PIONEER CORPORATION
4-1, MEGURO 1-CHOME, MEGURO-KU
TOKYO 153-8654, JAPAN

# News Release

***For Immediate Release***
***May 13, 2009***

## Pioneer Announces Business Results for Fiscal 2009

TOKYO — Pioneer Corporation today announced its consolidated and non-consolidated business results for fiscal 2009, the year ended March 31, 2009.

Effective from fiscal 2009, Pioneer has changed its accounting principles for preparing consolidated financial statements from U.S. generally accepted accounting principles (GAAP) to Japanese GAAP. Figures for fiscal 2008 have been reclassified based on Japanese GAAP accordingly.

### Consolidated Financial Highlights

(In millions of yen except per share information)

| | Year ended March 31 | | |
|---|---|---|---|
| | 2009 | 2008 | % to prior year |
| Operating revenue | ¥558,837 | ¥774,477 | 72.2% |
| Operating income (loss) | (54,529) | 9,216 | – |
| Ordinary income (loss) | (54,420) | 12,428 | – |
| Net loss | ¥(130,529) | ¥ (19,040) | –% |
| Net loss per share: | | | |
| Basic | ¥(636.68) | ¥(103.95) | |
| Diluted | ¥(636.68) | ¥(103.95) | |

### Consolidated Business Results

In fiscal 2009, consolidated operating revenue decreased 27.8% year on year to ¥558,837 million (US$5,702.4 million). This was mainly the result of a decline in sales of car audio products, plasma displays and DVD drives, which largely reflected the sharp deterioration in consumer spending worldwide in the wake of the U.S. financial crisis as well as the impact of the Japanese yen's appreciation.

***For further information, please contact:***
Investor Relations Department, Corporate Communications Division
Pioneer Corporation, Tokyo
Phone: +81-3-3495-6773 / Fax: +81-3-3495-4301
E-mail: pioneer_ir@post.pioneer.co.jp
IR Website: http://pioneer.jp/ir-e/

Pioneer reported an operating loss of ¥54,529 million (US$556.4 million) in fiscal 2009, compared with operating income of ¥9,216 million in fiscal 2008, due to lower operating revenue and deterioration in the gross profit margin. In addition to this operating loss, Pioneer recorded business restructuring expenses of ¥24,744 million (US$252.5 million), a loss on valuation of investment securities of ¥14,871 million (US$151.7 million) and higher income taxes following an evaluation of deferred tax assets. Consequently, Pioneer reported a net loss of ¥130,529 million (US$1,331.9 million), compared with a net loss of ¥19,040 million in the previous fiscal year.

During fiscal 2009, the average value of the Japanese yen appreciated 13.7% and 12.6% against the U.S. dollar and the euro, respectively, compared with the previous fiscal year.

**Car Electronics** operating revenue decreased 22.0% year on year to ¥291,704 million (US$2,976.6 million) because of lower sales of both car audio products and car navigation systems, partly due to lackluster auto sales worldwide. In car navigation systems, consumer-market sales declined year on year, mainly due to lower sales in North America, Japan and Europe. Meanwhile, OEM sales rose on the back of higher sales in Japan and China, despite lower sales in North America. In car audio products, consumer-market sales decreased, mainly because of lower overseas sales. OEM sales also decreased due to lower sales in Japan and North America. Total OEM sales in this segment accounted for approximately 41% of Car Electronics operating revenue in fiscal 2009, compared with approximately 39% in fiscal 2008.

In terms of geographic operating revenue, operating revenue in Japan decreased 9.8% to ¥113,985 million (US$1,163.1 million), and overseas operating revenue declined 28.2% to ¥177,719 million (US$1,813.5 million).

This segment recorded an operating loss of ¥12,337 million (US$125.9 million) in fiscal 2009, compared with operating income of ¥26,101 million in fiscal 2008. This was mainly due to the following factors in the car audio products business: lower sales, and deterioration in the gross profit margin due to a drop in production volume and the impact of the stronger yen.

**Home Electronics** operating revenue decreased 36.5% year on year to ¥209,257 million (US$2,135.3 million). This was largely as a result of lower sales of plasma displays and DVD drives. Display product sales accounted for approximately 38% of Home Electronics operating revenue in fiscal 2009, compared with approximately 40% in fiscal 2008.

In terms of geographic operating revenue, operating revenue in Japan declined 33.0% to ¥31,010 million (US$316.4 million), and overseas operating revenue fell 37.1% to ¥178,247 million (US$1,818.8 million).

This segment recorded an operating loss of ¥38,622 million (US$394.1 million), compared with an operating loss of ¥17,921 million in the previous fiscal year. This was mainly due to lower sales and deterioration in the gross profit margin chiefly in plasma displays.

In the **Others** segment, operating revenue decreased 18.6% year on year to ¥57,876 million (US$590.6 million) due principally to lower sales of electronic devices and parts, speaker units for cellular phones, factory automation systems and organic light-emitting diode displays.

In terms of geographic operating revenue, operating revenue in Japan decreased 12.8% to ¥37,483 million (US$382.5 million), and overseas operating revenue decreased 27.3% to ¥20,393 million (US$208.1 million).

This segment posted an operating loss of ¥3,377 million (US$34.5 million), compared with operating income of ¥1,756 million in the previous fiscal year, due to lower sales.

