of Financial Accounting Standards (“SFAS”) No. 131, “Disclosures about Segments of an Enterprise and Related Information.”

The accompanying consolidated financial statements reflect the adjustments which management believes are necessary to conform them with U.S. GAAP. Effect has been given in the consolidated financial statements to adjustments which, because of either customary accounting practices in Japan or income tax law requirements, have not been entered in the Company’s general books of account.

Nature of Operations—

The Company is engaged in the development, manufacture and sale of electronic products. The Company is a leading global manufacturer of consumer- and business-use electronic products such as car electronics, audio/video and plasma displays.

The principal production activities of the Company are carried out in Asia including Japan, the United States, and Europe. The Company’s products are generally sold under its own brand names, principally “Pioneer.” The principal markets for the Company are Japan, the United States, Europe and Asia. The Company sells its products to customers in consumer and commercial markets through its sales offices in Japan, and its sales subsidiaries and independent distributors overseas. On an OEM (original equipment manufacturing) basis, the Company markets certain products, such as car electronics products, to other companies.

Use of Estimates—

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of these statements and the reported amounts of revenues and expenses during the reporting period.

Due to the inherent uncertainty involved in making estimates, actual results could differ from those estimates.

2) Summary of Significant Accounting Policies

Consolidation and Investments in Affiliated Companies—

The consolidated financial statements include the accounts of the parent company and its majority-owned subsidiaries. Investments in 20% to 50% owned companies are accounted for by the equity method of accounting. All significant inter-company transactions have been eliminated.

Foreign Currency Translation—

For all significant foreign operations, the functional currency is the local currency. Generally, all asset and liability accounts of foreign operations are translated into Japanese yen at year-end rates and all revenue and expense accounts are translated at rates prevailing at the time of the transactions. The resulting translation adjustments are accumulated and reported as a component of accumulated other comprehensive income (loss).

Foreign currency assets and liabilities are translated at year-end exchange rates and resulting exchange gains and losses are recognized in earnings currently.

Revenue Recognition—

Sales are generally recorded when merchandise is shipped or delivered to customers. Recognition of sales occurs when the title and risks and rewards of ownership are transferred to customers based on sales contracts. In certain cases, terms of the contract require the product to pass customer inspection after delivery and the Company records the sale upon satisfactory customer acceptance. Royalty revenue, which is based on actual amounts produced or sold by the licensee, is recognized when either a royalty report or payment is received from the licensee, whichever is earlier. Until such time, this revenue is not considered to have met the recognition criterion of being fixed or determinable, nor is collectibility reasonably assured. The Company normally does not accept returns except for warranty issues, noncompliance with purchase order

specifications and returns from end-users to certain dealers. The financial impact of the future returns are estimated and reserved based on historical experience.

Costs incurred by the Company in connection with sales incentives related to the purchase or promotion of the Company's products are classified as a reduction of revenues in accordance with Emerging Issues Task Force ("EITF") Issue No. 01-9, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)." Such costs include the estimated cost of promotional discounts, dealer price protection, dealer rebates, consumer rebates, cash discounts, and support for dealers' promotion of the Company's products. Sales incentives that are dependent on future customer performance are estimated and recorded at the later of when the original sale is recorded or when the incentive is offered.

Cash and Cash Equivalents—

Cash and cash equivalents include cash on hand and deposits in bank including time deposits. The Company considers all time deposits with an original maturity of one year or less to be cash equivalents. Such time deposits can be withdrawn at any time without diminution of the principal amount.

Available-for-Sale Securities—

Under SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," all debt securities and marketable equity securities held by the Company are classified as available-for-sale securities, and are carried at their fair values with unrealized gains and losses reported in other comprehensive income (loss). The cost of securities is determined using the average-cost method.

The Company reviews the fair value of its available-for-sale securities on a regular basis to determine if the fair value of any individual security has declined below its cost and if such decline is other than temporary. If the decline in value is judged to be other than temporary, the cost basis of the security is written down to fair value and the resulting realized loss is included in the consolidated statements of operations. For such marketable debt and equity securities, we assume the decline is other than temporary when market value is less than cost for a period of six months, or sooner depending on the severity of decline or other factors.

Sundry Investments—

Sundry investments are stated at cost. The Company reviews the investments for impairment when the events or changes in circumstances that may have a significant adverse effect on the value of those investments are identified. The investments are written down if the value of investments is estimated to have declined and such decline is other than temporary.

Inventories—

Inventories are valued at the lower of cost, which is determined principally by the average-cost method, or market, which is net realizable value. Inventories are reviewed periodically and items considered to be slow moving or obsolete are written down to market.

Property, Plant and Equipment and Depreciation—

Property, plant and equipment are stated at cost. Depreciation is computed principally using the declining-balance method for assets located in Japan and under the straight-line method for assets located outside Japan, using rates based on the estimated useful lives of the assets.

The principal ranges of estimated useful lives are as follows:

Buildings	15–65 years
Machinery and equipment	1–10 years

Goodwill and Other Intangible Assets—

Under SFAS No. 142, "Goodwill and Other Intangible Assets," acquired goodwill and other intangible assets that are determined to have an indefinite life are no longer amortized. Instead, the carrying values of these assets are reviewed for impairment at least annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. Intangible assets that are determined to have a definite life are amortized over their estimated useful lives. Amortization of intangible assets with definite lives is computed using the straight-line method with no residual value. The cost of patents is amortized principally over seven years and software is amortized principally over two to five years.

Long-Lived Assets—

Under SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the Company reviews its long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. For the purpose of assessment of an impairment loss, the Company groups long-lived assets with other assets and

liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. When the sum of expected future cash flows is less than the carrying amount of the asset group, an impairment loss is recognized. Such impairment loss is measured as the amount by which the carrying amount of the asset group exceeds the fair value of the asset group.

Warranty Reserve—

The Company engages in extensive product quality programs and processes including actively monitoring and evaluating the quality of component suppliers. The Company's warranty obligation is affected by product failure rates and service costs incurred in correcting product failure. The Company provides for the estimated cost of product warranties at the time revenue is recognized. These estimates are established using historical information.

Long-Term Debt—

Premiums and issuance costs of long-term debt are amortized over the term of long-term debt using the interest method.

Income Taxes—

Income taxes are provided based on the asset and liability method of accounting. Deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at year-end. These deferred taxes are measured by applying currently enacted tax laws. A valuation allowance is established to reduce deferred tax assets if it is more likely than not that all, or some portion, of such deferred tax assets will not be realized.

The Company recognizes the financial statement effects of tax positions when it is more likely than not, based on the technical merits, that the tax positions will be sustained upon examination by the tax authorities. Benefits from tax positions that meet the more-likely-than-not recognition threshold are measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon settlement. Interest and penalties accrued related to unrecognized tax benefits are included in income taxes in the consolidated statements of operations.

Research and Development Costs and Advertising Costs—

Research and development costs and advertising costs are expensed as incurred.

Shipping and Handling Costs—

Shipping and handling costs totaled ¥16,512 million, ¥16,449 million and ¥16,482 million (\$164,820 thousand) for the years ended March 31, 2006, 2007 and 2008, respectively, and are included in selling, general and administrative expenses in the consolidated statements of operations.

Accounting for Stock-Based Compensation—

The Company accounted for its stock-based compensation agreements using the fair value based method in accordance with SFAS No. 123, "Accounting for Stock-Based Compensation." The Company adopted SFAS No. 123 (revised 2004), "Share-Based Payment," during the year ended March 31, 2007.

Net Income (Loss) per Share—

Basic net income (loss) per share has been computed by dividing net income (loss) available to holders of common stock by the weighted-average number of shares of common stock outstanding during each year. Diluted net income (loss) per share reflects the potential dilution and has been computed on the basis that all dilutive potential common stocks were exercised.

Derivatives—

Derivative financial instruments utilized by the Company are comprised principally of forward exchange contracts, currency options and currency swaps. Forward exchange contracts and currency options, the majority of which mature within six months, and currency swaps, which mature during 2008, are utilized to hedge exposures to foreign exchange risk and interest risk. The Company does not hold or issue derivative financial instruments for trading purposes.

The Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities—an amendment of FASB Statement No. 133," and by SFAS No. 149, "Amendment of SFAS No. 133 on Derivative Instruments and Hedging Activities." Under SFAS No. 133, all derivative instruments are recognized in the balance sheet at their fair values and changes in fair value are recognized immediately in earnings, unless the derivatives qualify as hedges of future cash flows. For derivatives qualifying as hedges of future cash flows, the effective portion of changes in fair value is recorded in other comprehensive income, then recognized in earnings along with the related effects of the hedged items. Any ineffective portion of hedges is reported in earnings as it occurs.

Forward exchange contracts and currency swaps are utilized to hedge certain foreign currency and interest rate exposures. However, none of these derivatives were designated as hedging instruments under SFAS No. 133 at March 31, 2006, 2007 and 2008. Unrealized gains and losses on such instruments are recognized currently in earnings.

New Accounting Standards—

In June 2006, the Financial Accounting Standards Board (“FASB”) issued FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109” (“FIN No. 48”). FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in accordance with SFAS No. 109, “Accounting for Income Taxes.” FIN No. 48 prescribes a two-step recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation requires that realization of an uncertain income tax position must be “more likely than not” before it can be recognized in the financial statements. In addition, FIN No. 48 provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, and disclosure and transition. The Company adopted FIN No. 48 as of April 1, 2007. As a result of the adoption, the retained earnings decreased by ¥302 million (\$3,020 thousand).

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements,” which is effective for fiscal years beginning after November 15, 2007. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 is applicable whenever another accounting pronouncement requires or permits assets and liabilities to be measured at fair value. SFAS No. 157 does not expand or require any new fair value measures. In February 2008, the FASB issued FASB Staff Position (“FSP”) No. FAS 157-1, “Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13,” which removes certain leasing transactions from the scope of SFAS No. 157, and FSP No. FAS 157-2, “Effective Date of FASB Statement No. 157,” which defers the effective date of SFAS No. 157 for one year for certain nonfinancial assets and nonfinancial liabilities other than items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The adoption of this standard is not expected to have any

material impact on the Company’s consolidated statements of operations or financial position.

