

*(Summarized Translation)*

**Convocation Notice  
of the 70th Ordinary General Meeting of Shareholders**

to be held on June 28, 2016

***Pioneer***

PIONEER CORPORATION

JAPAN

(Stock code: 6773, ISIN: JP3780200006)

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

June 6, 2016

## **Convocation Notice of the 70th Ordinary General Meeting of Shareholders**

To our shareholders:

Notice is hereby given that the 70th Ordinary General Meeting of Shareholders of the Company will be held as described hereunder and your attendance is cordially requested.

You are entitled to vote in writing if you are unable to attend the meeting in person. In this regard, we cordially request that you study the following documents, and indicate your approval or disapproval of the proposal on the voting directive form, and return it to us no later than 5:00 pm, June 27, 2016, Japan time.

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

Very truly yours,

Susumu Kotani  
President and CEO  
Pioneer Corporation  
28-8, Honkomagome 2-chome, Bunkyo-ku,  
Tokyo, Japan

### **Description**

1. Date and time: 10:00 a.m. on Tuesday, June 28, 2016, Japan time
2. Place: MEGURO GAJOEN, Banquet Hall  
8-1, Shimomeguro 1-chome, Meguro-ku, Tokyo, Japan
3. Objectives of the meeting:

#### **Matters to be reported on:**

Reports on the Business Report, Non-consolidated and Consolidated Financial Statements for the 70th Accounting Period (from April 1, 2015 to March 31, 2016), and Reports on Results of the Audit of the Accounting Auditor and the Board of Corporate Auditors on Consolidated Financial Statements

#### **Matters to be acted on:**

**Agenda Item No. 1.** Partial Amendment to the Articles of Incorporation

**Agenda Item No. 2.** Election of Seven (7) Individuals as Directors

**Agenda Item No. 3.** Election of Two (2) Individuals as Substitute Auditors in Case of Vacancy

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## ATTACHED DOCUMENTS

### **BUSINESS REPORT**

(from April 1, 2015 to March 31, 2016)

#### **1. MATTERS WITH RESPECT TO THE STATUS OF THE COMPANY**

##### **(1) Principal Substance of Business**

The Company engages primarily in the business of manufacture and sales of car electronics, and all businesses incidental and related to this business.

In the 69th accounting period, the home AV, telephone, headphone-related, and DJ equipment businesses were transferred. In accordance with these transfers, the business segments from the 70th accounting period are classified as “Car Electronics” and “Others.” Figures shown for the 69th accounting period have been reclassified accordingly.

The following table sets forth the principal products of the Company and the ratio of each segment sales to consolidated net sales:

Segment	Principal Products and Services in Each Segment	Ratio of Segment Sales to Consolidated Net Sales	
		69th Accounting Period	70th Accounting Period
Car Electronics	Car navigation systems, car stereos, car AV systems, and car speakers	70.9%	78.1%
Others	Blu-ray Disc drives, DVD drives, equipment for cable-TV systems, factory automation systems, map software, electronic devices and parts, speaker units, organic light-emitting diode (OLED) displays, electronic manufacturing services (EMS), DJ equipment (subcontracted manufacturing/sales), and home AV products (subcontracted manufacturing/sales)	29.1%	21.9%

## (2) Result of Business Operations and Issues to Be Addressed

### (a) Result of Business Operations

#### Consolidated Net Sales by Segment

Business Segment	(In millions of yen)		
	69th Accounting Period	70th Accounting Period	% to Previous Period
Japan	131,347	128,912	98.1%
Overseas	224,244	222,381	99.2
Car Electronics	355,591	351,293	98.8
Japan	61,733	52,958	85.8
Overseas	84,352	45,379	53.8
Others	146,085	98,337	67.3
Japan	193,080	181,870	94.2
Overseas	308,596	267,760	86.8
Total sales	501,676	449,630	89.6%

In the 70th accounting period, the year ended March 31, 2016, consolidated net sales declined 10.4% year on year, to ¥449,630 million. This decrease was mainly due to the impact of the transfers of the home AV business and DJ equipment business in fiscal 2015, combined with a decline in consumer-market car audio sales, mainly in emerging markets, despite an increase in OEM car audio sales.

Operating income was ¥7,304 million, a 6.1% decrease year on year. Despite lower selling, general and administrative (SG&A) expenses as a result of the business transfers and organizational streamlining, a deterioration in the cost of sales ratio mainly due to an increase in depreciation and amortization, as well as a decrease in gross profit due to lower sales led to an overall decrease in operating income. Net income attributable to owners of Pioneer was ¥731 million, a 95.0% decrease from the previous fiscal year, reflecting the absence of the ¥48,415 million gain recorded from the transfer of the DJ equipment business in fiscal 2015, despite a turnaround to a foreign exchange gain from the previous year's foreign exchange loss.

During the 70th accounting period, the average value of the Japanese yen declined 8.5% against the U.S. dollar, to ¥120.14=1 U.S. dollar, and rose 4.7% against the euro, to ¥132.58=1 euro, compared with the previous accounting period.

The results for the period under review by each business segment are given below:

Car Electronics sales declined 1.2% year on year, to ¥351,293 million.

Sales of car audio products decreased. Consumer-market sales declined, mainly from lower sales in emerging markets. OEM sales rose owing to increases mainly in Japan and North America.

Car navigation system sales increased. Consumer-market sales declined in Japan, but growth in China resulted in an overall increase. OEM sales rose owing to increases in Southeast Asia and China, despite decreases in Japan and North America.

OEM sales accounted for 61% of total Car Electronics sales, compared with 57% in the previous accounting period.

Operating income declined 36.0% year on year, to ¥7,032 million, as a result of the deterioration in the cost of sales ratio mainly due to increased depreciation and amortization, and foreign exchange rate movements, as well as lower sales, despite a reduction in SG&A expenses.

In the Others segment, sales declined 32.7% year on year, to ¥98,337 million, primarily because of the transfers of businesses in the previous accounting period.

Operating income was ¥1,405 million, compared with an operating loss of ¥2,388 million in the previous accounting period, mainly reflecting a decline in SG&A expenses.

Note: Operating income (loss) in each business segment represents operating income (loss) before elimination of intersegment transactions.

Although Pioneer posted net income for the period under review as explained above, we have decided to continue non-payment of year-end dividend for the 70th accounting period, in consideration of its financial condition and other factors. We deeply apologize to our shareholders for this decision.

## (b) Issues to Be Addressed

In terms of Pioneer's operating environment, long-term continued growth is forecast for the automotive industry, led by emerging markets. The car electronics industry is entering a period of major changes against a backdrop of the increasingly diverse needs of customers, with moves, especially in developed markets, toward growing the connected car business in which hardware has the functions of information and communication devices, and toward realizing autonomous driving.

We view these significant changes in the car electronics industry as our business opportunity to position ourselves for future growth. Our aim is to be a leading company in "Comprehensive Infotainment" that creates comfort, excitement, reliability and safety in vehicles.

Toward this goal, we will implement the growth strategy for the Car Electronics segment to strengthen our earnings base. This will include increasing development efficiency and reducing development costs through the integrated AV products and navigation system development, with business pillars of consumer-market, OEM, and map and autonomous driving.

In the consumer-market business, we will work to increase sales by introducing new products that offer new value with features including entertainment in vehicles and smartphone-linked functionality. We will also strengthen our new commercial business with cloud-based services, including services for automobile insurance and a *Vehicle Assist* telematics service for fleet vehicles. In emerging markets, we aim to increase sales by strengthening our affordably-priced product line, such as through the introduction of new products tailored to local markets.

In the OEM business, we will work to optimize our overall business process to accommodate a large scale of orders from existing customers. We will also work to increase development efficiency through developing and designing products that anticipate customer needs, as a way to win new orders. Through these measures, we intend to improve the profitability of the OEM business.

In the map business and autonomous driving field, we will continue to develop high-precision map data in Japan and expand the map business to the ASEAN region. We are working to realize autonomous driving with the development of the "3D-LiDAR" driving space sensor and a "data ecosystem" for advanced maps, with the aim of being an "essential company toward realization of autonomous driving."

In terms of new businesses, we will work toward the effective development of a medical and health care-related business and an OLED lighting business.

In the 70th accounting period, we will make upfront investment for the future growth of the Car Electronics segment, while also maintaining solid earnings in the consumer-market business and giving significant attention to the realization of autonomous driving.

### (3) Environmental Preservation Activities

Recognizing our social responsibility as we carry out our businesses, we promote environmental preservation and proactive disclosure of information with the aim of realizing a sustainable society together with our stakeholders.