Notes: 1. Operating loss in each business segment represents operating loss before elimination of intersegment transactions.
2. Effective from fiscal 2009, the patent licensing business, which was previously classified as an independent business segment, has been included in the "Others" segment because of its reduced importance to consolidated business results. Figures for fiscal 2008 have been reclassified accordingly.

## Consolidated Financial Position

Total assets as of March 31, 2009 were ¥429,093 million (US$4,378.5 million), a decrease of ¥133,183 million from March 31, 2008. This mainly reflected decreases in notes and accounts receivable—trade, inventories, deferred tax assets, and investment securities. Notes and accounts receivable—trade decreased ¥34,460 million to ¥60,989 million (US$622.3 million), mainly due to lower sales. Inventories declined ¥19,990 million to ¥84,886 million (US$866.2 million), mainly due to production cutbacks centered on plasma displays and car audio products in response to lower sales. Current and noncurrent deferred tax assets decreased ¥22,758 million to ¥19,581 million (US$199.8 million), mainly in line with an increase in the valuation allowance. Meanwhile, investment securities declined ¥16,899 million to ¥18,972 million (US$193.6 million), mainly due to falling prices of shares held by the Company.

Total liabilities as of March 31, 2009 were ¥317,245 million (US$3,237.2 million), up ¥14,324 million from March 31, 2008. This mainly reflected an increase of ¥95,188 million in short-term loans payable, and decreases of ¥45,397 million and ¥16,464 million in notes and accounts payable—trade, and accrued expenses, respectively.

Total net assets were ¥111,848 million (US$1,141.3 million), a decrease of ¥147,507 million from March 31, 2008. This mainly reflected a decrease of ¥131,120 million in retained earnings. Another factor was a decline of ¥13,850 million in foreign currency translation adjustments from March 31, 2008, due to the impact of the yen's appreciation.

## Cash Flows

During fiscal 2009, operating activities used net cash of ¥61,563 million (US$628.2 million). The main factors reducing cash were a loss before income taxes and minority interests of ¥99,939 million (US$1,019.8 million) and a decrease in notes and accounts payable—trade of ¥40,536 million (US$413.6 million). These factors outweighed the addback of non-cash expenses, namely depreciation and amortization of ¥43,187 million (US$440.7 million) and loss on valuation of investment securities of ¥14,871 million (US$151.7 million), and a decrease in notes and accounts receivable—trade of ¥27,213 million (US$277.7 million), among other factors. Investing activities used net cash of ¥38,292 million (US$390.7 million), mainly for capital expenditures in the Car

Electronics business. Financing activities provided net cash of ¥85,833 million (US$875.8 million), mainly through a net increase in short-term loans payable.

Consequently, cash and cash equivalents as of March 31, 2009 were ¥63,746 million (US$650.5 million), down ¥17,434 million from March 31, 2008.

**Business Forecasts for Fiscal 2010**

Consolidated business forecasts for fiscal 2010, the year ending March 31, 2010, are as follows:

(In millions of yen)

| | First half | | | Full year | | |
|---|---|---|---|---|---|---|
| | Forecasts for fiscal 2010 | Results for fiscal 2009 | Percent changes | Forecasts for fiscal 2010 | Results for fiscal 2009 | Percent changes |
| Operating revenue | ¥195,000 | ¥327,042 | -40.4% | ¥420,000 | ¥ 558,837 | -24.8% |
| Operating loss | (32,000) | (14,340) | – | (33,000) | (54,529) | – |
| Ordinary loss | (35,000) | (13,540) | – | (37,500) | (54,420) | – |
| Net loss | ¥ (47,000) | ¥ (44,071) | –% | ¥(83,000) | ¥(130,529) | –% |

In fiscal 2010, Pioneer is forecasting consolidated operating revenue of ¥420 billion, a decrease of 24.8% year on year, mainly based on the withdrawal from the display business. Another factor is projected lower Car Electronics operating revenue, mainly from consumer-market car audio products, in line with falling auto sales.

The Company is forecasting an operating loss of ¥33 billion for fiscal 2010, an improvement from fiscal 2009, despite the projected lower operating revenue. This improvement is mainly based on an anticipated reduction of ¥50 billion in fixed costs due to restructuring.

Pioneer is forecasting an ordinary loss of ¥37.5 billion, mainly due to an increase of interest expenses.

Combined with restructuring expenses of ¥47 billion and other factors, Pioneer is also projecting a net loss of ¥83 billion for fiscal 2010.

We are assuming an average U.S. dollar-yen exchange rate of ¥90 and a euro-yen exchange rate of ¥115 for consolidated business forecasts for fiscal 2010.

**Dividends**

Pioneer positions its dividend policy as one of its highest management priorities. On the basis of maintaining stable dividends, the Company's policy is to set appropriate dividend payments in light of its financial position, consolidated business results, and other factors.

In fiscal 2009, Pioneer booked a consolidated net loss of ¥130,529 million, mainly due to lower sales resulting from fierce competition in its core product domains and the global economic downturn. Business restructuring expenses were another factor. Consequently, Pioneer deeply regrets that it has decided to pay no year-end dividend for fiscal 2009. As no interim dividend was paid in fiscal 2009, the annual dividend for fiscal 2009 was cancelled.

