

# News Release

**For Immediate Release  
April 27, 2004**

## **Pioneer Announces Business Results for Fiscal 2004**

TOKYO — Pioneer Corporation today announced its business results on consolidated and parent-only bases for fiscal 2004, ended March 31, 2004.

### **Consolidated Financial Highlights**

(In millions of yen except per share information)  
Year ended March 31

|   | 2004     | 2003     | % to<br>prior<br>year |
|---|----------|----------|-----------------------|
| Operating revenue.....  | ¥700,885 | ¥677,259 | 103.5                 |
| Operating income.....   | ¥43,719  | ¥30,765  | 142.1                 |
| Income from continuing operations<br>before income taxes..... | ¥41,848  | ¥28,079  | 149.0                 |
| Income from continuing operations.....                        | ¥20,363  | ¥15,942  | 127.7                 |
| Net income.....   | ¥24,838  | ¥16,078  | 154.5                 |
| Basic earnings per share:                                     |          |          |                       |
| Income from continuing operations.....                        | ¥116.07  | ¥89.48   |                       |
| Income from discontinued operations,<br>net of taxes.....     | ¥25.51   | ¥0.76    |                       |
| Net income.....   | ¥141.58  | ¥90.24   |                       |
| Diluted earnings per share:                                   |          |          |                       |
| Income from continuing operations.....                        | ¥115.18  | ¥89.48   |                       |
| Income from discontinued operations,<br>net of taxes.....     | ¥25.34   | ¥0.76    |                       |
| Net income.....   | ¥140.52  | ¥90.24   |                       |

Note: As a result of the sale of subsidiaries in audio/video software business in the fiscal 2004, the gain on such sale, as well as the operating results of the discontinued operations, are presented as a separate line item in the consolidated statements of income in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Corresponding figures for the previous fiscal year have been reclassified accordingly.

## **Consolidated Business Results**

For fiscal 2004 ended March 31, 2004, consolidated operating revenue was ¥700,885 million (US\$6,612.1 million), rising 3.5% over the previous year. During fiscal 2004, the average value of the yen was 7.8% higher against the U.S. dollar, but 8.7% lower against the euro, compared to fiscal 2003.

In fiscal 2004, the Company changed its business segment classification for certain businesses. Results related to DVD drives for personal computers (PCs) have been moved from “Others” to “Home Electronics”, and results related to plasma displays for business use have been moved from “Home Electronics” to “Others.” Corresponding figures for the previous fiscal year have been restated accordingly.

**Home Electronics** sales increased 1.3% from the previous year to ¥281,482 million (US\$2,655.5 million). In Japan, sales decreased by 9.2% to ¥78,798 million (US\$743.4 million), due to a decline in sales of DVD players, recordable DVD drives for PCs, and plasma displays for home use, in spite of the increase in sales of DVD recorders. Overseas sales increased 6.0% to ¥202,684 million (US\$1,912.1 million), due to rises in sales of our home-use plasma displays and DVD recorders worldwide, and recordable DVD drives in Europe and Asia, despite lower sales of DVD players and audio products worldwide, cable TV set-top boxes in North America, and digital broadcast set-top boxes in Europe.

**Car Electronics** sales amounted to ¥292,187 million (US\$2,756.5 million), up 3.9% over the previous year. In Japan, sales increased 15.1% to ¥121,708 million (US\$1,148.2 million), reflecting growth in sales of car navigation systems to both consumers and automobile manufacturers as well as increased sales in car audio products to automobile manufacturers. Overseas sales decreased 2.8% to ¥170,479 million (US\$1,608.3 million), primarily due to lower sales of car audio products to both consumers and automobile manufacturers in North America, despite higher sales of car navigation systems in North America and Europe and car audio products in other regions.

Royalty revenue from **Patent Licensing** decreased 6.1% from the previous year to ¥11,821 million (US\$111.5 million). This was due to a decline in royalty revenue resulting from expiration of the Company’s optical disc-related patents in certain areas.

**Others** sales increased 9.3% from the previous year to ¥115,395 million (US\$1,088.6 million). In Japan, sales were slightly higher by 1.1%, at ¥62,792 million (US\$592.4 million). This is attributed primarily to increased sales of organic electroluminescent (OEL) display panels in cellular phones, despite the decrease in sales of commercial karaoke products resulting from the sale of the Company’s karaoke business

subsidiaries. Overseas, sales were up 21.0% over the previous year to ¥52,603 million (US\$496.3 million), primarily due to increased sales of optical disc manufacturing systems in Asia, semiconductors related to laser pickups in China, and business-use plasma displays worldwide.