Specifically, Pioneer uses a life cycle assessment process to help prevent global warming. This is a method for quantifying and visualizing the environmental impact, measured as CO<sub>2</sub> emissions, over a product's entire life cycle: from the procurement of materials and parts to manufacturing, use, disposal, and recycling. The results of these assessments are posted on our corporate website.

Going forward, we will continue to use life cycle assessments in pursuit of effective and efficient improvements to the environmental performance of our products.

### (4) Capital Expenditures

Business Segment	Amount	(In millions of yen)
		% to Previous Period
Car Electronics	20,444	75.1%
Others	3,905	83.0
Corporate	1,077	163.4
Total	25,426	78.0%

Note: Above figures represent the increases of property, plant and equipment and intangible assets recorded in the consolidated balance sheet.

The principal of the above capital expenditures was invested in software to be installed in products, molds for production and production facilities.

### (5) Financing

On December 18, 2015, Pioneer issued Zero Coupon Convertible Bonds in the total amount of ¥15,075 million (face value of ¥15,000 million) in order to achieve sustainable growth and enhance its corporate value.

**(6) Summary of Business Operations** (on consolidated basis)

	(In millions of yen except per share information)			
	Year Ended March 31			
	2013	2014	2015	2016
	67th Accounting Period	68th Accounting Period	69th Accounting Period	70th Accounting Period
Net sales	451,841	498,051	501,676	<b>449,630</b>
Operating income	5,997	11,169	7,778	<b>7,304</b>
Ordinary income (loss)	812	5,111	(2,915)	<b>7,250</b>
Net income (loss) *	(19,552)	531	14,632	<b>731</b>
Net income (loss) per share *	(60.90)	1.49	39.85	<b>1.99</b>
Total assets	311,325	327,913	328,277	<b>298,012</b>
Total equity	81,576	77,816	107,066	<b>90,486</b>
Total equity per share	237.97	197.33	277.05	<b>233.32</b>

\* Net income (loss) attributable to owners of Pioneer Corporation

- Notes: 1. Effective from the 70th accounting period, the reference to “net income” was changed to “net income attributable to owners of Pioneer Corporation” by the application of the “Revised Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No.21, issued on September 13, 2013), etc.
2. In the 69th accounting period, the Company recorded a large increase in net income attributable to owners of Pioneer Corporation. This was mainly the result of an extraordinary income mainly due to the transfer of the DJ equipment business.

**(7) Present State of the Company's Group****(a) Status of the Company's Major Subsidiaries**

Name	Location	Capital	*	Principal Business
Tohoku Pioneer Corporation	Yamagata, Japan	10,800 million yen	100.0%	Manufacture of car electronics products, etc.
Pioneer North America, Inc.	U.S.A.	124,807 thousand U.S. dollars	100.0%	Coordination of the activities of the Company's subsidiaries in North America
Pioneer Europe NV	Belgium	39,892 thousand euro	100.0% (30.5%)	Coordination of the activities of the Company's subsidiaries in Europe, and distribution of the Company's products
Pioneer Electronics Asiacentre Pte. Ltd.	Singapore	28,055 thousand U.S. dollars	100.0%	Coordination of the activities of the Company's subsidiaries in Southeast Asia and South Asia, and manufacture and distribution of the Company's products
Pioneer China Holding Co., Ltd.	China	644,362 thousand yuan	100.0%	Coordination of the activities of the Company's subsidiaries in China, and distribution of the Company's products
Pioneer do Brasil Ltda.	Brazil	32,407 thousand real	100.0%	Coordination of the activities of the Company's subsidiaries in South America, and manufacture and distribution of car electronics products

Notes: 1. All capital amounts less than one unit are disregarded.

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

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

None



**(8) Principal Offices and Plants** (as of March 31, 2016)

## (a) Pioneer Corporation (Parent Company)

Head Office (Tokyo, Japan)  
Kawagoe Plant (Saitama, Japan)

Note: On March 7, 2016, the Company moved its Head Office from Kawasaki City, Kanagawa Prefecture to Bunkyo-ku, Tokyo

## (b) Principal Sales and Manufacturing Subsidiaries

Sales Subsidiaries

Pioneer Sales & Marketing Corporation (Tokyo, Japan)  
Pioneer Electronics (USA) Inc. (U.S.A.)  
Pioneer Electronics de Mexico S.A. de C.V. (Mexico)  
Pioneer Europe NV (Belgium)  
Pioneer China Holding Co., Ltd. (China)  
Pioneer International Latin America, S.A. (Panama)

Manufacturing Subsidiaries

Tohoku Pioneer Corporation (Yamagata, Japan)  
Pioneer Manufacturing (Thailand) Co., Ltd. (Thailand)  
Pioneer Technology (Shanghai) Co., Ltd. (China)  
Pioneer Technology (Dongguan) Co., Ltd. (China)  
Pioneer do Brasil Ltda. (Brazil)  
Pioneer Technology (Malaysia) Sdn. Bhd. (Malaysia)

**(9) Employees** (as of March 31, 2016)

Business Segment	Number of Employees	Change from the End of the Previous Period
Car Electronics	11,637	Decrease of 1,201
Others	4,691	Decrease of 1,057
Corporate	718	Decrease of 100
Total	17,046	Decrease of 2,358

Note: The number of employees excludes contract employees with a contract period of less than one year and temporary/other contract employees in the table above.

**(10) Major Lenders** (as of March 31, 2016)

Name	(In millions of yen) Amount
Syndicated Loan of which The Bank of Tokyo-Mitsubishi UFJ, Ltd. is the arranger and the agent	10,000

## **2. MATTERS WITH RESPECT TO SHARES** (as of March 31, 2016)

### **(1) Number of Shares the Company May Issue**

800,000,000 shares

### **(2) Number of Shares of Common Stock Issued**

372,223,436 shares

Note: 5,029,993 shares of treasury stock held by the Company are included.

### **(3) Number of Shareholders**

44,528 shareholders (a decrease of 5,686 from the end of the previous period)

### **(4) Composition of Shareholders**

	Number of Shareholders	Number of Shares Held	Percentage of Shareholdings to Total Issued Shares
Japanese financial institutions	33	90,910 thousand	24.42%
Japanese securities companies	64	13,273	3.57
Other Japanese business corporations	281	59,866	16.08
Foreign corporations and individuals	340	125,767	33.79
Japanese individuals and others	43,810	82,405	22.14
Total	44,528	372,223 thousand	100.00%

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

2. All percentage figures are calculated based on the total number of shares issued.

3. "Japanese individuals and others" include 5,029 thousand shares (1.35%) as treasury stock held by the Company.

**(5) Principal Shareholders (Ten Largest Shareholders)**

Name of Shareholders	Number of Shares Held	Percentage of Shareholdings to Total Issued Shares
Mitsubishi Electric Corporation	27,886 thousand	7.59%
NTT DOCOMO, INC.	25,773	7.01
The Master Trust Bank of Japan, Ltd. (Trust Account)	20,340	5.53
Japan Trustee Services Bank, Ltd. (Trust Account)	19,894	5.41
Oasis Investments II Master Fund Ltd.	18,150	4.94
Japan Trustee Services Bank, Ltd. (Trust Account 9)	8,649	2.35
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,490	1.76
State Street Bank and Trust Company 505001	6,395	1.74
The Bank of New York 133522	4,789	1.30
SIX SIS Ltd.	4,672	1.27

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

2. All percentage figures are calculated based on the total number of shares issued and outstanding after deduction of treasury stock, and such figures less than the second decimal place are disregarded.

3. The Company holds 5,029 thousand shares as treasury stock, which is not included in the above table.

**3. MATTERS WITH RESPECT TO SHARE ACQUISITION RIGHTS** (as of March 31, 2016)

First Series Unsecured Zero Coupon Convertible Bonds (Bonds with Share Acquisition Rights)  
(issued on December 18, 2015)

Number of Share Acquisition Rights	150
Conversion Price	456 yen
Exercise period	December 25, 2015 to December 11, 2020
Class and Number of Shares Underlying the Share Acquisition Rights	32,894,736 shares of common stock

#### 4. MATTERS WITH RESPECT TO DIRECTORS, CORPORATE AUDITORS AND EXECUTIVE OFFICERS

##### (1) Directors, Corporate Auditors and Executive Officers

###### (a) Directors and Corporate Auditors

Title	Name	Occupation in the Company <Important Occupation in Other Business Entities>
Representative Director	Susumu Kotani	
Representative Director	Hideki Okayasu	
Representative Director	Mikio Ono	<Other Important Occupation> Outside Director of Onkyo Corporation
Director	Kunio Kawashiri	
Director	Masahiro Kawamura	
Director	Takashige Nakano	
Director	Masahiro Tanizeki	
Director	Shunichi Sato	<Other Important Occupation> Outside Corporate Auditor of Nakano Corporation
Full Time Corporate Auditor	Mikio Shimoda	
Corporate Auditor	Keiichi Nishikido	Attorney-at-law <Other Important Occupation> Partner of Kohwa Sohgo Law Offices Outside Corporate Auditor of Saibo Co., Ltd.
Corporate Auditor	Hiroyuki Wakamatsu	Certified Public Accountant <Other Important Occupation> Representative of Wakamatsu CPA Office Outside Corporate Auditor of Withus Corporation Outside Corporate Auditor of Mixi, Inc.