**Material Events Regarding Going Concern Assumption**

In fiscal 2009, conditions gave rise to material uncertainty about Pioneer's ability to continue its business activities into the future, due to deterioration in its financial position, resulting from a sharp drop in operating revenue, large losses and significant net cash used in operating activities. In response to this situation, Pioneer believes that the uncertainty regarding the going concern assumption can be avoided by implementing drastic restructuring as detailed in the following “Basic Management Policies and Issues to Be Addressed” section.

**Basic Management Policies and Issues to Be Addressed**

Pioneer seeks to create new value for customers by offering innovative, high-quality, and high value-added electronics products, with the aim of realizing the Pioneer Group’s philosophy of “Move the Heart and Touch the Soul” with more people around the world. Based on this group philosophy, Pioneer has formulated a group vision that serves as a reference point for the Group’s business activities, as follows: “To become a company that encourages all its members to work as a team, with everyone customer-focused, integrating each one’s professionalism in pursuing innovations one after another.”

Pioneer currently faces extremely challenging conditions, such as declining operating revenue, large losses and significant net cash used in operating activities, as well as deterioration in its financial position. In response to this situation, Pioneer is implementing drastic restructuring.

The restructuring now under way is centered on business portfolio realignment, but also comprises measures to streamline the business framework of the entire Pioneer Group, and improve the Company’s financial position.

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

Specifically, Pioneer has agreed with Mitsubishi Electric Corporation to jointly develop hardware and software for use in car navigation systems and car AV products. The two companies have mutually used certain car navigation software technologies since 2002.

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

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

Pioneer will completely withdraw from the display business after ending plasma TV sales during fiscal 2010. In the optical disc business, Pioneer will form a joint venture with Sharp Corporation with the aim of restoring this business to profitability by taking advantage of the strengths of both companies. We are currently discussing the details of the joint venture, which we plan to establish by October 1, 2009.

Regarding streamlining the business framework of the entire Pioneer group, Pioneer is working to streamline organizations to match the new business scale after business portfolio realignment.

We plan to consolidate our current network of production companies around the world, to overhaul organizations and structures for sales and to integrate our domestic network. As for R&D, we will select and focus on R&D themes that match the realigned business portfolio.

Through this business framework streamlining, we plan to reduce group-wide personnel by around 5,800 regular employees and about 4,000 temporary and contract employees, compared with our workforce as of December 31, 2008, and the number of directors/executive officers will also be reduced.

Regarding improving the Company's financial position, Pioneer is working hard to bolster its financial position. Given that it is projecting business restructuring expenses of ¥47 billion in fiscal 2010, the Company believes it must generate cash and boost equity capital.

Through its own continuing efforts, Pioneer will work to generate cash mainly by reducing inventories and accelerating trade receivables collections, curbing capital expenditures, cutting directors'/executive officers' remuneration and employees' salaries, and selling idle assets. Also, the Company's fiscal 2009 business performance comes into conflict with financial covenants stipulated by loan agreements with multiple banks. However, the banks have agreed to maintain their existing loans to Pioneer in recognition of the Company's situation as described above. Furthermore, Pioneer has received additional loans chiefly from its main banks, which have pledged their intention to continue providing financial support to the Company.

In regard to boosting equity capital, the Board of Directors resolved on April 28, 2009 to raise ¥2.5 billion through a third-party allotment of shares to Honda Motor Co., Ltd. In addition, Pioneer continues to examine other possible financial partnerships.

Pioneer is considering plans to raise roughly ¥40 billion to meet anticipated funding needs for business restructuring expenses and the redemption of convertible bonds, and to implement the medium-term management plan in a timely and steady manner. Going forward, Pioneer will consider all funding options in order to raise the necessary funds for boosting its equity capital and other uses.

Pioneer will make an effort to steadily implement these restructuring measures and conduct business activities based on medium-term management plan below.

Regarding medium-term consolidated forecasts, Pioneer is projecting an operating loss and net loss for fiscal 2010 in connection with the implementation of aforementioned restructuring measures and other factors. However, Pioneer expects to complete restructuring during fiscal 2010, and from fiscal 2011 plans to restore operating profitability in both the Car Electronics and Home Electronics businesses, move back into the black in terms of consolidated net income, and generate positive net operating cash flows and free cash flows (the sum of operating cash flows and investing cash flows). Pioneer aims to achieve consolidated operating revenue of ¥460 billion, operating income of ¥22 billion and net income of ¥16 billion in fiscal 2012. It is also targeting positive net operating cash flows of ¥60 billion and free cash flows of ¥29 billion. These figures do not include the impact of the joint venture that is currently being discussed with Sharp Corporation.

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

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

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

In initiatives to develop new growth businesses, Pioneer will bolster environmental initiatives that address the need for more energy-efficient, compact and light products. In addition, we will expand our business domains, with the aim of becoming a leading company in the car electronics field. In the car safety and reliability domain, we will focus on raising the sophistication of car navigation systems by developing systems that are linked to and operate together with vehicles; in the services domain, we will develop business-use services such as fleet operation and management services; and in the information and content domain, we will mainly provide real-time content.