In September 2006, the FASB issued SFAS No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R).” SFAS No. 158 requires an employer to: (a) recognize the over-funded or under-funded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position, (b) recognize changes in that funded status in the year in which the changes occur through comprehensive income, (c) measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions, and (d) disclose in the notes to financial statements certain additional information. The Company initially adopted the recognition and related disclosure provisions (a), (b) and (d) above of SFAS No. 158 as of the end of the year ended March 31, 2007. The adoption of the measurement date provisions (c) above will be effective for the year ending March 31, 2009, however, the Company has historically measured its plans as of the date of its year-end statement of financial position.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115.” SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value and report unrealized gains and losses in earnings. If an entity elects the fair value option for an eligible item, changes in that item’s fair value in subsequent reporting periods must be recognized in current earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The adoption of this standard is not expected to have any material impact on the Company’s consolidated statements of operations or financial position.

In June 2007, the EITF ratified the EITF consensus on EITF Issue No. 07-3 “Accounting for Nonrefundable Advance Payments for Goods or Services Received for Use in Future Research and Development Activities” (“EITF 07-3”). EITF 07-3 requires that nonrefundable advance payments for future R&D activities should be capitalized and recognized as an expense as the goods are delivered or services are performed. EITF 07-3 is effective for fiscal years beginning after December 15, 2007. The adoption of this guidance is not expected to have any material impact on the Company’s consolidated statements of operations or financial position.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), “Business Combinations” (“SFAS No. 141(R)"). SFAS No. 141(R) requires the acquiring entity in a business

combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction; establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose to investors and other users all of the information they need to evaluate and understand the nature and financial effect of the business combination. SFAS No. 141(R) is effective for fiscal years beginning on or after December 15, 2008. The adoption of this standard is not expected to have any material impact on the Company's consolidated statements of operations or financial position.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51." SFAS No. 160 improves the relevance, comparability, and transparency of financial information provided to investors by requiring all entities to report noncontrolling (minority) interests in subsidiaries in the same way as equity in the consolidated financial statements. Moreover, SFAS No. 160 eliminates the diversity that currently exists in accounting for transactions between an entity and noncontrolling interests by requiring they be treated as equity transactions. SFAS No. 160 is effective for fiscal years beginning on or after December 15, 2008. The Company is currently assessing

the impact the adoption will have on the Company's consolidated statements of operations or financial position.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133." SFAS No. 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures, such as; additional information about how and why derivative instruments are being used; improved transparency about the location and amounts of derivative instruments in an entity's financial statements; how derivative instruments and related hedged items are accounted for under Statement No. 133; and how derivative instruments and related hedged items affect its financial position, financial performance, and cash flows. SFAS No. 161 achieves these improvements by requiring disclosure of the fair values of derivative instruments and their gains and losses in a tabular format, etc. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The adoption of this standard is not expected to have any material impact on the Company's consolidated statements of operations or financial position.

2. Supplemental cash flow information:

Selected cash payments and noncash activities for the years ended March 31, 2006, 2007 and 2008 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2006	2007	2008	2008
Cash payment for interest	¥ 1,652	¥ 2,739	¥ 2,259	\$ 22,590
Cash payment for income taxes	9,039	12,565	11,236	112,360
Noncash investing activities:				
Share exchange in connection with additional investments in subsidiaries:				
Fair value of shares received	-	-	1,024	10,240
Cost of shares surrendered	-	-	1,412	14,120
Sales of discontinued operations:				
Transferred assets	1,527	24,180	-	-
Transferred liabilities	(1,080)	(15,615)	-	-
Minority interest	-	(20)	-	-
Accumulated other comprehensive income	(127)	(84)	-	-
Gain on sales	434	2,488	-	-
Cash received, net	754	10,949	-	-
Noncash financing activities:				
Assumption of long-term debts from an affiliated company	25,357	-	-	-

3. Issuance of new shares:

The parent company announced that at their meeting held on September 20, 2007, the board of directors resolved to issue 30,000,000 new shares through a third-party allotment on December 20, 2007.

(Purpose of issuance of new shares)

The parent company and Sharp Corporation agreed to establish a business and capital alliance in order to enhance each company's corporate value by creating new businesses by cooperating with each other through the use of their respective resources in the fields of next-generation DVD, networks, car electronics, audio/visual and others, and by expanding the quantity and size of transactions by adopting each other's components and products. Pursuant to this agreement, the parent company decided to issue new shares through an allotment to Sharp.

Sharp announced that its board of directors resolved at a meeting on September 20, 2007 to dispose of 10,000,000 shares of its treasury stock through a third-party allotment to the parent company for ¥19,750 million (\$197,500 thousand).

4. Additional investments in Tohoku Pioneer:

The parent company announced that it resolved, at the meeting of its board of directors held on May 14, 2007, to acquire the shares and the stock acquisition rights of Tohoku Pioneer, to make it a wholly owned subsidiary through a tender offer. The parent company held 67.1% of the aggregate issued and outstanding shares of Tohoku Pioneer. The parent company conducted a tender offer (purchase price in the amount of 2,210 yen) during the period from May 15, 2007 through June 19, 2007 to acquire all of the issued and outstanding shares and the stock acquisition rights of Tohoku Pioneer. As a result, the parent company held 97.6% of the aggregate number of the issued shares (19,557,485 shares) of Tohoku Pioneer. Since the parent company could not acquire all of the issued and outstanding shares of Tohoku Pioneer through the tender offer, both companies agreed to implement a share exchange

(Outline of issuance of new shares)

(1) Issue price:	1,385 yen per share
(2) Aggregate issue price:	41,550 million yen
(3) Amount accounted for as stated capital:	692.5 yen per share
(4) Aggregate amount accounted for as stated capital:	20,775 million yen
(5) Date of application for offering:	December 19, 2007
(6) Delivery date of new shares:	December 20, 2007

(Details of use of funds to be raised)

The funds to be raised through the issuance of new shares are scheduled to be applied mainly to working capital. In particular, the funds are to be applied to meet the increased demand for funds for the alliance and joint developments with Sharp.

(Change in major shareholders)

As a result of the third-party allotment, Sharp became a major shareholder (14.3% of post-allotment issued shares) of the parent company.

between the parent company and Tohoku Pioneer with the parent company's common stock as consideration to make Tohoku Pioneer a wholly owned subsidiary of the parent company. (It resolved at the meeting of its board of directors held on July 31, 2007.) As a result of the share exchange that the parent company deliver the number of shares of common stock calculated by multiplying 1.31 by the aggregate number of shares of common stock of Tohoku Pioneer, the parent company became the wholly owning parent company of Tohoku Pioneer as of the effective date of October 1, 2007. The parent company delivered 640,216 of treasury stock for the share exchange. The common stock of Tohoku Pioneer was delisted from the Tokyo Stock Exchange on September 25, 2007.

5. Discontinued operations:

In accordance with SFAS No. 144, the Company presented the results of discontinued operations (including operations of subsidiaries that either have been disposed of or are classified as held for sale) as a separate line item in the consolidated statements of operations under "Income from discontinued operations, net of tax." The cash flows attributable to the operating, investing and financing activities of the discontinued operations were not presented separately from the cash flows attributable to activities of the continuing operations.

Pioneer Digital Technologies, Inc. ("PDT")—

During the year ended March 31, 2006, the Company decided to sell 100% of its shares in PDT through a management buyout. PDT was a wholly owned subsidiary which was engaged in the development of operating software for cable TV set-top boxes in the United States. The Company sold the shares for a cash consideration of ¥754 million and recognized

a gain on the sale of ¥282 million, net of taxes, in the year ended March 31, 2006. The Company has no continuing involvement with PDT.

Pioneer Precision Machinery Corporation ("PPMC") and its subsidiaries—

In order to improve management efficiency by concentrating resources in strategic businesses, on March 31, 2006, the Company reached a preliminary agreement with OMRON Corporation on the sale to OMRON of the Company's entire investment in PPMC, a 99.5%-owned subsidiary of the Company, which had been engaged in manufacturing and marketing of high-precision parts for electronic equipment.

The Company sold PPMC and its subsidiaries for a cash consideration of ¥10,949 million on August 1, 2006 and recognized a gain on the sale of ¥2,488 million, net of taxes, during the year ended March 31, 2007.

Summarized selected financial information for the years ended March 31, 2006, 2007 and 2008 for the discontinued operations was as follows:

	Millions of Yen			Thousands of U.S. Dollars	
	2006	2007	2008	2006	2008
Revenues	¥30,282	¥10,445	-	-	-
Cost and expenses	29,462	10,121	-	-	-
Income before income taxes	820	324	-	-	-
Gain on sales of discontinued operations	434	2,488	-	-	-
Income taxes	482	37	-	-	-
Income from discontinued operations	¥ 772	¥ 2,775	-	-	-

6. Available-for-sale securities and sundry investments:

Cost, gross unrealized holding gains, gross unrealized holding losses and the aggregate fair value of available-for-sale securities at March 31, 2007 and 2008 were as follows:

	2007				2008			
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Aggregate Fair Value	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Aggregate Fair Value
Millions of Yen								
Marketable equity securities:								
Non-current	¥7,212	¥15,042	¥(79)	¥22,175	¥26,550	¥8,615	¥(2,886)	¥32,279
Marketable debt securities:								
Non-current	77	13	–	90	77	1	–	78
Total	¥7,289	¥15,055	¥(79)	¥22,265	¥26,627	¥8,616	¥(2,886)	¥32,357
Thousands of U.S. Dollars								
2008								
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Aggregate Fair Value				
Marketable equity securities:								
Non-current					\$265,500	\$86,150	\$(28,860)	\$322,790
Marketable debt securities:								
Non-current					770	10	–	780
Total					\$266,270	\$86,160	\$(28,860)	\$323,570

At March 31, 2008, the fair value of marketable debt securities by contractual maturities for securities classified as available-for-sale due in one year through five years were ¥78 million (\$780 thousand).

Gross realized gain on available-for-sale securities for the years ended March 31, 2006, 2007 and 2008 were ¥5,626 million, ¥11 million and ¥499 million (\$4,990 thousand), respectively. There were no gross realized losses on available-for-sale securities recorded for the years ended March 31, 2006, 2007 and 2008.