Operating income increased 42.1% from the previous year to ¥43,719 million (US\$412.4 million) mainly as a result of increased sales and improved gross profit margin as well as decreased selling, general and administrative expenses. Lower average value of the yen against the euro during the year compared to the previous year affected gross profit margin favorably. Net income also increased 54.5% from the previous year to ¥24,838 million (US\$234.3 million), reflecting an increase in operating income and income from discontinued operations recorded in connection with the sale of subsidiaries engaged in the audio/video software business.

Basic net income per share of common stock was ¥141.58 (US\$1.34), compared with ¥90.24 in the previous year. Diluted net income per share was ¥140.52 (US\$1.33), compared with ¥90.24 in the previous year.

### **Cash Flows**

Net cash provided by operating activities was ¥60,378 million (US\$569.6 million), a decrease of ¥31,131 million from ¥91,509 million provided in the previous year. The decrease is mainly attributable to increase in operating capital requirement as a result of increased inventories and accounts receivable. Net cash used in investing activities was ¥52,754 million (US\$497.7 million), an increase of ¥17,526 million compared with ¥35,228 million used in the previous year, mainly due to increase in capital expenditure for expansion of plasma display production capacity. Financing activity included the issuance of convertible bonds of ¥60,000 million in aggregate principal amount in March 2004. The net proceeds of the issue will be applied principally towards investment in plasma display business and enhancement of distribution channels in Europe and China. As a result of the activities above, cash and cash equivalents at the end of the year came to ¥192,419 million (US\$1,815.3 million), a ¥49,939 million increase compared with the end of the previous year.

### **Dividend Policy and Year-End Dividend**

The Company's policy on dividends allows for continued and stable dividend payment. The Company determines the appropriate dividend amount, taking into consideration its financial condition, consolidated business results and other factors.

In line with the Company's policy, it has been determined that a year-end cash dividend of ¥12.5 (US\$0.12) per share of common stock, a ¥2.5 increase over the previous year, will be paid, subject to approval at the ordinary general meeting of shareholders to be held on June 29, 2004. When added to the interim dividend, this

brings the annual cash dividend to ¥25 (US\$0.24), a ¥7.5 increase over the previous year.

### **Addressing Current Challenges**

The business environment remains severe, characterized by uncertain economic conditions in our major markets, Japan, North America and Europe, intensifying price competition in our major product categories, and exchange rate fluctuations. Thus, the Company is concentrating management resources on strategic businesses to achieve the targets set forth in the medium-term management plan. For example, we converted production lines of optical discs to plasma displays, and we sold to a third party three of our audio/video software business subsidiaries in Japan and the United States. We will continue our efforts to increase profits and improve management efficiency through our “select and focus” policy.

In April 2004, we made a change in our internal company structure. Plasma Display Business Company, a new internal company, was created to further promote and expand our plasma display business. At the same time, we integrated the Components Business Company into the Home Entertainment Company, aiming to achieve more powerful synergy in the DVD business. Now, we are advancing our strategic business plans with the following four internal companies:

- Home Entertainment Company, which is in charge of audio/video product business and business in devices such as recordable DVD drives for PCs;
- Plasma Display Business Company, which is managing a comprehensive, plasma display business;
- Mobile Entertainment Company, which is responsible for car electronics business overall; and
- Industrial Solutions & Entertainment Company, which is applying business plans and system products to operate in industrial and business markets.

In our plasma display business, we are working to build a more efficient production system to meet fast-growing demand. Pioneer Display Products Corporation, our subsidiary dedicated to plasma display production, is currently expanding its capacity and strengthening its operations. In February 2004, Pioneer Corporation and NEC Corporation (NEC) reached an agreement in principle under which NEC will transfer to Pioneer all the shares NEC holds in its subsidiary, NEC Plasma Display Corporation, and all the intellectual property rights NEC holds for plasma displays. This fall, we plan to establish an overall production system that yields more than one million panels annually. We also plan to continue to differentiate our products from those of our competitors by

developing new display panels with higher picture quality and energy efficiency, while lowering production costs.

In our DVD business, demand for DVD recorders for home use, especially those with hard disk drives (HDDs), has been growing in the market, and we plan to develop products with added values and advanced features, reinforcing the line of HDD models. Also, demand for recordable DVD drives for PCs is rising sharply. To accommodate this growing demand, we are strengthening our production capacity in China. With these products, we aim to bolster sales both in home audio/video and PC markets.

In our car electronics business, we continue our efforts to strengthen our market leadership. In the car navigation system business, our HDD models with advanced functions, and affordably priced, easy-to-operate DVD models enjoy excellent reputations in Japan. We also plan to expand this business overseas, in Europe and North America in particular. In the car audio business, we plan to fortify our current strong market position with such new products and innovations as car CD players with OEL displays to satisfy diversifying consumer demand.