- Notes: 1. Messrs. Masahiro Tanizeki and Shunichi Sato are Outside Directors pursuant to the Companies Act of Japan, and are Independent Directors satisfying the requirements of the Tokyo Stock Exchange.
2. Messrs. Keiichi Nishikido and Hiroyuki Wakamatsu are Outside Corporate Auditors pursuant to the Companies Act of Japan, and are Independent Corporate Auditors satisfying the requirements of the Tokyo Stock Exchange.
3. Mr. Hiroyuki Wakamatsu is a Certified Public Accountant and has considerable experience and knowledge as a financial expert.

(b) Executive Officers

Title	Name	Occupation in the Company
* President and CEO	Susumu Kotani	
* Senior Managing Executive Officer	Hideki Okayasu	General Manager of Related Business Division, and in charge of Legal & Risk Management Division, Audit Division, and export management in general
* Senior Managing Executive Officer	Mikio Ono	General Manager of New Business Division, and in charge of corporate reformation, and business competitiveness strategy
Senior Executive Officer	Haruyuki Inohana	In charge of ecology and Quality Assurance Division
* Senior Executive Officer	Kunio Kawashiri	In charge of Accounting Division and Finance Division
* Senior Executive Officer	Masahiro Kawamura	General Manager of Corporate Management Division, and in charge of Intellectual Property Division
* Senior Executive Officer	Takashige Nakano	In charge of Car Electronics Business
Senior Executive Officer	Harumitsu Saito	General Manager of Business Administration Division
Senior Executive Officer	Masao Kase	In charge of Procurement Division
Senior Executive Officer	Koichi Moriya	In charge of Human Resources Division, General Administration Division, and IT Division
Senior Executive Officer	Satoshi Ohdate	General Manager of Consumer Car Electronics Business Division, and in charge of Pioneer Sales & Marketing Corporation
Executive Officer	Ikuo Tsuritani	General Manager of Product Management Division
Executive Officer	Minoru Maruyama	General Manager of Production Management Division
Executive Officer	Ichio Kitamura	General Manager of OEM Car Electronics Business Division, and General Manager of Project Owner Division of OEM Car Electronics Business Division
Executive Officer	Naoto Takashima	In charge of Speaker Business

Note: \* indicates an Executive Officer who is also a Director.

## **(2) Remuneration of Directors and Corporate Auditors**

### **(a) Remuneration of Directors and Corporate Auditors with Respect to the Period Under Review**

210 million yen for eight Directors

36 million yen for four Corporate Auditors

Notes: 1. The above amounts include remuneration of one Corporate Auditor who retired at the conclusion of the Ordinary General Meeting of Shareholders held on June 25, 2015.

2. Out of the above amounts, remuneration of Outside Directors and Outside Corporate Auditors is 30 million yen for five persons.

### **(b) Policies of Determining the Remuneration of Directors and Corporate Auditors**

Pioneer has established Compensation Committee as an advisory organ to the Board of Directors, which discusses issues such as policies and systems for remuneration and other benefits for Directors and Executive Officers as well as individual evaluations and compensation levels.

Remuneration of Directors is properly determined pursuant to “Policies with Respect to the Remuneration of Directors and Executive Officers” which were verified by the Compensation Committee, as described below.

- Benefits for Directors and Executive Officers (such as compensation and bonus, etc.) are not in contradiction to the benefit of shareholders.
- Levels of compensation are not in contradiction to the consolidated business performance (both results and forecasts).
- Compensation of individuals relates to each role and responsibility, and properly reflects the degree of achievement, performance and contribution of each occupation with its executive responsibility.

Amounts of compensation for Directors and Corporate Auditors are determined within the range approved at the 52nd Ordinary General Meeting of Shareholders held on June 26, 1998 (maximum amount payable to Directors of ¥900 million, per annum, and maximum amount payable to Corporate Auditors of ¥100 million, per annum), and such amounts with respect to Directors are determined on the basis of the results of discussion at the Compensation Committee, and with respect to Corporate Auditors properly determined by the discussion of Corporate Auditors.

## **(3) Matters with Respect to Outside Directors and Outside Corporate Auditors**

### **(a) Outside Director: Masahiro Tanizeki**

#### **(i) Relation Between the Company and Other Business Entities at Which the Outside Director Has Important Occupation**

None

#### **(ii) Relation with Business Entities Which Have Special Relation with the Company (Subsidiaries, Affiliates and Major Business Partners)**

None

#### **(iii) Principal Activities During the Period Under Review**

Attended all of the nine meetings of the Board of Directors held during the period under review, and gave opinions as necessary, based on the insight and abundant experience as a management member of business enterprises.

(b) Outside Director: Shunichi Sato

- (i) Relation Between the Company and Other Business Entities at Which the Outside Director Has Important Occupation

There is no special relation between the Company and Nakano Corporation.

- (ii) Relation with Business Entities Which Have Special Relation with the Company (Subsidiaries, Affiliates and Major Business Partners)

None

- (iii) Principal Activities During the Period Under Review

Attended seven out of the nine meetings of the Board of Directors held during the period under review, and gave opinions as necessary, based on the insight and abundant experience as a diplomat.

(c) Outside Corporate Auditor: Keiichi Nishikido

- (i) Relation Between the Company and Other Business Entities at Which the Outside Corporate Auditor Has Important Occupation

There is no special relation between the Company and Kohwa Sohgo Law Offices or Saibo Co., Ltd.

- (ii) Relation with Business Entities Which Have Special Relation with the Company (Subsidiaries, Affiliates and Major Business Partners)

None

- (iii) Principal Activities During the Period Under Review

Attended all of the nine meetings of the Board of Directors and all of the 14 meetings of the Board of Corporate Auditors, both held during the period under review, and gave opinions as necessary, based on the insight and abundant experience as a legal expert.

(d) Outside Corporate Auditor: Hiroyuki Wakamatsu

- (i) Relation Between the Company and Other Business Entities at Which the Outside Corporate Auditor Has Important Occupation

There is no special relation between the Company and Wakamatsu CPA Office, Withus Corporation or Mixi, Inc.

- (ii) Relation with Business Entities Which Have Special Relation with the Company (Subsidiaries, Affiliates and Major Business Partners)

None

- (iii) Principal Activities During the Period Under Review

Attended all of the seven meetings of the Board of Directors and all of the 11 meetings of the Board of Corporate Auditors, both held during the period under review after he was newly elected at the Ordinary General Meeting of Shareholders held on June 25, 2015, and gave opinions as necessary, based on the insight and abundant experience as a financial expert.

#### **(4) Agreement on Limitation of Liabilities**

Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act of Japan, the Company has entered into agreements with Outside Directors and Outside Corporate Auditors which limit their liabilities specified in Article 423, Paragraph 1 of the Companies Act. The maximum amount of liabilities under the agreement is the amount provided by laws and regulations.



## **5. MATTERS WITH RESPECT TO ACCOUNTING AUDITOR**

### **(1) Name of Accounting Auditor**

Deloitte Touche Tohmatsu LLC

### **(2) Remuneration of Accounting Auditor for the Period Under Review**

- (a) Remuneration as Accounting Auditor of Pioneer Corporation with Respect to the Period Under Review

114 million yen

Note: The amounts being derived from the audit under the Companies Act of Japan, the audit under the Financial Instruments and Exchange Act of Japan and the audit concerning the consolidated financial statements in English are not clearly distinguished and those amounts cannot be practicably distinguished. The above amount indicates the total of these amounts.

- (b) Total Amount of Money and Other Property Benefits Payable by Pioneer Corporation and Its Subsidiaries

143 million yen

Note: The Company's overseas subsidiaries entrust audit services on the financial statements to accounting firms other than the above Accounting Auditor.