The Company owns marketable equity securities of customers and financial institutions for the purpose of maintaining long-term relationships, whose share prices are highly volatile. For the years ended March 31, 2007 and 2008, losses on other-than-temporary impairment of marketable equity securities were ¥2 million and ¥329 million (\$3,290 thousand), respectively. There was no loss on other-than-temporary impairment of marketable equity securities recorded for the year ended March 31, 2006. There was no loss on other-than-temporary impairment of marketable debt securities recorded for the years ended March 31, 2006, 2007 and 2008.

The Company's investments in available-for-sale securities in an unrealized holding loss position consisted primarily of

marketable equity securities of domestic companies. The unrealized losses on these securities were due principally to the recent decline in stock prices in the Japanese market. The severity of decline in fair value less than cost was approximately 14% and the duration of the impairment was approximately one month. The Company evaluated the near-term prospects of the issuer as well as the severity and duration of the impairment. Based on that evaluation and the Company's ability and intent to hold these investments for a reasonable period of time that is sufficient for a forecasted recovery of fair value, the Company did not consider these investments to be other-than-temporarily impaired at March 31, 2008.

Sundry investments consist of non-marketable equity securities and memberships. The aggregate cost of the Company's non-marketable equity securities totaled ¥2,505 million and ¥1,321 million (\$13,210 thousand) at March 31, 2007 and 2008, respectively. The Company's non-marketable equity securities were not evaluated for impairment because (a) it was not practicable to estimate the fair value and (b) the Company has not identified any events or changes in circumstances that might have a significant adverse effect on the fair value of those investments.

7. Accounts receivable securitization programs:

In the United States, the Company established PUSA Receivables Funding Corporation, a wholly owned, bankruptcy-remote, special-purpose entity, and set up an accounts receivable securitization program of eligible trade accounts receivable. A bankruptcy-remote subsidiary is a company that has been structured to make it highly unlikely that it would be drawn into a bankruptcy of the Company. Through this program, the Company can securitize and sell, without recourse, on a revolving basis, an undivided interest up to \$100 million in a pool of receivables to third-party conduits owned by a bank. The value assigned to undivided interests retained in securitized trade receivables is based on the relative fair values of the interest retained and sold in the securitization. The Company has assumed that the fair value of the retained interest is equivalent to its carrying value as the receivables are short-term in nature and high quality. These securitization transactions are accounted for as sales in accordance with SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," because the Company has surrendered control over the receivables.

The Company sold a total of ¥9,706 million, ¥18,723 million and ¥14,743 million (\$147,430 thousand) of receivables under this program for the years ended March 31, 2006, 2007 and 2008, respectively. The Company's subordinated net retained interest in accounts receivable for securitization which

has been recorded as a component of accounts receivable, was ¥6,918 million and ¥6,368 million (\$63,680 thousand) at March 31, 2007 and 2008, respectively. The Company recognized a loss of ¥42 million and a gain of ¥8 million and ¥16 million (\$160 thousand) on the securitization of receivables for the years ended March 31, 2006, 2007 and 2008, respectively. The Company continues to service the sold receivables and is compensated at what is believed to be market rates. Accordingly, no servicing asset or liability has been recorded.

In Japan and foreign countries, the Company set up several accounts receivable sale programs of eligible trade accounts receivable. Through these programs, the Company can sell receivables, without recourse, to financial institutions. These transactions are accounted for as sales in accordance with SFAS No. 140 because the Company has surrendered control over the receivables. The Company sold a total of ¥5,636 million, ¥11,691 million and ¥18,303 million (\$183,030 thousand) of receivables under these programs for the years ended March 31, 2006, 2007 and 2008, respectively. Losses from these transactions were ¥24 million, ¥14 million and ¥40 million (\$400 thousand) for the years ended March 31, 2006, 2007 and 2008, respectively. Although the Company continues servicing the sold receivables, no servicing liabilities are recorded because costs for collection of the sold receivables are immaterial.

8. Inventories:

Inventories at March 31, 2007 and 2008 are comprised of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Finished products	¥ 54,683	¥ 54,404	\$ 544,040
Work in process	21,687	21,818	218,180
Materials and supplies	28,961	27,946	279,460
Total	¥105,331	¥104,168	\$1,041,680

9. Investments in and advances to affiliated companies:

Investments in and advances to affiliated companies principally represent the Company's equity in the underlying assets of 20% to 50% owned companies. Dividends received from companies accounted for by the equity method of accounting were ¥4 million, ¥14 million and ¥85 million (\$850 thousand), respectively, for the years ended March 31, 2006, 2007 and 2008.

Retained earnings include the parent company's and its consolidated subsidiaries' equity in the undistributed earnings of 20% to 50% owned companies accounted for by the

equity method of accounting in the amount of ¥840 million and ¥832 million (\$8,320 thousand) at March 31, 2007 and 2008, respectively.

Summarized financial information of companies owned 20% to 50%, including ELDis, Inc., which was 47.5% owned by Tohoku Pioneer (itself, a 67.1% owned subsidiary, at that time (See Note 4), of the parent company) and was liquidated in March 2006 (See Note 18), accounted for by the equity method of accounting is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Current assets	¥5,418	¥5,878	\$58,780
Property, plant and equipment	1,812	1,616	16,160
Other assets	556	599	5,990
Total assets	¥7,786	¥8,093	\$80,930
Current liabilities	¥2,507	¥1,696	\$16,960
Long-term liabilities	429	375	3,750
Shareholders' equity	4,850	6,022	60,220
Total liabilities and shareholders' equity	¥7,786	¥8,093	\$80,930

Years ended March 31	Millions of Yen			Thousands of U.S. Dollars
	2006	2007	2008	2008
Net sales	¥ 6,974	¥22,809	¥26,305	\$263,050
Gross profit	941	1,856	2,169	21,690
Net income (loss)	(24,720)	314	674	6,740

10. Goodwill and other intangible assets:

Intangible assets subject to amortization acquired during the year ended March 31, 2008 totaled ¥7,372 million (\$73,720 thousand) and consisted primarily of purchased software of ¥5,839 million (\$58,390 thousand). The weighted-average

amortization periods for software and the total acquisitions in the year ended March 31, 2008 were 3.8 years and 4.5 years, respectively.

Intangible assets subject to amortization are comprised of the following:

	Millions of Yen				Thousands of U.S. Dollars	
	2007		2008		2008	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Software	¥35,564	¥(23,305)	¥46,447	¥(34,825)	\$464,470	\$(348,250)
Patents	8,601	(3,968)	8,817	(5,394)	88,170	(53,940)
Other	2,605	(1,249)	2,036	(1,167)	20,360	(11,670)
Total	¥46,770	¥(28,522)	¥57,300	¥(41,386)	\$573,000	\$(413,860)

The aggregate amortization expense for intangible assets for the years ended March 31, 2006, 2007 and 2008 was ¥8,662 million, ¥8,498 million and ¥7,374 million (\$73,740 thousand), respectively. The estimated aggregate amortization expenses for intangible assets for the next five years are as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2009	¥7,523	\$75,230
2010	3,967	39,670
2011	2,736	27,360
2012	1,227	12,270
2013	421	4,210

The change in the carrying amount of goodwill for the year ended March 31, 2008 is as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
	2008	2008
Balance at beginning of year	-	-
Goodwill acquired during year	¥1,824	\$18,240
Balance at end of year	¥1,824	\$18,240

The goodwill acquired during the year ended March 31, 2008 principally relates to the additional investments in Tohoku Pioneer (See Note 4).

11. Impairment losses of long-lived assets:

The Company recognized impairment losses of long-lived assets in accordance with the provisions of SFAS No. 144 during the years ended March 31, 2006, 2007 and 2008. Impairment losses are included in other deductions of cost and expenses in the consolidated statements of operations (See Note 19). See Note 18, "Restructuring plans" for the impairment losses of long-lived assets recognized in connection with the restructuring plans.

The Company recognized impairment losses of long-lived assets in the aggregate of ¥41,422 million for the year ended March 31, 2006.

During the year ended March 31, 2006, the Company reviewed the production facilities of plasma displays (production facilities of Pioneer Plasma Display Corporation ("PPD") and other) and DVD recorder-related products for impairment because of significant decreases in gross profit margins for these products due to a sharp decline in market prices. As a result of the review, impairment losses of ¥31,915 million in plasma display and ¥8,950 million in DVD recorder-related products were recognized as the excess of the carrying value of the asset group over the group's estimated fair value. Fair value was determined using the present value of estimated cash flows.

The Company additionally recognized impairment losses of long-lived assets in the aggregate of ¥22,711 million for the year ended March 31, 2007.

The projected estimate of gross profit margins for plasma displays and DVD recorder-related products for future years was revised downward in comparison to the Company's previous projections made in March 2006, mainly reflecting more intense competition and lower prices in the markets.

The Company reviewed the production facilities of plasma displays (PPD's production facilities and other) and DVD-related products for impairment. As a result of the review, impairment losses of ¥20,412 million in plasma display and ¥2,296 million in DVD-related products were recognized as the excess of the carrying value of the asset group over the group's estimated fair value. Fair value was determined using the present value of estimated cash flows.

For the year ended March 31, 2008, the Company recognized additional impairment losses of long-lived assets in the aggregate of ¥23,293 million (\$232,930 thousand).

The Company resolved at the meeting of its board of directors held on March 7, 2008 to restructure its display business. In this meeting, the Company decided to cease in-house production of plasma display panels and to procure these panels externally, as soon as the production runs for the next model series are completed. The Company reviewed the production facilities and patent rights of plasma displays for impairment based on this resolution. As a result, impairment losses of ¥21,344 million (\$213,440 thousand) in plasma display production facilities and ¥832 million (\$8,320 thousand) in patent rights of plasma displays were recognized as the excess of the carrying value of the asset group over the group's estimated fair value. Furthermore, the Company reviewed the production facilities of DVD-related products for impairment. As a result of the review, impairment losses of ¥1,117 million (\$11,170 thousand) in DVD-related production facilities were recognized as the excess of the carrying value of the asset group over the group's estimated fair value. Fair value was determined using the present value of estimated future cash flows.