In the Home Electronics business, specifically home AV products, we are positioning AV receivers, where we have an extensive product lineup covering high-end to middle-market price ranges, as core products. We will concentrate business resources on these products in a bid to boost sales. We are also rolling out new-market products such as built-in home audio systems that cater to living environments within the home through collaboration with housing-related companies.

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

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

In fiscal 2009, conditions gave rise to material uncertainty about Pioneer's ability to continue its business activities into the future, due to deterioration in the Company's financial position, resulting from a sharp drop in operating revenue, large losses and significant net cash used in operating activities. By implementing drastic restructuring as outlined above, Pioneer believes that the uncertainty regarding the going concern assumption can be avoided.

**Proposed Changes in Management** (previously announced on April 28, 2009)

Pioneer has announced the following proposed changes in management, which are subject to approval by the ordinary general meeting of shareholders to be held on June 25, 2009.

(1) Candidates for directors to be newly elected:
  - Mr. Tatsuo Takeuchi, currently Senior Executive Officer, and General Manager of Personnel Division and General Manager of Human Resource Development Center, will be elected as Managing Director.
  - Mr. Mikio Ono, currently Senior Executive Officer, and General Manager of Corporate Planning Division, and in charge of Strategic IT Division and Speaker Business, will be elected as Managing Director.
  - Mr. Takashi Oizumi, attorney-at-law, will be elected as Outside Director.

(2) Mr. Hideki Okayasu, currently Managing Director, and General Manager of Finance and Accounting Division and Chief Financial Officer, will be promoted to Senior Managing Director and Representative Director.

(3) Directors who will retire:
  - Mr. Hajime Ishizuka, currently Executive Vice President and Representative Director, and in charge of Corporate Management Group and Corporate Planning Division, and export management in general
  - Mr. Tamihiko Sudo, currently Director
  - Mr. Koichi Ueda, currently Outside Director, President and Representative Director of The Resolution and Collection Corporation, Professor at Meiji Law School and attorney-at-law

Japanese yen and the U.S. dollar, the euro, and other currencies in which we make significant sales or in which our assets and liabilities are denominated; (iii) our ability to continuously design and develop highly rated products and services in extremely competitive markets, which are characterized by continual product launches, rapid technological development, intense price-based competition, subjective and changing consumer preferences and other factors; (iv) our ability to successfully implement our business strategies; (v) our ability to compete, as well as develop and implement successful sales and distribution strategies, in light of technological developments in and affecting our businesses; (vi) our continued ability to devote sufficient resources to research and development, and capital expenditure; (vii) our ability to continuously enhance our brand image; (viii) the success of our joint ventures and alliances; (ix) the success of our business restructuring plans; and (x) the outcome of contingencies.

Pioneer Corporation is a leading global manufacturer of consumer- and business-use electronics products such as audio, video and car electronics. Its shares are traded on the Tokyo Stock Exchange.

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The U.S. dollar amounts in this release represent translations of the Japanese yen, for convenience only, at the rate of ¥98=US$1.00, the approximate rate prevailing on March 31, 2009.

Attachments:

I. Consolidated financial statements for the year ended March 31, 2009
II. Non-consolidated financial statements for the year ended March 31, 2009

# I. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2009

## (1) CONSOLIDATED BALANCE SHEETS

(In millions of yen)

| | March 31 2008 | March 31 2009 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and deposits | ¥ 79,674 | ¥ 63,745 |
| Notes and accounts receivable—trade | 95,449 | 60,989 |
| Merchandise and finished goods | 54,404 | 45,169 |
| Work in process | 21,818 | 14,699 |
| Raw materials and supplies | 28,654 | 25,018 |
| Deferred tax assets | 17,089 | 7,097 |
| Other | 23,255 | 17,420 |
| Allowance for doubtful accounts | (2,381) | (2,035) |
| Total current assets | 317,962 | 232,102 |
| Noncurrent assets: | | |
| Property, plant and equipment: | | |
| Buildings and structures | 104,524 | 102,285 |
| Machinery, vehicles, tools, furniture and fixtures | 213,631 | 176,593 |
| Land | 33,801 | 33,705 |
| Construction in progress | 5,317 | 373 |
| Accumulated depreciation | (234,521) | (200,789) |
| Total property, plant and equipment | 122,752 | 112,167 |
| Intangible assets: | | |
| Goodwill | 1,497 | 1,420 |
| Software | 40,113 | 39,215 |
| Other | 5,327 | 4,163 |
| Total intangible assets | 46,937 | 44,798 |
| Investments and other assets: | | |
| Investment securities | 35,871 | 18,972 |
| Deferred tax assets | 25,250 | 12,484 |
| Other | 13,442 | 8,470 |
| Allowance for doubtful accounts | (109) | (7) |
| Total investments and other assets | 74,454 | 39,919 |
| Total noncurrent assets | 244,143 | 196,884 |
| Deferred assets | 171 | 107 |
| Total assets | ¥562,276 | ¥429,093 |