### **(3) Reason the Board of Corporate Auditors Agreed on Compensation etc., of the Accounting Auditor for the Period Under Review**

The Board of Corporate Auditors examined factors such as contents of the auditing plan, status of business execution, and assumptions for calculation of compensation estimates of the accounting audit by the Accounting Auditor, and subsequent to deliberation, agreed to the amount of compensation, etc., of the Accounting Auditor.

### **(4) Non-Audit Services Entrusted to the Accounting Auditor**

None

### **(5) Policy on Decisions Concerning Dismissal or Non-reappointment of the Accounting Auditor**

If the Board of Corporate Auditors determines that any of the items in Article 340, Paragraph 1 of the Companies Act apply to the Accounting Auditor and dismissal is appropriate, the Accounting Auditor will be dismissed based on the consent of all Corporate Auditors. Additionally, if the Board of Corporate Auditors determines that it will be difficult for the Accounting Auditor to appropriately execute its accounting audit, determination will be made to submit a proposal to a General Meeting of Shareholders for the dismissal or non-reappointment of the Accounting Auditor.

### **(6) Agreements on Limitation of Responsibility**

The Company has not entered into any agreements with the Accounting Auditor on limitation of its responsibility.

## 6. SYSTEMS FOR ENSURING APPROPRIATE EXECUTION OF BUSINESS

Pioneer Corporation has established systems for ensuring that directors perform their duties in conformity with laws and regulations and its Articles of Incorporation, as well as ensuring the appropriate execution of business of Pioneer and its subsidiaries (together, the “Pioneer Group” or the “Group”), pursuant to Article 362, Paragraph 4, Item 6 of the Companies Act of Japan and Article 100 of the Ordinance for Enforcement of the Companies Act. Details are as follows.

### <Basic Policy>

The Pioneer Group has formulated the “Pioneer Group Vision Structure” to share its Group philosophy, “Move the Heart and Touch the Soul,” among all people of the Pioneer Group, and established the “Pioneer Group Charter for Corporate Operations” (the “Charter”) as the fundamental guidelines for realizing the objects of the “Pioneer Group Vision.”

In accordance with the Charter, the Pioneer Group has established the “Pioneer Group Code of Conduct” (the “Code”), as the standards that should be observed by all people working in the Pioneer Group. Based on the Code, directors, executive officers, corporate auditors and employees of the Pioneer Group are expected to act sincerely in the course of performing their duties with strong awareness of corporate social responsibilities.

The Pioneer Group has also formulated a set of common, basic rules called the “Rules of the Pioneer Group” for the entire Group, of which the Charter is foremost in importance. Based on these rules, Pioneer works to implement appropriate management systems on a Group-wide basis.

### **(1) Systems That Ensure Directors and Employees Perform Their Duties in Conformity with Laws and Regulations and the Articles of Incorporation**

Pioneer has a management system which consists of the Board of Directors as a decision-making and supervisory body on fundamental corporate issues; the Representative Directors who are responsible for business operations; and the Board of Corporate Auditors as an auditing body of directors’ performance. Through this management system, Pioneer ensures that directors perform their duties in conformity with laws and regulations and the Articles of Incorporation. Several outside directors with a high degree of independence are appointed to reinforce the supervisory function of the Board of Directors.

To achieve compliance with laws and regulations, Pioneer has adopted the Charter and the Code as decision-making and behavioral standards for directors, executive officers, corporate auditors and employees at all companies of the Pioneer Group. Also, Pursuant to “Basic Rules for Business Ethics” Pioneer has established a “Business Ethics Committee” chaired by an outside director to ensure legal compliance by those in the Pioneer Group, as well as thorough observance of the Code. To implement the Pioneer Group’s whistle-blowing policy, in addition to the regular reporting system, the Pioneer Group has the “Business Ethics Hotline” for reporting any act, behavior, etc., contrary to or otherwise against the Code. All reports received by the “Business Ethics Hotline” are simultaneously forwarded to both the administrative office of the “Business Ethics Committee” and the Board of Corporate Auditors. All reports received by the Hotline are dealt with appropriately and in good faith to protect the persons making reports from unfair treatments because of their reports.

As to internal audit, the Audit Division performs audits of business operations in accordance with the “Basic Rules for Consolidated Internal Audit,” and verifies the status of compliance with laws and internal regulations.

With regard to Pioneer’s efforts to exclude anti-social elements which threaten civil order and the safety of citizens, the Code contains a fundamental principle that supports Group-wide activities to combat such elements, in accordance with the spirit of “operating our corporate activities fairly,” as stipulated in the Charter. Pioneer is also enhancing its compliance functions, by defining the “Basic Rules for Action Against Anti-social Elements,” and by establishing departments that are responsible for taking action against such elements, through collaboration with relevant outside organizations and sharing information and offering instruction regarding such action across the entire Group.

## **(2) Systems to Keep, Administer and Manage Information Concerning the Performance of Directors' Duties**

Information concerning the performance of directors' duties is kept, administrated and managed properly in accordance with such internal rules as the "Basic Rules for Information Security Management." The Audit Division regularly verifies the status of keeping, administrating and managing such information.

The minutes of the meetings of the Board of Directors are prepared and kept at the Head Office for 10 years in accordance with the Companies Act. Pioneer has established a "Group Executive Committee," as described in Item 4 below, to reinforce the decision-making function of the Board of Directors. As with the minutes of the meetings of the Board of Directors, the minutes of the meetings of the "Group Executive Committee" are kept for 10 years.

As to proper disclosure of corporate information and financial reporting, the Company defines "Basic Rules on Disclosure" and "Basic Rules for Consolidation Accounting," thereby seeks to enhance management structure of corporate information.

## **(3) Systems to Manage the Risk of Potential Losses**

Pioneer has established an "Internal Control Committee" pursuant to "Basic Rules for Internal Control System," chaired by a Representative Director, to reinforce and strengthen the management system of possible risks out of or in relation to the Pioneer Group's business activities, and is implementing measures for identifying and preventing such possible risks. In particular, to cope with possible material risks systematically, Pioneer has set the policies and procedures in the "Rules of the Pioneer Group."

In addition, Pioneer has instituted the "Basic Rules for Crisis Controls" to cope appropriately with crises if and when they actually occur. Based on these rules, Pioneer has established an "Emergency Management Committee (EM Committee)" as a permanent organization to administer the Pioneer Group's crisis control system, including employee education and training. The "EM Committee" is chaired by a Representative Director of Pioneer, and EM Managers have been appointed at each principal organization throughout the Pioneer Group. Thus, the Pioneer Group shall cope with and solve the problems if a crisis actually happens. Pioneer has clearly defined the roles of each Group organization in coping with crises, including crisis response procedures, etc., in the "Crisis Control Manual."

Pioneer's "Basic Rules for Authority of Group Companies" clarify authority, responsibility, and approval procedures with respect to decision making on important matters for each Group Company, as a part of efforts to prevent potential losses.

Based on the "Basic Rules for Consolidated Internal Audit," the Audit Division monitors all the processes of each Group Company taken to identify possible risks, as well as measures to prevent these risks and/or respond to crises.

## **(4) Systems to Ensure Directors to Efficiently Perform Their Duties**

Through its executive officer system and by delegating authority to each executive officer, Pioneer works to expedite the execution of business operations and clearly definite the areas of responsibility thereof.

The "Group Executive Committee," which was formed to reinforce decision making, comprises executive officers appointed by the Board of Directors. The "Group Executive Committee," under the supervision of the Board of Directors, thoroughly discusses key management issues at its regular meetings twice per month, in principle, and either approves these issues or in cases where the Board of Directors are stipulated to have decision-making authority reports on these issues to the Board of Directors.

The "Basic Rules for Authority of Group Companies" clarify authority, responsibility, and approval procedures with respect to decision making on important matters for each Group Company. This aims to ensure rapid decision making by Pioneer's Board of Directors and the efficient performance of its duties.

The term of office for directors is shortened from statutory two years to one year, which increases the chances for shareholders to elect directors, and helps those directors focus on their responsibilities and respond promptly to changing business environments.

## **(5) Systems to Ensure Proper Execution of Group-wide Business Operations**

The Company has established the “Rules of the Pioneer Group” that should be observed by the entire Pioneer Group to ensure the proper execution of business operations.

Based on the “Basic Rules for Authority of Group Companies,” the Group Executive Committee discusses and determines important matters facing each Group Company in accordance with the pre-determined clarifications of authority and responsibility. This system ensures that the entire Pioneer Group performs quick decision making and proper execution and efficient management of business operations.