12. Short-term borrowings and long-term debt:

Short-term borrowings at March 31, 2007 and 2008 are comprised of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Bank loans:			
Weighted-average interest rate of 1.91% at March 31, 2007 and 1.50% at March 31, 2008:			
Collateralized	¥ 2,391	¥ 276	\$ 2,760
Uncollateralized	9,637	14,536	145,360
Total	¥12,028	¥14,812	\$148,120

Long-term debt at March 31, 2007 and 2008 are comprised of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Loans, principally from banks, maturing serially through 2013 with interest ranging from 0.95% to 2.90% at March 31, 2007 and from 0.95% to 2.90% at March 31, 2008:			
Collateralized	¥ 3,272	¥ 1,628	\$ 16,280
Uncollateralized	13,032	10,615	106,150
2.80% uncollateralized bonds due 2008	10,000	10,000	100,000
Zero coupon convertible bonds due 2011, including unamortized issue premium, ¥1,179 million at March 31, 2007 and ¥879 million (\$8,790 thousand) at March 31, 2008 (effective annual rate of 0.5%)	61,179	60,879	608,790
Long-term capital lease obligations, 1.38% to 4.97% at March 31, 2007 and 1.38% to 4.97% at March 31, 2008 due principally 2012	5,102	2,591	25,910
Other	7	-	-
Total	92,592	85,713	857,130
Less—Portion due within one year	6,577	13,672	136,720
Total	¥86,015	¥72,041	\$720,410

The outstanding bond indentures generally require the parent company to provide collateral for the outstanding bonds if the parent company provides collateral for any new bonds issued in Japan.

On March 5, 2004, the parent company issued ¥60,000 million zero coupon convertible bonds due 2011 (bonds with stock acquisition rights) ("Bonds") at 103.5% of their principal amount. The Bonds do not bear interest. The stock acquisition rights are not transferable separately from the Bonds. The Bonds are traded on the London Stock Exchange's market for listed securities. The Bonds were issued in the denomination of ¥5 million each and each bondholder is entitled to exercise the stock acquisition right from April 1, 2006 until February 18, 2011 (unless previously redeemed) into common shares at the defined conversion price. The original conversion price of ¥4,022 was adjusted to ¥3,963 in December 2007, and is subject to further adjustment in certain events in the future. Market price of common stock at the date of issuance of the Bonds was ¥3,220.

The parent company may redeem all, but not some of the Bonds, with advance irrevocable notice to bondholders in each case (1) if the closing price of common stock for each of the 30 consecutive trading days is at least 120% of the conversion price on or after March 4, 2007 and prior to maturity, or (2) if the laws or regulations of Japan having power to tax is changed, or (3) if a resolution is passed at the general meeting of shareholders of the parent company to become a wholly owned subsidiary of another company.

The stock acquisition right is also exercisable on or after March 19, 2004 if the parent company issues an irrevocable notice to bondholders for (2) or (3) above, or if a resolution passes at a general meeting of shareholders of the parent company (a) for any consolidation or amalgamation of the parent company with any company, or (b) for any split of parent company's business, or (c) for the parent company to become a wholly owned subsidiary of another company.

13. Pension plans and accrued severance cost:

The parent company and major domestic subsidiaries have non-contributory defined benefit pension plans which cover substantially all of their employees. The benefits are in the form of annuity payments and/or lump-sum payments and are determined based on the sum of cumulative points. The points are accumulated based on years of service, job class and conditions under which termination occurs. The Company's policy is to fund amounts required to maintain sufficient plan

The parent company has an obligation to redeem the outstanding Bonds at 100% of their principal amount on March 4, 2011.

Unused lines of credit for short-term financing at March 31, 2008 approximated ¥271,171 million (\$2,711,710 thousand) of which ¥30,000 million (\$300,000 thousand) relates to commercial paper programs. There were no unused commitments for long-term financing arrangements at March 31, 2008.

Accounts receivable with a book value of ¥276 million (\$2,760 thousand) were pledged as collateral for certain short-term loans of the Company at March 31, 2008. Land and buildings with a book value of ¥7,192 million (\$71,920 thousand) were pledged as collateral for certain long-term loans of the Company at March 31, 2008.

The aggregate annual maturities of long-term debt during the five years ending March 31, 2013 and thereafter are as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2009	¥13,672	\$136,720
2010	3,271	32,710
2011	64,146	641,460
2012	3,151	31,510
2013	1,462	14,620
2014 and thereafter	11	110
Total	¥85,713	\$857,130

Substantially all short-term and long-term loans from banks are made under agreements which, as is customary in Japan, provide that the bank may, under certain conditions, require the borrower to provide collateral (or additional collateral) or guarantors with respect to the loans, and that the bank may treat any collateral, whether furnished as security for short-term or long-term loans or otherwise, as collateral for all indebtedness to such bank. The Company has no compensating balance arrangements with any lending bank.

assets to provide for accrued benefits, subject to the limitation on deductibility imposed by the Japanese income tax laws.

The Company also sponsors a domestic non-contributory defined-benefit Corporate Pension Fund ("CPF") under the Defined Benefit Corporate Pension Law of Japan, which covers substantially all of its Japanese employees. The benefits are determined based on the sum of cumulative points; which are accumulated based on years of service, job class

and conditions under which termination occurs.

Substantially all of the employees of U.S. and European subsidiaries are covered by defined benefit pension plans. Under such plans, the related cost of benefit is funded or accrued. The benefits are based on the level of salary at retirement or earlier termination of employment, the years of service and conditions under which termination occurs.

The plan assets and pension obligations for the domestic and foreign defined benefit pension plans are measured at March 31 in each fiscal year.

Components of net periodic benefit cost and other amounts recognized in other comprehensive income for the domestic and foreign defined benefit pension plans for the years ended March 31, 2006, 2007 and 2008 consisted of the following:

	Millions of Yen						Thousands of U.S. Dollars	
	2006		2007		2008		2008	
	Domestic Plans	Foreign Plans	Domestic Plans	Foreign Plans	Domestic Plans	Foreign Plans	Domestic Plans	Foreign Plans
Net periodic benefit cost:								
Service cost	¥ 4,552	¥ 417	¥ 4,074	¥ 436	¥ 4,010	¥ 309	\$ 40,100	\$ 3,090
Interest cost	2,361	755	2,427	857	2,287	922	22,870	9,220
Expected return on assets	(2,313)	(684)	(3,014)	(835)	(3,337)	(940)	(33,370)	(9,400)
Amortization of unrecognized net actuarial loss	2,211	45	1,453	81	1,294	18	12,940	180
Amortization of unrecognized net assets at date of application	(504)	–	(421)	–	(6)	–	(60)	–
Amortization of unrecognized prior service (gain) loss	(1,573)	3	(1,607)	(4)	(1,607)	(5)	(16,070)	(50)
Settlement loss	–	–	1,959	32	–	1	–	10
Curtailment gain	(15)	–	–	–	–	–	–	–
Net periodic benefit cost	¥ 4,719	¥ 536	¥ 4,871	¥ 567	¥ 2,641	¥ 305	\$ 26,410	\$ 3,050
Other changes in plan assets and benefit obligations recognized in other comprehensive income:								
Net actuarial (gain) loss	–	–	–	–	¥13,047	¥(1,215)	\$130,470	\$(12,150)
Prior service loss	–	–	–	–	–	3	–	30
Amortization of net actuarial loss	–	–	–	–	(1,294)	(18)	(12,940)	(180)
Amortization of net assets at date of application	–	–	–	–	6	–	60	–
Amortization of prior service gain	–	–	–	–	1,607	5	16,070	50
Total recognized in other comprehensive income	–	–	–	–	¥13,366	¥(1,225)	\$133,660	\$(12,250)
Total recognized in net periodic benefit cost and other comprehensive income	–	–	–	–	¥16,007	¥ (920)	\$160,070	\$ (9,200)
Actuarial assumptions used to determine net periodic pension cost:								
Discount rate	2.5%	5.4%	2.5%	4.9%	2.5%	5.3%		
Rate of salary increase	–*	4.0%	–*	2.5%	–*	2.1%		
Long-term rate of return on plan assets	3.9%	7.2%	3.9%	7.0%	4.5%	6.7%		

* The net periodic pension costs are determined using cumulative points and not salaries. The net periodic pension costs for the years ended March 31, 2006, 2007 and 2008 were calculated on the basis of an annual increase in points of 3.0%.

Reconciliations of beginning and ending balances of benefit obligations and the fair value of the plan assets of the domestic and foreign defined benefit pension plans are as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2007		2008		2008	
	Domestic Plans	Foreign Plans	Domestic Plans	Foreign Plans	Domestic Plans	Foreign Plans
Change in benefit obligation:						
Benefit obligation at beginning of year	¥ 97,068	¥ 17,061	¥ 91,511	¥ 17,598	\$ 915,110	\$ 175,980
Service cost	4,074	436	4,010	309	40,100	3,090
Interest cost	2,427	857	2,287	922	22,870	9,220
Plan participants' contribution	-	113	-	97	-	970
Actuarial (gain) loss	1,421	(1,392)	387	(1,927)	3,870	(19,270)
Lump-sum cash payments/Settlements	(11,214)	(106)	(2,309)	-	(23,090)	-
Benefits paid	(2,265)	(710)	(1,494)	(446)	(14,940)	(4,460)
Plan amendment	-	-	-	3	-	30
Translation adjustments	-	1,339	-	(1,965)	-	(19,650)
Benefit obligation at end of year	¥ 91,511	¥ 17,598	¥ 94,392	¥ 14,591	\$ 943,920	\$ 145,910
Change in plan assets:						
Fair value of plan assets at beginning of year	¥ 77,254	¥ 11,748	¥ 74,152	¥ 14,244	\$ 741,520	\$ 142,440
Actual return on plan assets	3,415	1,422	(9,323)	207	(93,230)	2,070
Employer contribution	6,386	895	6,574	485	65,740	4,850
Plan participants' contribution	-	113	-	97	-	970
Lump-sum cash payments/Settlements	(10,638)	(92)	(2,309)	-	(23,090)	-
Benefits paid	(2,265)	(710)	(1,494)	(446)	(14,940)	(4,460)
Translation adjustments	-	868	-	(1,801)	-	(18,010)
Fair value of plan assets at end of year	¥ 74,152	¥ 14,244	¥ 67,600	¥ 12,786	\$ 676,000	\$ 127,860
Funded status	¥(17,359)	¥ (3,354)	¥(26,792)	¥ (1,805)	\$(267,920)	\$(18,050)
Amounts recognized in the statement of financial position consist of:						
Other assets	¥ 644	¥ 95	-	¥ 7	-	\$ 70
Other current liabilities	(4)	-	¥ (5)	(10)	\$ (50)	(100)
Accrued pension and severance cost	(17,999)	(3,449)	(26,787)	(1,802)	(267,870)	(18,020)
Net amount recognized	¥(17,359)	¥ (3,354)	¥(26,792)	¥ (1,805)	\$(267,920)	\$(18,050)
Accumulated benefit obligation at end of year	¥(88,670)	¥(16,590)	¥(91,590)	¥(13,841)	\$(915,900)	\$(138,410)
Actuarial assumptions used to determine benefit obligations:						
Discount rate	2.5%	5.3%	2.5%	6.0%		
Rate of salary increase	- *	2.1%	- *	2.4%		

* The benefit obligations are determined using cumulative points and not salaries. The benefit obligations at March 31, 2007 and 2008 were calculated on the basis of an annual increase in points of 3.0% and 2.7%, respectively.