(In millions of yen)

| | March 31 | |
|---|---|---|
| | 2008 | 2009 |
| LIABILITIES | | |
| Current liabilities: | | |
| Notes and accounts payable—trade | ¥ 86,195 | ¥ 40,798 |
| Short-term loans payable | 14,812 | 110,000 |
| Current portion of bonds | 10,000 | — |
| Income taxes payable | 5,601 | 4,153 |
| Accrued expenses | 67,227 | 50,763 |
| Provision for product warranties | 5,265 | 4,222 |
| Other | 30,742 | 22,484 |
| Total current liabilities | 219,842 | 232,420 |
| Noncurrent liabilities: | | |
| Bonds payable | 60,600 | 60,600 |
| Long-term loans payable | 9,179 | 6,515 |
| Provision for retirement benefits | 8,554 | 12,704 |
| Other | 4,746 | 5,006 |
| Total noncurrent liabilities | 83,079 | 84,825 |
| Total liabilities | 302,921 | 317,245 |
| NET ASSETS | | |
| Shareholders' equity: | | |
| Common stock | 69,824 | 69,824 |
| Capital surplus | 102,054 | 102,054 |
| Retained earnings | 144,370 | 13,250 |
| Treasury stock | (11,124) | (11,124) |
| Total shareholders' equity | 305,124 | 174,004 |
| Valuation and translation adjustments: | (47,131) | (63,506) |
| Minority interests | 1,362 | 1,350 |
| Total net assets | 259,355 | 111,848 |
| Total liabilities and net assets | ¥562,276 | ¥429,093 |

**(2) CONSOLIDATED STATEMENTS OF OPERATIONS**

(In millions of yen)

| | Year ended March 31 | |
|---|---|---|
| | 2008 | 2009 |
| Operating revenue: | | |
| Net sales | ¥772,478 | ¥558,236 |
| Other operating revenue | 1,999 | 601 |
| Total operating revenue | 774,477 | 558,837 |
| Cost of sales | 602,917 | 477,965 |
| Gross profit | 171,560 | 80,872 |
| Selling, general and administrative expenses | 162,344 | 135,401 |
| Operating income (loss) | 9,216 | (54,529) |
| Non-operating income: | | |
| Interest and dividends income | 6,922 | 3,696 |
| Equity in earnings of affiliated companies | 136 | — |
| Other | 851 | 678 |
| Total non-operating income | 7,909 | 4,374 |
| Non-operating loss: | | |
| Interest expenses | 2,507 | 2,840 |
| Foreign exchange loss | 1,385 | 243 |
| Equity in losses of affiliated companies | — | 132 |
| Other | 805 | 1,050 |
| Total non-operating loss | 4,697 | 4,265 |
| Ordinary income (loss) | 12,428 | (54,420) |
| Extraordinary income: | | |
| Gain on sale of noncurrent assets | 12,426 | 961 |
| Other | 590 | 155 |
| Total extraordinary income | 13,016 | 1,116 |
| Extraordinary loss: | | |
| Loss on sale and disposal of noncurrent assets | 555 | 2,856 |
| Impairment loss | 22,692 | 4,132 |
| Loss on valuation of investment securities | 99 | 14,871 |
| Business restructuring expenses | — | 24,744 |
| Other | — | 32 |
| Total extraordinary loss | 23,346 | 46,635 |
| Income (loss) before income taxes and minority interests | 2,098 | (99,939) |
| Income taxes—current | 8,600 | 4,805 |
| Income taxes—deferred | 12,135 | 25,620 |
| Total income taxes | 20,735 | 30,425 |
| Minority interests in income | 403 | 165 |
| Net loss | ¥ (19,040) | ¥(130,529) |

**(3) CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

＜Year ended March 31, 2008＞ (In millions of yen)

| | Shareholders' equity | | | | | Total valuation and translation adjustments | Minority interests | Total net assets |
|---|---|---|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity | | | |
| Balance at March 31, 2007 | ¥49,049 | ¥ 81,279 | ¥166,497 | ¥(12,453) | ¥284,372 | ¥(12,189) | ¥ 14,469 | ¥286,652 |
| Adjustment pursuant to FIN48 | | | (996) | | (996) | | | (996) |
| Amount of changes in the fiscal year: | | | | | | | | |
| Issuance of new shares | 20,775 | 20,775 | | | 41,550 | | | 41,550 |
| Cash dividends | | | (1,744) | | (1,744) | | | (1,744) |
| Net loss | | | (19,040) | | (19,040) | | | (19,040) |
| Acquisition of treasury stock | | | | (9) | (9) | | | (9) |
| Disposal of treasury stock | | | (347) | 1,338 | 991 | | | 991 |
| Other | | | | | － | (34,942) | (13,107) | (48,049) |
| Total changes in the fiscal year | 20,775 | 20,775 | (21,131) | 1,329 | 21,748 | (34,942) | (13,107) | (26,301) |
| Balance at March 31, 2008 | ¥69,824 | ¥102,054 | ¥144,370 | ¥(11,124) | ¥305,124 | ¥(47,131) | ¥ 1,362 | ¥259,355 |