Directors or Executive Officers have been elected as directors of principal Group companies to strengthen their supervision on the operations of such companies, thus reinforce management system of the entire Pioneer Group.

The Company has in place a system to enable the exchange of information between corporate auditors of companies of the Pioneer Group. This system ensures on a Group-wide basis the proper execution of business operations and the effectiveness of audits.

The Audit Division coordinates and supervises the entire program of internal audits of each company of the Pioneer Group, in accordance with the provisions of the “Basic Rules for Consolidated Internal Audit.”

## **(6) Matters Relating to Employee Assistants to Corporate Auditors and Their Independence**

The Board of Corporate Auditors has its dedicated office to support the performance of its duties. The staffs of this dedicated office are appointed from among Pioneer employees, and whose appointments, transfers, etc., are determined by prior consultation with the Board of Corporate Auditors.

## **(7) Systems Relating to Submission of Information to Corporate Auditors by Directors and Employees**

The Company has in place a system where all of the Pioneer Group’s directors, executive officers and employees report to corporate auditors. Pioneer also has in place a system for corporate auditors to attend such important meetings as stipulated in the “Committee Rules.”

Additionally, pursuant to the “Audit Standards for Corporate Auditors,” Pioneer has in place a system to report to the Board of Corporate Auditors important matters that could affect business operations or operating results. Financial information is reviewed by the Board of Corporate Auditors prior to disclosure.

As for the reporting to corporate auditors, the Company has in place a system to protect the persons who made such reports from receiving unfair treatments because of their reporting.

## **(8) Other Systems for Ensuring the Effectiveness of Audits by the Corporate Auditors**

Pursuant to the “Rules of the Board of Corporate Auditors” and “Audit Standards of Corporate Auditors,” the Company ensures regular meetings with the Representative Directors and opportunities to regularly obtain explanations and reports from the Audit Division and the independent Accounting Auditor. Also, corporate auditors shall request advice from outside experts as necessary. Expenses necessary for the execution of duties of corporate auditors may be reimbursed based on the audit plan budget.

Note: The “Rules of the Pioneer Group” encompass all the rules and regulations on basic matters relating to the management of the Pioneer Group, and include the “Pioneer Group Charter for Corporate Operations,” “Pioneer Group Code of Conduct,” “Basic Rules for Business Ethics,” “Basic Rules for Consolidated Internal Audit,” “Basic Rules for Information Security Management,” “Basic Rules on Disclosure,” “Basic Rules for Consolidation Accounting,” “Basic Rules for Internal Control System,” “Basic Rules for Crisis Controls” and “Basic Rules for Authority of Group Companies.”

## **7. STATUS OF OPERATION OF SYSTEMS FOR ENSURING APPROPRIATE EXECUTION OF BUSINESS**

Regarding systems for ensuring that directors perform their duties in conformity with laws and regulations and Pioneer's Articles of Incorporation, as well as ensuring the appropriate execution of business of Pioneer and its subsidiaries, a summary of the status of operation for the period under review is as follows.

### **(1) Performance of Directors' Duties**

Nine meetings of the Board of Directors were held, where decisions on fundamental corporate issues were made and supervision on business operations by the Representative Directors was conducted. Additionally, the "Group Executive Committee," comprised of executive officers appointed by the Board of Directors, was held 19 times, and the Company worked to improve speed and efficiency of execution of business operations by Directors and reinforce decision-making and supervisory functions of the Board of Directors. 14 meetings of the Board of Corporate Auditors were held, and audits on the execution of business operations by Directors were made.

### **(2) Compliance**

Two meetings of the "Business Ethics Committee" were held, and efforts were made to monitor and disseminate complying with laws and regulations and the "Pioneer Group Code of Conduct" by directors, executive offices, corporate auditors and employees at all companies of the Pioneer Group. All reports made to the "Business Ethics Hotline" were dealt with appropriately and in good faith.

### **(3) Internal Audit**

The Audit Division, coordinating and supervising the entire program of internal audits of each company of the Pioneer Group, implemented internal audits with divisions responsible for internal audits established at key Group Companies, and offered advice, etc., to improve and remedy business operations. The results of internal audits by the Audit Division have been reported to the President and CEO, Executive Officer in charge of the Audit Division, and Corporate Auditors.

### **(4) Appropriate Information Disclosure**

Concerning information disclosure, reviews were made timely by attorneys-at-law to secure legality, accuracy, and appropriateness of disclosure content. Furthermore, based on the regulations of the Tokyo Stock Exchange, a total of 11 timely disclosures of information was made, including consolidated financial statements, etc., prepared in accordance with "Basic Rules for Consolidation Accounting."

### **(5) Risk Management**

Two meetings of the "Internal Control Committee" were held, and aside from aiming to enhance and strengthen the management system of possible risks out of or in relation to the Pioneer Group's business activities, various training regarding compliance and a revision to the "Rules of the Pioneer Group" were also made. Additionally, at the "EM Committee," information was distributed regarding safety countermeasures overseas, education and enrichment activities were conducted regarding risk management, and countermeasures in times of crisis were strengthened.

#### **(6) System for Reporting to Corporate Auditors**

Two periodic meetings between the Board of Corporate Auditors and Representative Directors were held. Additionally, Corporate Auditors received reports regarding execution of business operations from Directors and Executive Officers, and sought explanations as required. Furthermore, information exchanges were made between Corporate Auditors and corporate auditors at Group Companies, and nine meetings between the Corporate Auditors and the Accounting Auditor were held, with discussions being made regarding the results of accounting audits, the annual accounting audit plan, and the implementation status of the accounting audit, etc. All reports made to the “Business Ethics Hotline” were reported to Corporate Auditors.

#### **8. OTHER IMPORTANT MATTERS CONCERNING BUSINESS CONDITIONS OF THE COMPANY**

There is nothing particular to report hereunder.

## **CONSOLIDATED BALANCE SHEET**

(In millions of yen)

March 31, 2016

<b>ASSETS</b>	
Current assets:	
Cash and deposits	¥ 51,993
Trade receivables	74,596
Finished products	21,882
Work in process	12,306
Raw materials and supplies	18,649
Deferred tax assets	4,027
Other current assets	17,555
Allowance for doubtful receivables	(3,308)
<b>Total current assets</b>	<b>197,700</b>
Noncurrent assets:	
Property, plant and equipment:	
Buildings and structures	52,138
Accumulated depreciation	(36,679)
Net	15,459
Machinery and vehicles, tools, furniture and fixtures	66,185
Accumulated depreciation	(55,884)
Net	10,301
Land	11,103
Leased assets	6,975
Accumulated depreciation	(5,407)
Net	1,568
Construction in progress	343
Others	64,478
Accumulated depreciation	(60,558)
Net	3,920
<b>Net property, plant and equipment</b>	<b>42,694</b>
Intangible assets:	
Goodwill	480
Software	23,134
Software in progress	22,489
Others	857
<b>Total intangible assets</b>	<b>46,960</b>
Investments and other assets:	
Investment securities	6,081
Deferred tax assets	1,159
Prepaid pension costs	915
Others	2,486
Allowance for doubtful accounts	(0)
<b>Total investments and other assets</b>	<b>10,641</b>
<b>Total noncurrent assets</b>	<b>100,295</b>
Deferred assets:	
Stock issuance cost	17
<b>Total deferred assets</b>	<b>17</b>
<b>Total assets</b>	<b>¥298,012</b>

(In millions of yen)

March 31, 2016

<b>LIABILITIES</b>	
Current liabilities:	
Trade payables	¥ 69,821
Short-term borrowings	12,257
Income taxes payable	2,031
Accrued expenses	30,907
Warranty reserve	2,112
Other current liabilities	22,015
Total current liabilities	139,143
Long-term liabilities:	
Long-term debt	10,000
Convertible bonds	15,071
Liabilities related to retirement benefits	39,108
Other long-term liabilities	4,204
Total long-term liabilities	68,383
Total liabilities	207,526
<b>EQUITY</b>	
Shareholders' equity:	
Common stock	91,732
Capital surplus	56,016
Retained earnings	34,038
Treasury stock	(11,051)
Total shareholders' equity	170,735
Accumulated other comprehensive income (loss):	
Unrealized loss on available-for-sale securities	(286)
Deferred loss on derivatives under hedge accounting	(88)
Foreign currency translation adjustments	(56,329)
Defined retirement benefit plans	(28,357)
Total accumulated other comprehensive loss	(85,060)
Non-controlling interests	4,811
Total equity	90,486
Total liabilities and equity	¥298,012