The amounts recognized in accumulated other comprehensive loss as of March 31, 2007 and 2008 consisted of the following:

	Millions of Yen				Thousands of U.S. Dollars	
	2007		2008		2008	
	Domestic Plans	Foreign Plans	Domestic Plans	Foreign Plans	Domestic Plans	Foreign Plans
Net actuarial (gain) loss	¥ 28,798	¥1,207	¥ 40,551	¥(50)	\$ 405,510	\$(500)
Net assets at the date of application	(6)	-	-	-	-	-
Prior service gain	(18,651)	(45)	(17,044)	(38)	(170,440)	(380)
Total	¥ 10,141	¥1,162	¥ 23,507	¥(88)	\$ 235,070	\$(880)

The amounts in accumulated other comprehensive loss expected to be recognized as components of net periodic benefit cost in the year ending March 31, 2009 are as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Domestic Plans	Foreign Plans	Domestic Plans	Foreign Plans
Net actuarial (gain) loss	¥ 1,928	¥(13)	\$ 19,280	\$(130)
Prior service gain	(1,607)	(4)	(16,070)	(40)
Total	¥ 321	¥(17)	\$ 3,210	\$(170)

The aggregate projected benefit obligations and the aggregate fair value of plan assets for the domestic pension plans for which projected benefit obligations exceed plan

assets were ¥87,579 million and ¥69,576 million at March 31, 2007. Projected benefit obligations exceed plan assets for all the domestic pension plans at March 31, 2008.

The aggregate accumulated benefit obligations and the aggregate fair value of plan assets for the domestic pension plans for which accumulated benefit obligations exceed plan assets are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Accumulated benefit obligations	¥85,050	¥87,942	\$879,420
Fair value of plan assets	69,576	63,657	636,570

The aggregate projected benefit obligations and the aggregate fair value of plan assets for the foreign plans for which projected benefit obligations exceed plan assets are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Projected benefit obligations	¥11,672	¥9,741	\$97,410
Fair value of plan assets	8,223	7,929	79,290

The aggregate accumulated benefit obligations and the aggregate fair value of plan assets for the foreign pension plans for which accumulated benefit obligations exceed plan assets are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Accumulated benefit obligations	¥9,562	¥7,692	\$76,920
Fair value of plan assets	6,844	6,422	64,220

The unrecognized prior service gain/cost, the unrecognized actuarial loss and the unrecognized net assets at the date of initial application are being amortized over the average remaining service period of employees.

The Company determines the expected long-term rate of return on pension plan assets based on the weighted average of expected long-term returns on various categories of plan assets, reflecting the current and target allocation of pension plan assets. Expected long-term return by asset category is derived from historical studies by investment advisors.

The pension plan weighted-average asset allocation by asset category at March 31, 2007 and 2008 is as follows:

Asset Category	2007	2008
Equity securities	56%	51%
Debt securities	39	43
Other	5	6
Total	100%	100%

The Company's investment policy is to maintain a diversified portfolio of asset classes with the primary goal of producing an adequate return that, when combined with the Company's contribution, will maintain the fund's ability to meet

14. Income taxes:

The Company is subject to a number of different income taxes which, in the aggregate, indicate a statutory tax rate of approximately 41% for the years ended March 31, 2006, 2007 and 2008 in Japan.

future cash requirements for pension benefit payments. For primary domestic pension plans, the target asset allocation is established based on long-term pension plan asset/liability studies, and the weighted-average target asset allocation for these plans at March 31, 2008 is: equity securities 55%, debt securities 42% and other 3%. All the assets are externally managed and investment managers have discretion to carry out investment operations within their respective mandates specified by the Company.

The Company expects to contribute ¥6,939 million (\$69,390 thousand) to its defined benefit plans in the year ending March 31, 2009.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2009	¥ 3,115	\$ 31,150
2010	3,409	34,090
2011	4,161	41,610
2012	4,200	42,000
2013	4,639	46,390
Years 2014–2018	27,159	271,590

The Company's provision for income taxes differed from the provision for income taxes at the statutory tax rates in Japan as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2006	2007	2008	2008
Computed tax expense at normal statutory tax rate	¥(29,178)	¥(3,164)	¥ 1,408	\$ 14,080
Increase (decrease) resulting from:				
Loss operations	39,814	6,900	23,079	230,790
Realization of tax benefit of operating loss carryforwards	(1,005)	(1,797)	(540)	(5,400)
Expenses not deductible for tax purpose:				
Domestic	192	200	263	2,630
Foreign	205	213	329	3,290
Difference in foreign and Japanese tax rates	(1,383)	(1,110)	(2,511)	(25,110)
Liquidation of ELDis, Inc.	(13,503)	–	–	–
Tax credit for research and development expenses	(141)	(97)	(91)	(910)
Other	339	613	(681)	(6,810)
Provision for income taxes	¥ (4,660)	¥ 1,758	¥21,256	\$212,560

Total income taxes provided for the years ended March 31, 2006, 2007 and 2008 were classified as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2006	2007	2008	2008
Provision (benefit) for income taxes on income from continuing operations	¥(4,660)	¥ 1,758	¥21,256	\$212,560
Provision for income taxes on income from discontinued operations	482	37	-	-
Shareholders' equity—directly charged (credited):				
Minimum pension liability adjustments	5,505	170	-	-
Pension liability adjustment	-	-	(4,871)	(48,710)
Net unrealized gains on securities	1,460	(2,091)	(3,775)	(37,750)
Total	¥ 2,787	¥ (126)	¥12,610	\$126,100

Income from continuing operations before income taxes and income taxes are comprised of the following components:

	Millions of Yen			Thousands of U.S. Dollars
	2006	2007	2008	2008
Income (loss) from continuing operations before income taxes:				
Domestic	¥(69,834)	¥(23,845)	¥(15,232)	\$(152,320)
Foreign	(1,331)	16,128	18,666	186,660
Total	¥(71,165)	¥ (7,717)	¥ 3,434	\$ 34,340
Income taxes—Current:				
Domestic	¥ 5,232	¥ 4,171	¥ 2,890	\$ 28,900
Foreign	2,842	5,009	5,089	50,890
Total	¥ 8,074	¥ 9,180	¥ 7,979	\$ 79,790
Income taxes—Deferred:				
Domestic	¥(13,854)	¥ (6,585)	¥ 13,001	\$ 130,010
Foreign	1,120	(837)	276	2,760
Total	¥(12,734)	¥ (7,422)	¥ 13,277	\$ 132,770

The significant components of the deferred tax assets and liabilities at March 31, 2007 and 2008 are as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2007		2008		2008	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Inventories	¥ 5,957	–	¥ 7,259	–	\$ 72,590	–
Marketable equity securities	1,873	¥4,979	1,873	¥1,183	18,730	\$11,830
Allowance for notes and accounts receivable	598	–	473	–	4,730	–
Accrued expenses	19,936	–	16,898	–	168,980	–
Warranty reserve	1,578	–	1,324	–	13,240	–
Tax loss carryforwards	51,360	–	48,167	–	481,670	–
Pension and severance cost	8,333	–	11,025	–	110,250	–
Property	28,138	–	25,106	–	251,060	–
Depreciation	5,928	227	6,680	240	66,800	2,400
Royalty receivable	136	–	58	–	580	–
Other	4,063	3,438	4,525	2,318	45,250	23,180
Total	127,900	8,644	123,388	3,741	1,233,880	37,410
Valuation allowance	(53,393)	–	(59,759)	–	(597,590)	–
Total	¥ 74,507	¥8,644	¥ 63,629	¥3,741	\$ 636,290	\$37,410

The changes in the valuation allowance for the years ended March 31, 2006, 2007 and 2008 are as follows:

Valuation Allowance	Millions of Yen			Thousands of U.S. Dollars
	2006	2007	2008	2008
Balance at beginning of year	¥20,605	¥53,112	¥53,393	\$533,930
Addition	35,118	5,710	9,188	91,880
Deduction	(2,948)	(5,731)	(2,647)	(26,470)
Translation adjustments	337	302	(175)	(1,750)
Balance at end of year	¥53,112	¥53,393	¥59,759	\$597,590

The valuation allowance principally relates to deferred tax assets for tax loss carryforwards of the parent company and the subsidiaries.

The increase in valuation allowance for the year ended March 31, 2006 was mainly due to losses incurred at the parent company and certain subsidiaries. The increase during the year ended March 31, 2008 resulted from a provision for additional valuation allowances due to continued losses recorded by the parent company and certain subsidiaries.

At March 31, 2008, the Company had tax loss carryforwards which are available to reduce taxable income in subsequent periods. If not utilized, such loss carryforwards expire as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2009	¥ 17	\$ 170
2010	2,443	24,430
2011	4,498	44,980
2012	10,246	102,460
2013	72,564	725,640
Thereafter	33,058	330,580
Total	¥122,826	\$1,228,260

No provision for income taxes is provided for undistributed earnings of foreign subsidiaries that are not expected to be remitted in the foreseeable future or for the expected partial repatriation of earnings that will be remitted in a tax free manner due to the parent company's tax loss carryforwards. Undistributed earnings of foreign subsidiaries (including related foreign currency translation adjustments) at March 31, 2007 and 2008 amounted to approximately ¥151,089 million and approximately ¥102,776 million (\$1,027,760 thousand), respectively. It is not practical to estimate the amount of taxes that might be payable on the eventual remittance of such earnings.