＜Year ended March 31, 2009＞ (In millions of yen)

| | Shareholders' equity | | | | | Total valuation and translation adjustments | Minority interests | Total net assets |
|---|---|---|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity | | | |
| Balance at March 31, 2008 | ¥69,824 | ¥102,054 | ¥ 144,370 | ¥(11,124) | ¥ 305,124 | ¥(47,131) | ¥1,362 | ¥ 259,355 |
| Adjustment pursuant to FASB158 | | | (75) | | (75) | | | (75) |
| Amount of changes in the fiscal year: | | | | | | | | |
| Cash dividends | | | (513) | | (513) | | | (513) |
| Net loss | | | (130,529) | | (130,529) | | | (130,529) |
| Acquisition of treasury stock | | | | (4) | (4) | | | (4) |
| Disposal of treasury stock | | | (3) | 4 | 1 | | | 1 |
| Other | | | | | － | (16,375) | (12) | (16,387) |
| Total changes in the fiscal year | － | － | (131,045) | － | (131,045) | (16,375) | (12) | (147,432) |
| Balance at March 31, 2009 | ¥69,824 | ¥102,054 | ¥ 13,250 | ¥(11,124) | ¥ 174,004 | ¥(63,506) | ¥1,350 | ¥ 111,848 |

**(4) CONSOLIDATED STATEMENT OF CASH FLOWS**

(In millions of yen)

| | Year ended March 31 2008 | Year ended March 31 2009 |
|---|---|---|
| I. Cash flows from operating activities: | | |
| Income (loss) before income taxes and minority interests | ¥ 2,098 | ¥ (99,939) |
| Depreciation and amortization | 44,270 | 43,187 |
| Impairment loss | 22,692 | 4,132 |
| Loss (gain) on sales of noncurrent assets | (11,871) | 1,895 |
| Loss on valuation of investment securities | 99 | 14,871 |
| Decrease in notes and accounts receivable—trade | 18,869 | 27,213 |
| Decrease (increase) in inventories | (7,318) | 8,500 |
| Decrease in notes and accounts payable—trade | (358) | (40,536) |
| Decrease in accrued expenses | (8,405) | (12,258) |
| Other, net | (10,973) | (569) |
| Subtotal | 49,103 | (53,504) |
| Interest and dividends income received | 6,612 | 4,066 |
| Interest expenses paid | (2,259) | (3,010) |
| Income taxes paid | (11,236) | (9,115) |
| Net cash provided by (used in) operating activities | 42,220 | (61,563) |
| II. Cash flows from investing activities: | | |
| Purchase of noncurrent assets | (62,177) | (45,849) |
| Proceeds from sales of noncurrent assets | 3,251 | 1,846 |
| Payment for purchase of shares of consolidated subsidiaries | (14,732) | — |
| Payment for purchase of investment securities | (20,539) | — |
| Proceeds from sales of investment securities | 2,483 | 161 |
| Proceeds from cancellation of insurance funds | — | 5,515 |
| Other, net | (847) | 35 |
| Net cash used in investing activities | (92,561) | (38,292) |
| III. Cash flows from financing activities: | | |
| Net increase in short-term loans payable | 3,092 | 99,842 |
| Repayment of long-term loans payable | (4,072) | (3,064) |
| Redemption of bonds | — | (10,000) |
| Cash dividends paid | (1,744) | (513) |
| Proceeds from issuance of new shares, net of stock issuance cost | 41,358 | — |
| Other, net | (2,702) | (432) |
| Net cash provided by financing activities | 35,932 | 85,833 |
| Effect of exchange rate changes on cash and cash equivalents | (6,231) | (3,412) |
| Net decrease in cash and cash equivalents | (20,640) | (17,434) |
| Cash and cash equivalents at beginning of period | 101,820 | 81,180 |
| Cash and cash equivalents at end of period | ¥ 81,180 | ¥ 63,746 |

### (5) SEGMENT INFORMATION

＜Business Segments＞

(In millions of yen)

| Year ended March 31, 2008 | Car Electronics | Home Electronics | Others | Total | Corporate and Eliminations | Consolidated |
|---|---|---|---|---|---|---|
| Operating revenue: | | | | | | |
| Unaffiliated customers | ¥373,883 | ¥329,530 | ¥71,064 | ¥774,477 | — | ¥774,477 |
| Inter-segment | 2,002 | 670 | 33,553 | 36,225 | ¥(36,225) | — |
| Total | 375,885 | 330,200 | 104,617 | 810,702 | (36,225) | 774,477 |
| Operating income (loss) | ¥ 26,101 | ¥ (17,921) | ¥ 1,756 | ¥ 9,936 | ¥ (720) | ¥ 9,216 |

(In millions of yen)

| Year ended March 31, 2009 | Car Electronics | Home Electronics | Others | Total | Corporate and Eliminations | Consolidated |
|---|---|---|---|---|---|---|
| Operating revenue: | | | | | | |
| Unaffiliated customers | ¥291,704 | ¥209,257 | ¥57,876 | ¥558,837 | — | ¥558,837 |
| Inter-segment | 1,797 | 556 | 27,304 | 29,657 | ¥(29,657) | — |
| Total | 293,501 | 209,813 | 85,180 | 588,494 | (29,657) | 558,837 |
| Operating loss | ¥ (12,337) | ¥ (38,622) | ¥ (3,377) | ¥ (54,336) | ¥ (193) | ¥ (54,529) |

＜Geographic Segments＞

(In 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-segment | 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) | ¥ (8,150) | ¥ 640 | ¥ 1,129 | ¥ 14,258 | ¥ 7,877 | ¥ 1,339 | ¥ 9,216 |