# **CONSOLIDATED STATEMENT OF INCOME**

(In millions of yen)

	Year ended March 31, 2016
Net sales	¥449,630
Cost of sales	372,715
<b>Gross profit</b>	<b>76,915</b>
Selling, general and administrative expenses	69,611
<b>Operating income</b>	<b>7,304</b>
Non-operating income:	
Interest and dividend income	340
Exchange gain	1,560
Others	389
Total non-operating income	2,289
Non-operating expenses:	
Interest expense	1,161
Maintenance costs for idle assets	278
Equity in losses of affiliated companies	107
Others	797
Total non-operating expenses	2,343
<b>Ordinary income</b>	<b>7,250</b>
Extraordinary income:	
Gain on sale of noncurrent assets	1,422
Gain on sale of investment securities	702
Gain on transfer of business	351
Others	46
Total extraordinary income	2,521
Extraordinary loss:	
Loss on sale and disposal of noncurrent assets	2,029
Restructuring costs	1,936
Impairment loss	131
Others	775
Total extraordinary loss	4,871
<b>Income before income taxes</b>	<b>4,900</b>
Income taxes:	
Current	3,642
Deferred	519
Total income taxes	4,161
Net income	739
Net income attributable to non-controlling interests	8
<b>Net income attributable to owners of Pioneer Corporation</b>	<b>¥ 731</b>

# **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

(In millions of yen)

	<b>Shareholders' Equity</b>				<b>Total Shareholders' Equity</b>
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	
Balance, beginning of year	¥91,732	¥56,016	¥33,277	¥(11,051)	¥169,974
Changes:					
Net income attributable to owners of Pioneer Corporation			731		731
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		(0)		0	0
Change of scope of application of equity method			30		30
Net change of items other than shareholders' equity					
Net changes	–	(0)	761	(0)	761
Balance, end of year	¥91,732	¥56,016	¥34,038	¥(11,051)	¥170,735

(In millions of yen)

## **Accumulated Other Comprehensive Income (Loss)**

	Un-realized Loss on Available-for-sale Securities	Deferred loss on derivatives under hedge accounting	Foreign Currency Translation Adjustments	Adjustment to Retirement Benefits	Total Accumulated Other Comprehensive Loss	Non-controlling Interests	Total Equity
Balance, beginning of year	¥ (105)	¥ –	¥ (47,369)	¥ (20,767)	¥ (68,241)	¥ 5,333	¥107,066
Changes:							
Net income attributable to owners of Pioneer Corporation							731
Purchase of treasury stock							(0)
Disposal of treasury stock							0
Change of scope of application of equity method							30
Net change of items other than shareholders' equity	(181)	(88)	(8,960)	(7,590)	¥ (16,819)	(522)	(17,341)
Net changes	(181)	(88)	(8,960)	(7,590)	¥ (16,819)	(522)	(16,580)
Balance, end of year	¥ (286)	¥ (88)	¥ (56,329)	¥ (28,357)	¥ (85,060)	¥ 4,811	¥ 90,486

**CONDENSED BALANCE SHEET (non-consolidated)**

(In millions of yen)

March 31, 2016

<b>ASSETS</b>	
Current assets:	
Cash and deposits	¥ 22,472
Trade receivables	28,409
Inventories	13,494
Short term loans to subsidiaries	66,512
Other current assets	11,988
Total current assets	142,875
Noncurrent assets:	
Net property, plant and equipment	8,244
Intangible assets	38,784
Investments and other assets	114,558
Total noncurrent assets	161,587
Deferred assets:	
Stock issuance cost	16
Total deferred assets	16
Total assets	¥304,480
<b>LIABILITIES</b>	
Current liabilities:	
Trade payables	¥ 35,349
Short-term borrowings	1,400
Short-term borrowings from subsidiaries	42,476
Accrued expenses	19,211
Other current liabilities	5,805
Total current liabilities	104,241
Long-term liabilities:	
Long-term debt	10,000
Convertible bonds	15,071
Provision for loss on business of subsidiaries and associates	60,717
Other long-term liabilities	7,515
Total long-term liabilities	93,303
Total liabilities	197,545
<b>EQUITY</b>	
Shareholders' equity:	
Common stock	91,731
Capital surplus	56,015
Retained earnings	(29,288)
Treasury stock	(11,051)
Total shareholders' equity	107,407
Valuation and translation adjustments	(473)
Total equity	106,934
Total liabilities and equity	¥304,480

**CONDENSED STATEMENT OF OPERATIONS** (non-consolidated)

(In millions of yen)

	Year ended March 31, 2016
Net sales	¥248,237
Cost of sales	227,181
Selling, general and administrative expenses	35,230
Operating loss	(14,174)
Non-operating income—net	8,494
Ordinary loss	(5,681)
Extraordinary loss—net	(11,276)
Loss before income taxes	(16,957)
Income taxes	(454)
Net loss	¥ (16,502)

**CONDENSED STATEMENT OF CHANGES IN EQUITY** (non-consolidated)

(In millions of yen)

	Shareholders' Equity	Valuation and Translation Adjustments	Total Equity
Balance, beginning of year	¥123,911	¥ (121)	¥123,789
Changes:			
Net loss	(16,502)		(16,502)
Purchase of treasury stock	(0)		(0)
Disposal of treasury stock	0		0
Net change of items other than shareholders' equity		(351)	(351)
Net changes	(16,502)	(351)	(16,854)
Balance, end of year	¥107,407	¥ (473)	¥106,934

**AUDIT REPORT BY ACCOUNTING AUDITOR  
ON CONSOLIDATED FINANCIAL STATEMENTS**  
(copy)

INDEPENDENT ACCOUNTANTS' REPORT

May 9, 2016

To the Board of Directors of Pioneer Corporation

Deloitte Touche Tohmatsu LLC

Koichi Kuse, C.P.A. (seal)  
Designated Partner and Engagement Partner

Kazuki Iwashita, C.P.A. (seal)  
Designated Partner and Engagement Partner

Tomoki Yamada, C.P.A. (seal)  
Designated Partner and Engagement Partner

Pursuant to the provisions of Article 444, Paragraph 4 of the Companies Act of Japan, we have audited the consolidated financial statements, namely, the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity and the notes thereto of Pioneer Corporation for the period from April 1, 2015 to March 31, 2016.

Management's responsibility for the consolidated financial statements:

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility:

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion:

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Pioneer Corporation and its subsidiaries as of March 31, 2016, and the consolidated results of their operations for the year then ended in accordance with accounting principles generally accepted in Japan.

Interests:

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

- END -

Note: Consolidated financial statements audited by the Accounting Auditor are their original Japanese version, while those contained in this Convocation Notice are their summarized translation.

**AUDIT REPORT BY ACCOUNTING AUDITOR  
ON NON-CONSOLIDATED FINANCIAL STATEMENTS**  
(copy)

INDEPENDENT ACCOUNTANTS' REPORT

May 9, 2016

To the Board of Directors of Pioneer Corporation

Deloitte Touche Tohmatsu LLC

Koichi Kuse, C.P.A. (seal)  
Designated Partner and Engagement Partner

Kazuki Iwashita, C.P.A. (seal)  
Designated Partner and Engagement Partner

Tomoki Yamada, C.P.A. (seal)  
Designated Partner and Engagement Partner

Pursuant to the provisions of Article 436, Paragraph 2, Item 1 of the Companies Act of Japan, we have audited the financial statements (on non-consolidated basis), namely, the balance sheet, the statement of operations, the statement of changes in equity and the notes thereto, as well as the supplementary schedules annexed to the financial statements of Pioneer Corporation for the 70th accounting period from April 1, 2015 to March 31, 2016.

Management responsibility for the financial statements:

Management is responsible for the preparation and fair presentation of these financial statements and their supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility:

Our responsibility is to express an opinion on these financial statements and their supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and their supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements and their supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion:

In our opinion, the financial statements and their supplementary schedules referred to above present fairly, in all material respects, the financial position of Pioneer Corporation as of March 31, 2016, and the results of operations and their supplementary schedules for the year then ended in accordance with accounting principles generally accepted in Japan.

Interests:

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

- END -

Note: Non-consolidated financial statements audited by the Accounting Auditor are their original Japanese version, while those contained in this Convocation Notice are their summarized translation.



## AUDIT REPORT BY THE BOARD OF CORPORATE AUDITORS

(copy)

### AUDIT REPORT

The Board of Corporate Auditors of Pioneer Corporation has prepared this audit report with respect to the performance of duties by directors during the 70th accounting period from April 1, 2015 to March 31, 2016 as follows, upon deliberation based on respective audit reports prepared by each Corporate Auditor.