The undistributed earnings of domestic subsidiaries would not, under the present Japanese tax laws, be subject to additional taxation.

As described in Note 1, the Company adopted FIN No. 48 as of April 1, 2007.

A reconciliation of the beginning and ending amount of unrecognized tax benefits for the year ended March 31, 2008 is as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at April 1, 2007	¥1,185	\$11,850
Additions for tax positions of the current year	15	150
Reductions for tax positions of the current year	(7)	(70)
Additions for tax positions of prior years	34	340
Reductions for tax positions of prior years	(709)	(7,090)
Lapse of the applicable statute of limitations	(92)	(920)
Settlements	(11)	(110)
Other	(131)	(1,310)
Balance at March 31, 2008	¥ 284	\$ 2,840

15. Shareholders' equity:

On and after May 1, 2006, Japanese companies are subject to the new Company Law of Japan, which reformed and replaced the Commercial Code of Japan (the "Code") with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant provisions in the Company Law that affect financial and accounting matters are summarized below;

(a) Dividends

Under the Company Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend, upon resolution at the general meeting of shareholders. For companies that meet certain criteria such as; (1) having the

Total amount of unrecognized tax benefits that would reduce the effective tax rate, if recognized, is ¥84 million (\$840 thousand).

Based on each of the items of which the Company is aware at March 31, 2008, no significant changes to the unrecognized tax benefits are expected within the next twelve months.

The Company recognizes interest and penalty accruals related to unrecognized tax benefits in income taxes in the consolidated statements of operations. Neither interest and penalties accrued as of March 31, 2008 nor interest and penalties included in income taxes for the year ended March 31, 2008 are material.

The Company files income tax returns in Japan and various foreign tax jurisdictions. The Company is no longer subject to regular income tax examinations, i.e. other than transfer pricing, by the tax authority for years before 2004 in Japan, before 2002 in the United States, and before 2005 in Europe with few exceptions.

While there has been no specific indication by the tax authority that the parent company will be subject to a transfer pricing examination in the near future, the tax authority could conduct a transfer pricing examination for years after 2006.

board of directors, (2) having independent auditors, (3) having the board of corporate auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by the articles of incorporation, the board of directors may declare dividends (except for dividends in kind) at any time during the fiscal year, if such companies have prescribed so in the articles of incorporation. The parent company, however, can not pay such dividends by resolution of the Board of Directors, since it has not prescribed so in its articles of incorporation. On the other hand, semiannual interim dividends may be paid once a year upon resolution by the board of directors if the articles of incorporation so stipulate. See (d) for restrictions for dividends.

(b) Increases/decreases and transfer of common stock, capital surplus and retained earnings

The Company Law requires that an amount equal to 10% of dividends must be appropriated as additional paid-in capital (a component of capital surplus) or a legal reserve (a component of retained earnings) depending on the equity account charged upon the payment of such dividends until the total of the aggregate amount of additional paid-in capital and legal reserve equals 25% of the common stock. Under the Company Law, the total amount of additional paid-in capital and legal reserve may be reversed without restriction. The Company Law also provides that common stock, additional paid-in capital, legal reserve, other capital surplus and other retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock

The Company Law also provides for companies to acquire treasury stock and dispose of such treasury stock by resolution of the board of directors.

(d) Restrictions for distribution

The Company Law imposes certain restrictions on the amounts available for distribution including dividends and the purchase of treasury stock. The restriction is based on other capital surplus and other retained earnings with certain adjustments, but the amount of net assets after distribution must be

maintained at no less than ¥3 million (\$30 thousand). Such amount available for distribution under the Company Law was ¥21,912 million (\$219,120 thousand) at March 31, 2008, which is subject to changes in certain specific accounts of equity through the effective date of distribution in the following fiscal year, based on the amount recorded in the parent company's general books and records maintained in accordance with generally accepted Japanese accounting practices. The adjustments included in the accompanying consolidated financial statements to conform to U.S. GAAP are not recorded in the books, and have no effect on the determination of the amount available for distribution under the Company Law.

As permitted by the Code prior to April 1, 1991, the parent company had made free share distributions which were accounted for by a transfer from capital surplus to common stock or without any transfers in the capital accounts. Companies in the United States issuing shares in similar transactions would be required to account for them as stock dividends. Had the distributions been accounted for in the manner adopted by companies in the United States, ¥179,076 million (\$1,790,760 thousand) would have been transferred from retained earnings to appropriate capital accounts at March 31, 2008.

The appropriation of retained earnings for the year ended March 31, 2008, which has been incorporated in the accompanying consolidated financial statements, was approved at the ordinary general meeting of shareholders held on June 26, 2008.

16. Stock-based compensation plans:

The Company has incentive stock option plans for directors, executive officers and selected employees.

In accordance with approval at the ordinary general meetings of shareholders on June 27, 2003, June 29, 2004, and June 29, 2005, the Company granted share acquisition rights

to directors, executive officers and certain employees of the parent company. These stock options become exercisable two years after the date of grant and the exercisable period is three years. The Company recorded the fair value of the stock options as a part of their remuneration.

A summary of information for the Company's stock option plans is as follows:

Years ended March 31	Plan	Exercisable Period	Yen		Number of Shares (Thousands)
			Weighted-Average Exercise Price	Weighted-Average Grant Date Share Price	
2004	Stock option	From July 1, 2005 to June 30, 2008	¥2,951	¥2,845	313
2005	Stock option	From July 3, 2006 to June 30, 2009	2,944	2,660	316
2006	Stock option	From July 2, 2007 to June 30, 2010	1,828	1,658	315

Remuneration costs recognized for stock option plans for the years ended March 31, 2006, 2007 and 2008 were ¥175 million, ¥73 million and ¥12 million (\$120 thousand), respectively.

The weighted-average fair value per share on the date of grant of the stock option issued during the years ended March 31, 2006 was ¥306. The fair value of the stock option on the date of grant, which is amortized to expense over the period from the granting through the commencement of the exercisable

period, is estimated using the Black-Scholes option-valuation model with the following weighted-average assumptions:

	2006
Risk-free interest rate	0.23%
Expected lives	3.48 years
Expected volatility	31.98%
Expected dividends	0.90%

A summary of the status of the Company's stock options at March 31, 2008, and the changes during the year then ended is as follows:

	Number of Shares (Thousands)	Weighted-Average Remaining Life (Years)	Weighted-Average Exercise Price per Share		Millions of Yen	Aggregate Intrinsic Value Thousands of U.S. Dollars
			Yen	U.S. Dollars		
Outstanding at March 31, 2007	1,504	1.5	¥2,538			
Expired	(560)		2,477	\$24.77		
Outstanding at March 31, 2008	944	1.3	¥2,574	\$25.74	-	-
Exercisable at March 31, 2007	1,189		¥2,726			
Exercisable at March 31, 2008	944	1.3	¥2,574	\$25.74	-	-

17. Other comprehensive income (loss):

Changes in accumulated other comprehensive income (loss) are as follows:

	Millions of Yen				
	Minimum Pension Liability Adjustments	Pension Liability Adjustments	Net Unrealized Gains on Securities	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Income (Loss)
Balance at March 31, 2005	¥(11,186)	-	¥ 8,250	¥(44,733)	¥(47,669)
Adjustments for the year	7,506	-	2,102	17,969	27,577
Balance at March 31, 2006	(3,680)	-	10,352	(26,764)	(20,092)
Adjustments for the year	454	-	(2,947)	7,584	5,091
Adjustment to initially apply SFAS No. 158, net of tax of ¥1,222 million	¥ 3,226	¥ (5,009)	-	-	(1,783)
Balance at March 31, 2007	-	(5,009)	7,405	(19,180)	(16,784)
Adjustments for the year	-	(7,270)	(5,462)	(30,662)	(43,394)
Balance at March 31, 2008	-	¥(12,279)	¥ 1,943	¥(49,842)	¥(60,178)

	Thousands of U.S. Dollars				
	Minimum Pension Liability Adjustments	Pension Liability Adjustments	Net Unrealized Gains on Securities	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Income (Loss)
Balance at March 31, 2007	-	\$ (50,090)	\$ 74,050	\$(191,800)	\$(167,840)
Adjustments for the year	-	(72,700)	(54,620)	(306,620)	(433,940)
Balance at March 31, 2008	-	\$(122,790)	\$ 19,430	\$(498,420)	\$(601,780)

Tax effects allocated to each component of other comprehensive income (loss) and reclassification adjustments are as follows:

	Millions of Yen			
	Before-Tax Amount	Tax (Expenses) Benefits	Minority Interest	Net-of-Tax Amount
2006:				
Minimum pension liability adjustments	¥ 13,171	¥(5,505)	¥ (160)	¥ 7,506
Net unrealized gains on securities:				
Unrealized holding gains arising during year	9,534	(3,904)	(10)	5,620
Less—Reclassification adjustment for gains realized in net income	(5,962)	2,444	—	(3,518)
Net unrealized gains	3,572	(1,460)	(10)	2,102
Foreign currency translation adjustments:				
Foreign currency translation adjustments arising during year	18,986	—	(865)	18,121
Less—Reclassification adjustment for gains realized in net income	(152)	—	—	(152)
Net foreign currency translation adjustments	18,834	—	(865)	17,969
Other comprehensive income (loss)	¥ 35,577	¥(6,965)	¥(1,035)	¥ 27,577
2007:				
Minimum pension liability adjustments	¥ 624	¥ (170)	—	¥ 454
Net unrealized gains on securities:				
Unrealized holding losses arising during year	(5,027)	2,087	¥ (2)	(2,942)
Less—Reclassification adjustment for gains realized in net income	(9)	4	—	(5)
Net unrealized losses	(5,036)	2,091	(2)	(2,947)
Foreign currency translation adjustments:				
Foreign currency translation adjustments arising during year	8,090	—	(434)	7,656
Less—Reclassification adjustment for gains realized in net income	(72)	—	—	(72)
Net foreign currency translation adjustments	8,018	—	(434)	7,584
Other comprehensive income (loss)	¥ 3,606	¥ 1,921	¥ (436)	¥ 5,091
2008:				
Pension liability adjustments:				
Net actuarial loss and prior service loss arising during year	¥(11,835)	¥ 4,735	—	¥ (7,100)
Less—Reclassification adjustment for amortization	(306)	136	—	(170)
Net pension liability adjustments	(12,141)	4,871	—	(7,270)
Net unrealized gains on securities:				
Unrealized holding losses arising during year	(9,076)	3,705	¥ 9	(5,362)
Less—Reclassification adjustment for gains realized in net income	(170)	70	—	(100)
Net unrealized losses	(9,246)	3,775	9	(5,462)
Foreign currency translation adjustments	(30,662)	—	—	(30,662)
Other comprehensive income (loss)	¥(52,049)	¥ 8,646	¥ 9	¥(43,394)