(In millions of yen)

| Year ended March 31, 2009 | Japan | North America | Europe | Other Regions | Total | Corporate and Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| Operating revenue: | | | | | | | |
| Unaffiliated customers | ¥222,451 | ¥109,394 | ¥111,717 | ¥115,275 | ¥ 558,837 | — | ¥ 558,837 |
| Inter-segment | 216,656 | 4,046 | 375 | 170,288 | 391,365 | ¥(391,365) | — |
| Total | 439,107 | 113,440 | 112,092 | 285,563 | 950,202 | (391,365) | 558,837 |
| Operating income (loss) | ¥ (60,693) | ¥ (3,694) | ¥ (4,920) | ¥ 4,162 | ¥ (65,145) | ¥ 10,616 | ¥ (54,529) |

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

Pioneer Corporation—Consolidated

<Operating Revenue by Overseas Geographic Market>

(In millions of yen)

| Year ended March 31, 2008 | North America | Europe | Other Regions | Total |
|---|---|---|---|---|
| Overseas operating revenue | ¥180,911 | ¥169,146 | ¥208,777 | ¥558,834 |
| Consolidated operating revenue | | | | ¥774,477 |
| % to consolidated operating revenue | 23.4% | 21.8% | 27.0% | 72.2% |

(In millions of yen)

| Year ended March 31, 2009 | North America | Europe | Other Regions | Total |
|---|---|---|---|---|
| Overseas operating revenue | ¥109,894 | ¥112,693 | ¥153,772 | ¥376,359 |
| Consolidated operating revenue | | | | ¥558,837 |
| % to consolidated operating revenue | 19.7% | 20.2% | 27.4% | 67.3% |

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

<Operating Revenue by Segment>

(In millions of yen)

| | Year ended March 31 | | | | |
|---|---|---|---|---|---|
| | 2008 | | 2009 | | % to prior year |
| | Amount | % to total | Amount | % to total | |
| Domestic | ¥ 126,362 | 16.3% | ¥ 113,985 | 20.4% | 90.2% |
| Overseas | 247,521 | 32.0 | 177,719 | 31.8 | 71.8 |
| Car Electronics | 373,883 | 48.3 | 291,704 | 52.2 | 78.0 |
| Domestic | 46,285 | 6.0 | 31,010 | 5.5 | 67.0 |
| Overseas | 283,245 | 36.5 | 178,247 | 31.9 | 62.9 |
| Home Electronics | 329,530 | 42.5 | 209,257 | 37.4 | 63.5 |
| Domestic | 42,996 | 5.5 | 37,483 | 6.8 | 87.2 |
| Overseas | 28,068 | 3.7 | 20,393 | 3.6 | 72.7 |
| Others | 71,064 | 9.2 | 57,876 | 10.4 | 81.4 |
| Domestic | 215,643 | 27.8 | 182,478 | 32.7 | 84.6 |
| Overseas | 558,834 | 72.2 | 376,359 | 67.3 | 67.3 |
| Total | ¥ 774,477 | 100.0% | ¥ 558,837 | 100.0% | 72.2% |

Notes:

1. Effective from fiscal 2009, the Company has changed its accounting principles for preparing consolidated financial statements from U.S. generally accepted accounting principles (GAAP) to Japanese GAAP. Figures for fiscal 2008 have been reclassified based on Japanese GAAP.
2. Effective from fiscal 2009, the patent licensing business, which was previously classified as an independent business segment, has been included in the “Others” segment because of its reduced importance to consolidated business results. Figures for the corresponding period of fiscal 2008 have been reclassified. Previously reported figures have been reclassified to conform to this presentation.
3. The Company’s business is classified into three segments: “Car Electronics,” “Home Electronics,” and “Others.” Principal products and services included in each segment are as follows:

   Car Electronics:

   car navigation systems, car stereos, car AV systems and car speakers

   Home Electronics:

   plasma displays, LCD TVs, DVD recorders, DVD players, DVD drives, Blu-ray Disc recorders, Blu-ray Disc players, Blu-ray Disc drives, audio systems, audio components, DJ equipment and equipment for cable TV systems

   Others:

   organic light-emitting diode displays, factory automation systems, speaker units, electronics devices and parts, telephones, AV accessories, business-use AV systems and licensing of patents related to laser optical disc technologies
4. Effective from fiscal 2009, Pioneer and its domestic subsidiaries have applied the “Accounting Standard for Measurement of Inventories”(ASBJ Statement No.9 dated July 5, 2006), and now these inventories are measured by means of the cost method, which evaluates the amount of the inventories shown on the balance sheet by writing them down based on their decrease in profitability. The impact on the Company’s consolidated statements of operations is minor.
5. Effective from fiscal 2009, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statement”(ASBJ May 17, 2006, PITF No.18) has been applied. Accordingly, some revisions are made to the consolidated accounts as necessary. The impact on the Company’s consolidated statements of operations is minor.

Going concern:

Not applicable.

Subsequent event:

The company resolved, at a meeting of its board of directors held on April 28, 2009, to issue its new shares to Honda Motor Co., Ltd. through a third–party allotment.

(Terms and conditions of issuance)

Number of shares to be issued : 14,700,000 shares of common stock

Issue price : 170 yen per share

Aggregate issue price : 2,499,000,000 yen

Amount to be accounted for as stated capital : 85 yen per share

Shareholding ratio of Honda Motor Co., Ltd.: 6.5%(after the issuance)

It is expected that such issuance of new shares will be completed before the end of June 2009. The issue date or the closing date is to be determined at a meeting of the board of directors to be held later. It is also possible that the terms and conditions of issuance may be modified as a result of discussions with the party to which new shares are to be allotted.