#### **1. Auditing methods employed by the Corporate Auditors and the Board of Corporate Auditors and details thereof**

- (1) The Board of Corporate Auditors determined the policy of auditing and the audit plan, etc., received reports from each Corporate Auditor on the methods and results of audit, and reports from directors and the accounting auditor with respect to the status of performance of their duties and requested explanation thereof as considered necessary.
- (2) Pursuant to the standards of auditing of Corporate Auditors and in accordance with the policy of auditing and the audit plan, etc. determined by the Board of Corporate Auditors, each of the Corporate Auditors communicated with directors and personnel at internal audit divisions and others, made efforts in gathering information and organizing auditing environments, as follows:
  - (a) Each of the Corporate Auditors attended meetings of the Board of Directors and other important meetings, received reports from directors and other personnel with respect to the status of performance of their duties, requested explanation thereof as considered necessary, inspected important documents, and investigated the condition of operations and property at the head office and the principal places of business. Regarding subsidiaries, Corporate Auditors communicated with their directors and corporate auditors and exchanged information, and received reports therefrom on subsidiaries' business as considered necessary.
  - (b) With respect to the contents of the resolution of Board of Directors concerning the arrangements of the internal control systems, namely, systems pursuant to Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act of Japan for ensuring that directors perform their duties in conformity with laws and regulations and the Articles of Incorporation, and for ensuring appropriate operations of the Company, as well as the status of such internal control systems, which is described in the business report, Corporate Auditors also regularly received reports from directors and other personnel on the formation and status thereof, requested explanation thereof as considered necessary and gave opinion thereon.
  - (c) Corporate Auditors monitored and verified whether the Accounting Auditor maintained its independence and implemented appropriate audits, and received reports from the Accounting Auditor with respect to the performance of its duties and requested explanation thereof as considered necessary. Furthermore, Corporate Auditors received notice from the Accounting Auditor that "systems to ensure proper performance of duties of the accounting auditor" (matters set forth in each item of Article 131 of the Company Accounting Ordinance of Japan) are organized in accordance with "Quality Control Standards for Audit" (adopted by the Business Accounting Council on October 28, 2005), etc., and requested explanation thereof as considered necessary.

Based on the above methods, Corporate Auditors examined the business report and its supplementary schedules, the non-consolidated financial statements (the balance sheet, the statement of operations, the statement of changes in shareholders' equity and the notes thereto) and their supplementary schedules annexed thereto, and the consolidated financial statements (the consolidated balance sheet, the consolidated statement of income, the consolidated statement of shareholders' equity and the notes thereto), all for the period under review.

## 2. Results of audit

- (1) Results of audit of business report, etc.
  - (i) The business report and its supplementary schedules present fairly, in conformity with the applicable laws and regulations and the Company's Articles of Incorporation, the status of the Company.
  - (ii) With respect to the performance of duties by directors, there exist no unjust acts or serious violation of laws and regulations or the Company's Articles of Incorporation therein.
  - (iii) Content of the resolution by the Board of Directors with respect to the internal control systems as described in the business report is appropriate. Also, there is nothing to remark with respect to the performance of duties by directors regarding such internal control systems.
- (2) Results of audit of the financial statements (on non-consolidated basis) and their supplementary schedules

The methods and the results of audit by Deloitte Touche Tohmatsu, the independent accountants and the Company's Accounting Auditor, are appropriate.

- (3) Results of audit of the consolidated financial statements

The methods and the results of audit by Deloitte Touche Tohmatsu, the independent accountants and the Company's Accounting Auditor, are appropriate.

May 11, 2016

The Board of Corporate Auditors of Pioneer Corporation

Mikio Shimoda (seal)  
Full Time Corporate Auditor

Keiichi Nishikido (seal)  
Corporate Auditor (Outside Corporate Auditor)

Hiroyuki Wakamatsu (seal)  
Corporate Auditor (Outside Corporate Auditor)

- END -

## **REFERENCE DOCUMENT FOR THE GENERAL MEETING OF SHAREHOLDERS**

### **AGENDA ITEMS AND REFERENCE MATERIALS THEREOF:**

#### **Agenda Item No. 1.** Partial Amendment to the Articles of Incorporation

(1) Reasons for amendment:

On March 7, 2016, the Company moved its head office from Kawasaki City, Kanagawa Prefecture to Bunkyo-ku, Tokyo. In connection with this, it is hereby proposed that the provisions concerning the location of headquarters stipulated in Article 3 be amended.

(2) Substance of amendment:

(Change is indicated by underline.)	
Present Article	Proposed Amendment
Article 3. <i>(Location of Headquarters)</i> The Company shall have its headquarters in <u>Kawasaki City, Kanagawa Prefecture</u> , Japan.	Article 3. <i>(Location of Headquarters)</i> The Company shall have its headquarters in <u>Bunkyo-ku, Tokyo</u> , Japan.

**Agenda Item No. 2.** Election of Seven (7) Individuals as Directors

As the terms of offices of all of eight (8) Directors currently in office will expire at the conclusion of this Ordinary General Meeting of Shareholders, a proposal is hereby made to elect seven (7) Directors.

When deciding the nomination of candidates for Directors, the Board of Directors requests the “Nominating Committee” chaired by an Outside Director and consisting of half or more Outside Directors, to deliberate, and decides the nomination in deference to the results of the deliberation.

The candidates for Directors are as follows:

**Candidates for Directors**

**No. 1 Susumu Kotani**

Date of Birth: April 12, 1950

Number of Pioneer Shares Held: 32,800

**Brief Personal Profile and Important Occupation in Other Business Entities:**

April 1975:

Joined Pioneer

June 2003:

Executive Officer;

Chairman and Managing Director of Pioneer Europe NV

June 2006:

Executive Officer;

General Manager of International Business Group

June 2007:

Senior Executive Officer;

In charge of sales and marketing of Home Entertainment Business Group and

General Manager of International Business Group

June 2008:

Managing Director;

General Manager of Home Entertainment Business Group

November 2008:

President and Representative Director

June 2012

Representative Director, President and CEO;

In charge of Medical & Health Business Development Division and Cable & Network Systems Business Division

June 2014 to present:

Representative Director, President and CEO

No. 2 Mikio Ono

Date of Birth: July 26, 1953

Number of Pioneer Shares Held: 15,400

Brief Personal Profile and Important Occupation in Other Business Entities:

April 1977:

Joined Pioneer

December 2008:

Senior Executive Officer;

General Manager of Corporate Planning Division, and in charge of Strategic IT Division and Speaker Business

June 2009:

Managing Director;

General Manager of Corporate Planning Division and in charge of export management in general and in charge of Strategic IT Division

June 2010:

Managing Director and Representative Director;

General Manager of Corporate Planning Division and in charge of Home AV Business, Pro. Sound & Visual Business and IT Division

June 2012:

Representative Director, Senior Managing Executive Officer;

General Manager of Corporate Planning Division, and in charge of Production & Procurement Management Division, Design Division, New Business Development Division and Home Electronics Business Management Group

April 2015 to present:

Representative Director, Senior Managing Executive Officer;

General Manager of New Business Division, and in charge of corporate reformation, and business competitiveness strategy

<Other Important Occupation>

Outside Director of Onkyo Corporation

No. 3 Kunio Kawashiri

Date of Birth: December 26, 1957

Number of Pioneer Shares Held: 40,800

Brief Personal Profile and Important Occupation in Other Business Entities:

April 1980:

Joined The Mitsubishi Bank, Ltd. (currently The Bank of Tokyo-Mitsubishi UFJ, Ltd.)