We continue our efforts to minimize operating costs and expenses worldwide. To reduce our overall manufacturing costs, we are expanding production in China. Also, we are implementing an expense supervision system to lower the ratio of our selling, general and administrative expenses to consolidated operating revenue. We are applying supply chain management to optimize efficiency of inventory control worldwide. We believe that such initiatives help us improve cash flows and profitability.

### **Business Forecasts for Fiscal 2005**

Assuming average yen-U.S. dollar and yen-euro exchange rates for fiscal 2005 of ¥105 and ¥125, respectively, Pioneer announced its consolidated business forecasts for fiscal 2005, ending March 31, 2005, as follows:

(In millions of yen except per share information)

|                                  | Projections for<br>fiscal 2005 | Results for<br>fiscal 2004 | Percent<br>changes |
|----------------------------------|--------------------------------|----------------------------|--------------------|
| Operating revenue .....          | ¥800,000                       | ¥700,885                   | +14.1%             |
| Operating income .....           | ¥50,000                        | ¥43,719                    | +14.4%             |
| Income before income taxes ..... | ¥48,000                        | ¥41,848                    | +14.7%             |
| Net income .....                 | ¥25,000                        | ¥24,838                    | +0.7%              |
| Net income per share .....       | ¥142.51                        | ¥141.58                    |                    |

Operating revenue is expected to increase, because we anticipate a large increase in sales, reflecting expanding demand for home-use plasma displays and DVD recorders;

continued solid sales of car navigation systems and increased sales of such business-use products as AV systems with plasma displays and factory automation systems.

Operating income and income before income tax are expected to grow, because we anticipate increased income from the Home Electronics business, centering on home-use plasma displays and DVD recorders, increased income from the Others business including business-use AV systems with plasma display and factory automation systems, and continued high profitability from the Car Electronics business, although income from Patent Licensing should decrease.

Net income is expected to remain almost the same as in fiscal 2004, because net income for fiscal 2005 does not include income from discontinued operations of approximately ¥4,500 million recorded during fiscal 2004 in connection with the sale of subsidiaries engaged in the audio/video software business.

#### **Cautionary Statement with Respect to Forward-Looking Statements**

Statements made in this release with respect to our current plans, estimates, strategies and beliefs, and other statements that are not historical facts are forward-looking statements about our future performance. These statements are based on management's assumptions and beliefs in light of the information currently available to it. We caution that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, and therefore you should not place undue reliance on them. You also should not believe that it is our obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. We disclaim any such obligation. Risks and uncertainties that might affect us include, but are not limited to, (i) general economic conditions in our markets, particularly levels of consumer spending; (ii) exchange rates, particularly between the yen and the U.S. dollar, euro, and other currencies in which we make significant sales or in which our assets and liabilities are denominated; (iii) our ability to continue to design and develop and win acceptance of our products and services, which are offered in highly competitive markets characterized by continual new product introductions, rapid developments in technology and subjective and changing consumer preferences; (iv) our ability to successfully implement our business strategies; (v) our ability to compete and 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; and (ix) the outcome of contingencies.

## **Corporate Policy**

It is our corporate policy to make customer satisfaction our highest priority. We strive to develop and provide advanced, high-quality, value-added electronics products that deliver satisfaction, comfort and convenience, and create new forms of entertainment. This keeps us faithful to Pioneer group's philosophy to "Move the Heart and Touch the Soul."

Accordingly, we created a medium-term management plan in August 1998, and set the following four business targets, and two financial targets to be achieved by March 2006.

Business targets:

- No.1 in DVD worldwide
- Establishing a business foundation for plasma displays and OEL displays
- From stand-alone to network
- Towards the key-device, key-technology business

Financial targets for fiscal year ending March 2006:

- 1.2 trillion yen of consolidated operating revenue
- ROE (Return on Equity) in excess of 10%

Today, DVD-related products and plasma displays have grown to become our core businesses. To realize these goals, we will continue implementing a range of measures in every field of our business.

## **Pioneer's Corporate Governance**

### I. Basic Principles

Pursuant to the Commercial Code of Japan, the Company applies the "Corporate Auditors System," in which the Board of Directors is a decision-making and supervisory body, Representative Directors are responsible for business operations, and the Board of Corporate Auditors is an auditing body of corporate accounting and directors' performance regarding corporate affairs. In addition, to clarify management responsibilities, speed up business operations, improve transparency of decision-making and strengthen legal and regulatory compliance, Pioneer introduced an "Internal Companies System" in 1997, a "Corporate Executive Officer System" in 1999 and "Management Committee Meetings" in 2002.

Pioneer's corporate governance is based on the "Corporate Auditors System," and comprises the "Internal Companies System" and "Corporate Executive Officer System," which ensure swift and effective business operations, "Management Committee Meetings," at which important business issues are decided through thorough discussion, and the "Board of Directors," which performs supervisory functions. Our management believes that this current corporate governance system is functioning effectively.