The funds to be raised through the issuance of new shares will be applied to working capital. In particular, the funds will be applied to a part of research and development expenses for the Car Electronics business, which will be positioned as a core business of the Company.

## II. NON-CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2009

### (1) CONDENSED BALANCE SHEETS

(In millions of yen)

| | March 31 | |
|---|---|---|
| | 2008 | 2009 |
| ASSETS | | |
| Current assets: | | |
| Cash and deposits | ¥ 19,297 | ¥ 25,164 |
| Notes and accounts receivable—trade | 44,299 | 24,424 |
| Inventories | 28,431 | 25,926 |
| Other current assets | 58,113 | 91,199 |
| Total current assets | 150,142 | 166,716 |
| Noncurrent assets: | | |
| Tangible | 59,174 | 51,075 |
| Intangible | 37,099 | 36,945 |
| Investments and others | 203,886 | 179,453 |
| Total noncurrent assets | 300,161 | 267,474 |
| Deferred assets | 170 | 106 |
| Total assets | ¥450,474 | ¥434,297 |
| LIABILITIES | | |
| Current liabilities: | | |
| Notes and accounts payable—trade | ¥ 48,186 | ¥ 23,295 |
| Short-term loans payable | 34,144 | 137,640 |
| Accrued expenses | 50,325 | 36,013 |
| Other current liabilities | 18,262 | 10,335 |
| Total current liabilities | 150,919 | 207,284 |
| Noncurrent liabilities: | | |
| Bonds payable | 60,600 | 60,600 |
| Other noncurrent liabilities | 37,676 | 59,096 |
| Total noncurrent liabilities | 98,276 | 119,696 |
| Total liabilities | 249,196 | 326,980 |
| NET ASSETS | | |
| Shareholders' equity: | | |
| Common stock | 69,823 | 69,823 |
| Capital surplus | 102,053 | 102,053 |
| Retained earnings | 39,099 | (54,803) |
| Treasury stock | (11,048) | (11,049) |
| Total shareholders' equity | 199,928 | 106,024 |
| Valuation and translation adjustments | 1,350 | 1,291 |
| Total net assets | 201,278 | 107,316 |
| Total liabilities and net assets | ¥450,474 | ¥434,297 |

**(2) CONDENSED STATEMENTS OF OPERATIONS**

(In millions of yen)

| | Year ended March 31 | |
|---|---|---|
| | 2008 | 2009 |
| Operating revenue | ¥537,754 | ¥370,454 |
| Cost of sales | 482,233 | 358,852 |
| Selling, general and administrative expenses | 78,145 | 66,538 |
| Operating loss | (22,624) | (54,937) |
| Non-operating income—net | 40,780 | 18,609 |
| Ordinary income (loss) | 18,156 | (36,327) |
| Other expenses—net | (39,577) | (44,278) |
| Loss before income taxes | (21,421) | (80,606) |
| Income taxes | 9,975 | 12,781 |
| Net loss | ¥ (31,396) | ¥ (93,387) |

### (3) CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

<Year ended March 31, 2008> (In millions of yen)

| | Shareholders' equity | | | | | Total valuation and translation adjustments | Total net assets |
|---|---|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity | | |
| Balance at March 31, 2007 | ¥49,048 | ¥ 81,314 | ¥ 72,574 | ¥(12,452) | ¥190,485 | ¥5,920 | ¥196,405 |
| Issuance of new shares | 20,775 | 20,775 | | | 41,550 | | 41,550 |
| Cash dividends | | | (1,744) | | (1,744) | | (1,744) |
| Net loss | | | (31,396) | | (31,396) | | (31,396) |
| Acquisition of treasury stock | | | | (8) | (8) | | (8) |
| Disposal of treasury stock | | (36) | (334) | 1,412 | 1,042 | | 1,042 |
| Other | | | | | — | (4,570) | (4,570) |
| Balance at March 31, 2008 | ¥69,823 | ¥102,053 | ¥ 39,099 | ¥(11,048) | ¥199,928 | ¥1,350 | ¥201,278 |

<Year ended March 31, 2009> (In millions of yen)

| | Shareholders' equity | | | | | Total valuation and translation adjustments | Total net assets |
|---|---|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity | | |
| Balance at March 31, 2008 | ¥69,823 | ¥102,053 | ¥ 39,099 | ¥(11,048) | ¥199,928 | ¥1,350 | ¥201,278 |
| Cash dividends | | | (512) | | (512) | | (512) |
| Net loss | | | (93,387) | | (93,387) | | (93,387) |
| Acquisition of treasury stock | | | | (4) | (4) | | (4) |
| Disposal of treasury stock | | | (2) | 3 | 1 | | 1 |
| Other | | | | | — | (58) | (58) |
| Balance at March 31, 2009 | ¥69,823 | ¥102,053 | ¥ (54,803) | ¥(11,049) | ¥106,024 | ¥1,291 | ¥107,316 |

Going concern:

Not applicable.

Subsequent event:

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(Terms and conditions of issuance)

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