July 2009:

Joined Pioneer

Executive Officer;

Assistant to General Manager of Corporate Planning Division

June 2010:

Director;

General Manager of Business Administration Division of Corporate Planning Division, and in charge of finance

June 2012:

Director, Senior Executive Officer;

General Manager of Business Administration Division of Corporate Planning Division, and in charge of ecology, finance, Quality Assurance Division, IT Division, Industrial Solutions Division and Pioneer Digital Design and Manufacturing Corporation

April 2015 to present:  
Director, Senior Executive Officer;  
In charge of Accounting Division and Finance Division

No. 4 Masahiro Kawamura

Date of Birth: April 8, 1954

Number of Pioneer Shares Held: 5,700

Brief Personal Profile and Important Occupation in Other Business Entities:

April 1981:

Joined Pioneer

April 2002

General Manager of General Area Marketing Department of International Division

July 2004:

Director of Pioneer Europe NV

May 2010:

Chairman and Managing Director of Pioneer Europe NV

June 2010:

Executive Officer;

Chairman and Managing Director of Pioneer Europe NV

June 2013:

Senior Executive Officer;

General Manager of International Business Management Division

June 2015 to present:

Director, Senior Executive Officer;

General Manager of Corporate Management Division, and in charge of Intellectual Property Division

No. 5 Takashige Nakano

Date of Birth: April 25, 1954

Number of Pioneer Shares Held: 8,400

Brief Personal Profile and Important Occupation in Other Business Entities:

April 1977:

Joined Pioneer

June 2002:

General Manager of Domestic Sales Division of Mobile Entertainment Company

June 2007:

Executive Officer;

General Manager of Domestic Sales Division of Mobile Entertainment Business Group

October 2009:

Executive Officer;

President and Representative Director of Pioneer Sales & Marketing Corporation

April 2013:

Executive Officer;

Deputy General Manager of Car Electronics Business Management Group in charge of sales and planning

June 2014:  
 Senior Executive Officer;  
 General Manager of Car Electronics Business Management Group and General  
 Manager of Car Electronics Strategic Business Planning Division of Car Electronics  
 Business Management Group, and in charge of Pioneer Sales & Marketing  
 Corporation  
 June 2015 to present:  
 Director, Senior Executive Officer;  
 In charge of Car Electronics Business

No. 6 Masahiro Tanizeki

Date of Birth: January 7, 1946

Number of Pioneer Shares Held: None

Brief Personal Profile and Important Occupation in Other Business Entities:

April 1968:  
 Joined Toyota Tsusho Corporation  
 August 1987:  
 General Manager of London Office, Toyota Tsusho Corporation  
 April 1992:  
 Managing Director of Toyota Tsusho U.K. Ltd.  
 June 1997:  
 Director and General Manager of Vehicle Division I of Toyota Tsusho Corporation  
 June 1999:  
 Director of Toyota Tsusho Corporation;  
 Managing Director of Toyota Tsusho Europe S.A.  
 June 2002:  
 Managing Director of Toyota Tsusho Corporation;  
 In charge of Vehicles Division  
 June 2005:  
 Senior Managing Director of Toyota Tsusho Corporation;  
 Chief Division Officer of Energy & Chemicals Division  
 June 2007:  
 Retired from Senior Managing Director of Toyota Tsusho Corporation  
 President and Representative Director of Toyotsu Syscom Corporation  
 June 2010:  
 Retired from President and Representative Director of Toyotsu Syscom Corporation  
 June 2010 to present:  
 Director of Pioneer

No. 7 Shunichi Sato

Date of Birth: February 10, 1941

Number of Pioneer Shares Held: 3,000

Brief Personal Profile and Important Occupation in Other Business Entities:

April 1964:  
 Entered the Ministry of Foreign Affairs of Japan  
 April 1987:  
 Minister of Embassy of Japan in France  
 February 1991:  
 Consul General of Consulate General of Japan at Montreal

July 1995:  
     Director General of Latin American and Caribbean Affairs Bureau of the Ministry of Foreign Affairs of Japan  
 August 1997:  
     Japanese Ambassador Extraordinary and Plenipotentiary to Poland  
 April 2000:  
     Japanese Ambassador Extraordinary and Plenipotentiary to Belgium  
 December 2003:  
     Retired from office of the Ministry of Foreign Affairs of Japan  
 June 2004:  
     Director of Pioneer  
 June 2010:  
     Retired from office of Director of Pioneer  
 June 2014 to present:  
     Director of Pioneer  
  
 <Other Important Occupation>  
     Outside Corporate Auditor of Nakano Corporation

- Notes: 1. Each candidate has no particular interest in Pioneer.
2. Messrs. Masahiro Tanizeki and Shunichi Sato are candidates for Outside Director pursuant to the Companies Act of Japan, and satisfy the requirements of Independent Director of the Tokyo Stock Exchange. The following are items required to be noted about candidates for Outside Directors.
- (1) Reasons for recommendation
- (i) Mr. Masahiro Tanizeki is nominated because he is highly expected to fully perform the Outside Director's role with his insight and abundant experience as a management member of business enterprises, and his independence from management's execution of business activities. His term of office as Outside Director of Pioneer will be six years at the conclusion of this Ordinary General Meeting of Shareholders.
  - (ii) Mr. Shunichi Sato is nominated because he is highly expected to fully perform the Outside Director's role with his insight and abundant experience as a diplomat, and his independence from management's execution of business activities, although he has not been involved in company management in terms of business execution. His term of office as Outside Director of Pioneer will be two year at the conclusion of this Ordinary General Meeting of Shareholders.
- (2) Independence
- (i) None of the candidates for Outside Director have been in the past five years executing members, directors and corporate auditors of Pioneer or of any business entities that have special relations with the Company (subsidiaries, affiliates and major business partners).
  - (ii) None of the candidates for Outside Director have relatives in the third degree or closer that are executing members, directors and corporate auditors of Pioneer or business entities that have special relations with the Company.
  - (iii) None of the candidates for Outside Director have received in the past two years or plan to receive a large amount of money or any other property from Pioneer or business entities that have special relations with the Company, other than remuneration for their role as director, corporate auditor or executive officer.
3. Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into agreements with Messrs. Masahiro Tanizeki and Shunichi Sato which limits their liabilities specified in Article 423, Paragraph 1 of the Companies Act. The maximum amount of liabilities set forth by the agreement is the amount stipulated by laws and regulations. If they are elected as Outside Directors, the Company will enter into agreements with each of them.



**Agenda Item No. 3.** Election of Two (2) Individuals as Substitute Auditors in Case of Vacancy

As the effectiveness of the election of Mr. Shinichi Tsuji and Ms. Nobuko Hanano as Substitute Auditors resolved at the previous ordinary general meeting of shareholders is until the beginning of this Ordinary General Meeting of Shareholders, a proposal is hereby made to elect two (2) Substitute Auditors in case of vacancy that may be caused by Corporate Auditors' retirement before the expiration of the term of office.

We hereby request the election of Mr. Shinichi Tsuji as substitute for Mr. Mikio Shimoda, and Ms. Nobuko Hanano as substitute for Corporate Auditors other than Mr. Mikio Shimoda.

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

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

The candidates for Substitute Auditors are as follows:

**Candidates for Substitute Auditors**

**No. 1 Shinichi Tsuji**

Date of Birth: August 25, 1961

Number of Pioneer Shares Held: None

Brief Personal Profile and Important Occupation in Other Business Entities:

April 1984:

Joined Pioneer

October 2009:

General Manager of Legal Affairs Division of Human Resources & General Administration Division

April 2015 to present:

General Manager of Legal & Risk Management Division

**No. 2 Nobuko Hanano**

Date of Birth: October 6, 1968

Number of Pioneer Shares Held: None

Brief Personal Profile and Important Occupation in Other Business Entities:

October 2000:

Attorney-at-law

October 2004 to present:

Partner of Kohwa Sohgo Law Offices

<Other Important Occupation>

Partner of Kohwa Sohgo Law Offices

Notes: 1. Each candidate has no particular interest in Pioneer.

2. Ms. Nobuko Hanano satisfies the requirements of Outside Corporate Auditor pursuant to the Companies Act of Japan, and the requirements of Independent Corporate Auditor of the Tokyo Stock Exchange. The following are items required to be noted about candidate for Outside Corporate Auditor.

(1) Reasons for recommendation

Ms. Hanano is nominated because she is highly expected to fully perform the Outside Corporate Auditor's role to oversee management of Pioneer with her insight and abundant experience as a legal expert, and her independence from management's execution of business activities, although she has not been involved in company management in terms of business execution.

(2) Independence

- (i) Ms. Hanano has not been in the past five years an executing member, a director and a corporate auditor of Pioneer or business entities that have special relations with the Company (subsidiaries, affiliates and major business partners).
- (ii) Ms. Hanano has no relatives in the third degree or closer that are executing members, directors and corporate auditors of Pioneer or business entities that have special relations with the Company.
- (iii) Ms. Hanano has not received in the past two years or plans to receive a large amount of money or any other property from Pioneer or business entities that have special relations with the Company.

3. If Ms. Hanano is elected as Substitute Auditors and she assumes office of Outside Auditor, the Company will enter into an agreement with her to limit her liabilities as specified in Article 423, Paragraph 1 of the Companies Act of Japan, pursuant to the provisions of Article 427, Paragraph 1 of the Act. The maximum amount of liabilities set forth by the agreement shall be the amount stipulated by laws and regulations.

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