	Thousands of U.S. Dollars			
	Before-Tax Amount	Tax (Expenses) Benefits	Minority Interest	Net-of-Tax Amount
2008:				
Pension liability adjustments:				
Net actuarial loss and prior service loss arising during year	\$(118,350)	\$47,350	—	\$ (71,000)
Less—Reclassification adjustment for amortization	(3,060)	1,360	—	(1,700)
Net pension liability adjustments	(121,410)	48,710	—	(72,700)
Net unrealized gains on securities:				
Unrealized holding losses arising during year	(90,760)	37,050	\$90	(53,620)
Less—Reclassification adjustment for gains realized in net income	(1,700)	700	—	(1,000)
Net unrealized losses	(92,460)	37,750	90	(54,620)
Foreign currency translation adjustments	(306,620)	—	—	(306,620)
Other comprehensive income (loss)	\$(520,490)	\$86,460	\$90	\$(433,940)

18. Restructuring plans:

As part of its effort to improve the performance of the various businesses, the Company has implemented a number of restructuring initiatives. The following is a summary of significant restructuring activities:

During the year ended March 31, 2006, the Company decided to close a car electronics plant in Belgium as part of the integration plan in foreign manufacturing companies. As a result of this decision, this subsidiary recorded involuntary special termination benefits of ¥2,977 million and an impairment loss of ¥557 million related to property and equipment for the year ended March 31, 2006. These were included in "Special termination benefits" and "Impairment of long-lived assets" of other deductions of cost and expenses, respectively. Furthermore, the Company recorded contract termination costs of ¥253 million and other associated costs of ¥595 million which were included in "Other" of other deductions of cost and expenses for the year ended March 31, 2006. The remaining liability balances at March 31, 2006, 2007 and 2008 were ¥2,754 million, ¥684 million and ¥145 million (\$1,450 thousand), respectively. This restructuring activity was substantially completed.

In addition to the restructuring efforts discussed above, the Company has undergone several head count reduction programs to further reduce operating costs. In Japan, 12 Pioneer Group domestic companies, including the parent company, implemented voluntary early retirement programs in February 2006. In relation to these programs, the Company recorded special termination benefits of ¥10,760 million for the year ended March 31, 2006 when employees accepted the offer and the amount could be reasonably estimated. The remaining liability balance at March 31, 2006 of ¥10,760 million was paid during the year ended March 31, 2007. In addition, certain foreign subsidiaries recorded voluntary special termination benefits of ¥161 million for the year ended March 31, 2006. These were all included in "Special termination benefits" of other deductions of cost and expenses in the consolidated statements of operations. With regard to the head count reduction programs, lump-sum cash payments made during the year ended March 31, 2007 to certain retired employees of the parent company and a domestic subsidiary resulted in settlement losses of ¥1,959 million being recognized in loss from continuing operations for the year ended March 31, 2007 (See Note 13).

In connection with the restructuring plan, during the year ended March 31, 2006, the Company decided to withdraw from the TFT substrate business which had been carried out by ELDis, Inc., an equity method investee, which was 47.5% owned by Tohoku Pioneer (itself, a 67.1% owned subsidiary, at that time (See Note 4), of the parent company). ELDis, Inc. was liquidated in March 2006 with the Company assuming its long-term debt amounting to ¥25,357 million. The Company recorded losses of ¥24,139 million in "Equity in losses of affiliated companies" in the consolidated statements of operations for the year ended March 31, 2006; which included the long-term debt assumed of ¥25,357 million and gain on disposal and others of ¥1,922 million.

During the year ended March 31, 2007, the Company reached an agreement with a third party real estate developer to sell all land and buildings at the Tokorozawa Plant and some at the Omori Plant in conjunction with the transfer and concentration of planning, development and design departments in the home electronics business at the newly established Kawasaki Plant. Net book value of ¥489 million of land and ¥2,980 million of buildings, which are subject to the sales contract, were included in the property, plant and equipment while title of those properties has passed to the buyer as of March 31, 2007. The Company received a deposit on the sales contract of ¥14,112 million, equivalent of 90% to the sales price, for these sales during the year ended March 31, 2007 and received ¥1,568 million (\$15,680 thousand), equivalent of 10% to the sales price, during the year ended March 31, 2008. The gain on these sales of ¥11,891 million (\$118,910 thousand) was recorded for the year ended March 31, 2008 upon completion of contract obligations including vacation and hand-over of those properties, which was completed by the end of June 2007.

On March 7, 2008, the Company announced the intent to cease in-house production of plasma display panels and to procure these panels externally, as soon as the production runs for the next model series are completed. In connection with this decision, the Company reviewed the future profitability of the production facilities and the intellectual property rights and recorded impairment losses for the year ended March 31, 2008 (See Note 11).

19. Supplemental information:

Supplemental information for the years ended March 31, 2006, 2007 and 2008 is as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2006	2007	2008	2008
Research and development expenses charged to cost and expenses	¥63,442	¥59,222	¥59,395	\$593,950
Advertising costs charged to expense as incurred	10,961	14,048	11,226	112,260

Others of revenues and other income for the years ended March 31, 2006, 2007 and 2008 consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2006	2007	2008	2008
Gain on sale of available-for-sale securities and sundry investments	¥5,711	¥1,154	¥ 758	\$ 7,580
Dividend income	481	397	414	4,140
Other	597	712	851	8,510
Total	¥6,789	¥2,263	¥2,023	\$20,230

Other deductions of cost and expenses for the years ended March 31, 2006, 2007 and 2008 consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2006	2007	2008	2008
Impairment of long-lived assets (Note 11)	¥41,422	¥22,711	¥23,293	\$232,930
Special termination benefits	14,095	—	—	—
Write-down of available-for-sale securities and sundry investments	133	38	334	3,340
Office relocation costs	—	—	439	4,390
Foreign exchange loss, net	2,326	2,558	1,031	10,310
Other	2,044	226	752	7,520
Total	¥60,020	¥25,533	¥25,849	\$258,490

20. Leased assets:

The Company leases certain land, machinery and equipment, office space, warehouses, computer equipment and employees' residential facilities.

An analysis of assets under capital leases was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Machinery and equipment	¥13,033	¥ 13,021	\$ 130,210
Accumulated depreciation	(8,143)	(10,536)	(105,360)
Total	4,890	2,485	24,850
Impairment losses recognized	¥ (4,890)	¥ (2,485)	\$ (24,850)
Total	—	—	—

The above leased assets are part of the PPD's production facilities for which impairment losses were recognized, as described in Note 11. The balance of the leased assets in the consolidated balance sheets at March 31, 2007 and 2008 was zero.

The following is a schedule by year of the future minimum lease payments under capital leases together with the present value of the net minimum lease payments at March 31, 2008:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2009	¥ 650	\$ 6,500
2010	640	6,400
2011	629	6,290
2012	499	4,990
2013	291	2,910
Thereafter	—	—
Total minimum lease payments	2,709	27,090
Less—Amount representing interest	118	1,180
Present value of net minimum lease payment	2,591	25,910
Less—Current obligations	608	6,080
Long-term capital lease obligations	¥1,983	\$19,830

21. Financial instruments:

Derivatives—

The Company operates internationally, giving rise to exposure to market risks from changes in foreign exchange rates and interest rates. Derivative financial instruments are utilized by the Company to reduce those risks but are not held or issued for trading purposes.

To hedge certain purchase and sale commitments and anticipated but not yet committed transactions denominated in other than functional currencies, the Company enters into forward exchange contracts and purchases and writes currency options. Written options are entered into only with purchased options.

The notional amounts of forward exchange contracts at March 31, 2007 and 2008 were ¥18,992 million and ¥24,255 million (\$242,550 thousand), respectively. The notional amounts of currency options purchased at March 31, 2008 were ¥5,485 million (\$54,850 thousand), and the notional amounts of currency options written at March 31, 2008 were ¥10,970 million (\$109,700 thousand), which were entered into simultaneously as zero cost option arrangements. There were no currency options for the year ended March 31, 2007.

To change currency and interest rate features of intercompany finance transactions, the Company enters into currency swap contracts with banks. Currency swap contracts effectively change, in substance, the U.S. dollar floating interest rate

Rental expenses under operating leases for the years ended March 31, 2006, 2007 and 2008 aggregated ¥7,520 million, ¥6,497 million and ¥6,452 million (\$64,520 thousand), respectively. Such rentals relate principally to cancelable leases which are renewable upon expiration.

The net minimum rental payments under operating leases that have initial or remaining noncancelable lease terms in excess of one year at March 31, 2008 are as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2009	¥3,165	\$31,650
2010	1,985	19,850
2011	1,302	13,020
2012	850	8,500
2013	727	7,270
Thereafter	1,480	14,800
Total	¥9,509	\$95,090

intercompany borrowings into Japanese yen fixed and floating interest rate borrowings and euro fixed interest rate borrowings. The notional amounts of currency swap contracts at March 31, 2007 and 2008 were ¥82,125 million and ¥49,292 million (\$492,920 thousand), respectively.

Concentration of Credit Risk—

The Company distributes its products to a diverse group of domestic and foreign customers. Trade receivables arising from these sales represent credit risk to the Company. However, due to the large size and diversity of the Company's customer base, concentration of credit risk with respect to trade receivables is limited. The Company performs ongoing credit evaluation of its customers' financial condition and, generally, requires no collateral from its customers.

Derivative financial instruments that the Company holds may expose the Company to credit risks if the counterparties are unable to meet the terms of such contracts.

The Company minimizes credit risk exposure of these derivatives by limiting the counterparties to major international banks and financial institutions as well as avoiding concentration with certain counterparties, and also by making frequent credit reviews of these counterparties. Management does not expect to incur any significant losses as the result of counterparty default.

22. Fair value of financial instruments:

The following table presents the carrying amounts and fair values of the Company's financial instruments at March 31, 2007 and 2008:

	Millions of Yen				Thousands of U.S. Dollars	
	2007		2008		2008	
	Carrying Amounts	Fair Value	Carrying Amounts	Fair Value	Carrying Amounts	Fair Value
Assets:						
Available-for-sale securities	¥ 22,265	¥ 22,265	¥ 32,357	¥ 32,357	\$ 323,570	\$ 323,570
Sundry investments	352	418	341	372	3,410	3,720
Long-term receivables	99	96	152	147	1,520	1,470
Other financial instruments:						
Forward exchange contracts	55	55	201	201	2,010	2,010
Currency swap	1,693	1,693	22	22	220	220
Currency option	—	—	180	180	1,800	1,800
Liabilities:						
Long-term debt, including current maturity	(92,592)		(85,713)		(857,130)	
Less—Capital lease obligations	5,102		2,591		25,910	
Long-term debt—net	(87,490)	(82,687)	(83,122)	(79,674)	(831,220)	(796,740)
Other financial instruments:						
Forward exchange contracts	(381)	(381)	(34)	(34)	(340)	(340)
Currency swap	(22)	(22)	(4,181)	(4,181)	(41,810)	(41,810)
Currency option	—	—	(176)	(176)	(1,760)	(1,760)

Estimation of Fair Values—

The following notes summarize the major methods and assumptions used in estimating the fair values of financial instruments.

Short-term financial instruments are valued at their carrying amounts included in the consolidated balance sheets, which are reasonable estimates of fair value due to the relatively short period to maturity of the instruments. This approach is applied to cash and cash equivalents, trade receivables, short-term borrowings and trade payables.

The carrying amounts and the fair values of available-for-sale securities are disclosed in Note 6.

Sundry investments included non-marketable equity securities, amounting to ¥2,505 million and ¥1,321 million (\$13,210 thousand) at March 31, 2007 and 2008, respectively, and memberships amounting to ¥352 million and ¥341 million (\$3,410 thousand) at March 31, 2007 and 2008, respectively. The corresponding fair values of non-marketable equity securities

at those dates were not computed as such estimation is not practicable. The fair values of memberships were estimated based on the market price. The fair values of foreign currency options were measured using valuation models.

The fair values of long-term receivables were estimated by discounting estimated future cash flows using current interest rates.

The fair values of long-term debt were estimated using a discounted cash flow analysis based on incremental borrowing rates for similar types of borrowing arrangements.

The fair values of forward exchange contracts were estimated based on the quoted market rates of similar contracts. The currency swap and the interest rate swap were valued at estimated current replacement cost.

The fair values of contingent liabilities for guarantees of loans are not significant.

23. Basic and diluted net income (loss) per share:

A reconciliation of the numerators and denominators of basic and diluted net income (loss) per share computation for the years ended March 31, 2006, 2007 and 2008 is as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2006	2007	2008	2008
Loss from continuing operations	¥(85,758)	¥(9,536)	¥(17,992)	\$(179,920)
Effect of dilution—Zero coupon convertible bonds	-	-	-	-
Loss from continuing operations—diluted	¥(85,758)	¥(9,536)	¥(17,992)	\$(179,920)
Income from discontinued operations, net of tax	¥ 772	¥ 2,775	-	-
Net loss	¥(84,986)	¥(6,761)	¥(17,992)	\$(179,920)
Effect of dilution—Zero coupon convertible bonds	-	-	-	-
Net loss—diluted	¥(84,986)	¥(6,761)	¥(17,992)	\$(179,920)

	Number of Shares (Thousands)		
	2006	2007	2008
Weighted-average common shares outstanding	174,426	174,419	183,159
Effect of dilutive convertible bonds	-	-	-
Effect of stock options	-	-	-
Diluted average common shares outstanding	174,426	174,419	183,159

	Yen			U.S. Dollars
	2006	2007	2008	2008
Basic net income (loss) per share of common stock:				
Loss from continuing operations	¥(491.66)	¥(54.67)	¥(98.23)	\$(0.98)
Income from discontinued operations, net of tax	4.43	15.91	-	-
Net loss	¥(487.23)	¥(38.76)	¥(98.23)	\$(0.98)
Diluted net income (loss) per share of common stock:				
Loss from continuing operations	¥(491.66)	¥(54.67)	¥(98.23)	\$(0.98)
Income from discontinued operations, net of tax	4.43	15.91	-	-
Net loss	¥(487.23)	¥(38.76)	¥(98.23)	\$(0.98)

24. Supplemental schedule for allowance for doubtful receivables and warranty reserve:

The changes in the allowance for doubtful receivables for the years ended March 31, 2006, 2007 and 2008 are as follows:

Allowance for Doubtful Receivables	Millions of Yen			Thousands of U.S. Dollars
	2006	2007	2008	2008
Balance at beginning of year	¥2,610	¥3,165	¥2,887	\$28,870
Charged (credited) to costs and expenses	850	183	10	100
Deductions for accounts written off	(517)	(547)	(149)	(1,490)
Translation adjustments	222	86	(258)	(2,580)
Balance at end of year	¥3,165	¥2,887	¥2,490	\$24,900

The changes in the warranty reserve for the years ended March 31, 2006, 2007 and 2008 are as follows:

Warranty Reserve	Millions of Yen			Thousands of U.S. Dollars
	2006	2007	2008	2008
Balance at beginning of year	¥ 5,722	¥ 6,603	¥ 6,843	\$ 68,430
Provision	9,506	7,908	7,453	74,530
Payments	(8,972)	(7,942)	(8,624)	(86,240)
Translation adjustments	347	274	(407)	(4,070)
Balance at end of year	¥ 6,603	¥ 6,843	¥ 5,265	\$ 52,650

25. Commitments and contingent liabilities:

Commitments outstanding at March 31, 2008 for the purchase of property, plant and equipment and raw materials, and other payments approximated ¥33,584 million (\$335,840 thousand).

26. Remuneration of directors, executive officers and corporate auditors:

The aggregate remuneration (including bonuses and stock-based compensation [See Note 16]) charged to income by the parent company for directors, executive officers and corporate

auditors for the years ended March 31, 2006, 2007 and 2008 totaled ¥974 million, ¥699 million and ¥919 million (\$9,190 thousand), respectively.

27. Subsequent event:

In March 2008, the parent company decided to cease in-house production of plasma display panels as soon as the production runs for the next model series are completed. In connection with this decision, the Company's Board of Directors resolved at their meeting held on May 30, 2008 to enter into "The Agreement on a Comprehensive Plasma Display Business Alliance" with Matsushita Electric Industrial Co., Ltd. Such agreement was executed by the parties on June 2, 2008.

This alliance is part of the restructuring of the Company's plasma display business with the intent of enhancing and

developing this business.

Certain elements of this agreement are related to new development and strategic production and supply of the plasma display panel modules. Based on this agreement, the parties will conduct joint product development in this field. The Company expects to source the plasma display panel modules from Matsushita Electric Industrial Co., Ltd. from the summer of 2009.

The discussions regarding the details of the business alliance are ongoing.

Independent Auditors' Report

Deloitte.

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To the Board of Directors and Shareholders of Pioneer Corporation:

We have audited the accompanying consolidated balance sheets of Pioneer Corporation and subsidiaries (the "Company") as of March 31, 2007 and 2008, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2008 (all expressed in Japanese yen). 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying consolidated financial statements do not present segment information concerning the Company's operations which, in our opinion, is required for a complete presentation of the Company's consolidated financial statements in accordance with accounting principles generally accepted in the United States of America.

In our opinion, except for the omission of segment information disclosures, such consolidated financial statements present fairly, in all material respects, the financial position of Pioneer Corporation and subsidiaries as of March 31, 2007 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.



June 26, 2008

Member of
Deloitte Touche Tohmatsu

General Information on Shares

Stock Listing

Tokyo Stock Exchange (Since 1961)

Transfer Agent

Mitsubishi UFJ Trust and Banking Corporation
4-5, Marunouchi 1-chome, Chiyoda-ku,
Tokyo 100-8212, Japan

Share Information (As of March 31, 2008)

Number of Shares Issued 210,063,836 shares
Number of Shareholders of Common Stock 39,409 shareholders

Distribution of Share Ownership

	Number of Shareholders	Number of shares held (thousand)	Shareholdings (%)
Japanese financial institutions	64	66,024	31.43
Japanese securities companies	46	8,845	4.21
Other Japanese business corporations	315	35,956	17.12
Foreign corporations and individuals	409	58,958	28.07
Japanese individuals and others	38,575	40,278	19.17

Note: Japanese individuals and others include 5,012 thousand shares (2.38%) as treasury stock held by the Company.

Principal Shareholders (Ten Largest Shareholders)

Name of Shareholder	Number of shares held (thousand)	Shareholdings (%)
Sharp Corporation	30,000	14.28
The Master Trust Bank of Japan, Ltd. (Trust Account)	14,376	6.84
Japan Trustee Services Bank, Ltd. (Trust Account)	11,779	5.60
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,490	3.08
Mizuho Bank, Ltd.	4,000	1.90
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Trust Account Re-entrusted by Mizuho Trust & Banking Co., Ltd.	3,955	1.88
Deutsche Bank AG, London 610	3,126	1.48
Deutsche Securities Inc.	3,119	1.48
BNP Paribas Securities (Japan) Limited	2,857	1.36
Pioneer Employee Share Ownership Plan	2,631	1.25

Note: The Company holds 5,012 thousand shares (2.38%) as treasury stock.

For further information, please contact:

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Financial information is available at: <http://pioneer.jp/ir-e/>

Cautionary Statement with Respect to Forward-Looking Statements

Statements made in this report 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 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, severe price competition and subjective and changing consumer preferences; (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.

PIONEER CORPORATION

<http://pioneer.jp/e>