Also, we are devising measures to enforce compliance among the group. In 2001, we adopted the “Pioneer Group Charter for Corporate Operations” and “Code of Conduct for Business Practices.” Through these new rules, Pioneer has been promoting and enforcing high ethical standards and strengthening its role as a trusted and respected company in every aspect of its activities. In 2002, “Rules of the Pioneer Group” were adopted to stipulate fundamentals that every company of the group should observe, defining responsibilities and authorities of each group company and basic principles of compliance.

## II. Governance in Effect

(1) Current structure of decision-making, business operation and supervision is as follows:

- We apply the “Corporate Auditors System.”
- We consult with outside legal counsel in Japan and the United States regarding legal compliance of our management decisions and information disclosures. We also have independent certified public accountants audit or review our financial statements to ascertain fairness of our financial reporting in conformity with generally accepted accounting principles.

(2) Personal, capital, business and other interests of independent directors and corporate auditors:

- For fiscal 2004, we had 13 directors on the board, including one independent director and five corporate auditors, including three independent auditors. We propose an agenda to newly elect one independent director at the upcoming ordinary general meeting of shareholders to be held on June 29, 2004. With the approval of the shareholders, we will have two independent directors and three independent corporate auditors. None of our independent directors or corporate auditors are, or have been, employed by Pioneer or its subsidiaries, nor do they have any personal, capital, business or other particular interests in Pioneer or its subsidiaries, or with their respective directors, executive officers or corporate auditors.

Independent director:

Mr. Tatsuhiro Ishikawa (Attorney-at-Law and Professor at Asia University)

Independent corporate auditors:

Mr. Terumichi Tsuchida (Advisor of Meiji Yasuda Life Insurance Company)

Mr. Isao Moriya (Certified Public Accountant)

Mr. Keiichi Nishikido (Attorney-at-Law)

Candidates for independent director:

Mr. Shunichi Sato (Former Japanese Ambassador to Belgium)

(3) Measures taken in the past year for better corporate governance

- Shortening Terms of Office

With the approval of the ordinary general meeting of shareholders in June 2003, the term of office for directors was shortened from two years to one year. This change may give shareholders more frequent opportunities to review and appoint directors, so that we can clarify directors' responsibilities and respond promptly to changing business environments.

- Independent Corporate Auditors Elected

With the approval of the ordinary general meeting of shareholders in June 2003, a certified public accountant Isao Moriya and an attorney-at-law Keiichi Nishikido were elected as independent corporate auditors to oversee our management with their accounting and legal expertise.

- "Disclosure Committee" Established

Pioneer is listed on the New York Stock Exchange, and as a result, is subject to various U.S. laws and regulations, including the Sarbanes-Oxley Act of 2002. Pioneer is constantly improving its corporate governance system, including for example, establishment in April 2003 of the "Disclosure Committee" to ensure complete and timely disclosure of the Company's material information.

- Management Committee Meetings

The Meetings consist of directors and executive officers with important executive responsibilities. In fiscal 2004, the Meetings were held 24 times, deliberating on about 100 important issues related to our tasks on businesses operations, investment projects, group reorganization, group management strategies and medium- and long-term strategic policies. The Meetings play an important role in supporting smooth decision-making by the Board of Directors.

### **Other Important Information**

On March 5, 2004, Pioneer issued Euro Yen Zero Coupon Convertible Bonds due 2011 (bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai*) in aggregate principal amount of ¥60,000 million (the "Bonds"). The net proceeds of the issue of the Bonds will be applied principally towards investment in plasma display business, and enhancement of distribution channels in Europe and China.

### **Proposed Changes in Management**

Pioneer announced that at the meeting of its board of directors held on April 27, 2004, it resolved to convene the 58th ordinary general meeting of shareholders on June 29, 2004 in Tokyo. Also announced were changes in management as follows:

- (1) Candidate for membership on Pioneer's board of directors to be newly elected at the shareholders' meeting:
  - Mr. Shunichi Sato, former Japanese Ambassador to Belgium.
- (2) Directors who will retire at the conclusion of the shareholders' meeting:
  - Mr. Yoshimichi Inada, currently Executive Vice President and Representative Director, will become Executive Corporate Advisor of Pioneer Corporation; and
  - Mr. Katsuhiko Abe, currently Executive Vice President and Representative Director, will become Executive Corporate Advisor of Pioneer Corporation.
- (3) Changes in Directors:
  - Mr. Akira Nijima, currently Senior Managing Director, will be promoted to Senior Managing Director and Representative Director;
  - Mr. Takashi Kobayashi, currently Senior Managing Director, will be promoted to Senior Managing Director and Representative Director;
  - Mr. Tamihiko Sudo, currently Managing Director, will be promoted to Senior Managing Director and Representative Director;
  - Mr. Hajime Ishizuka, currently Director, will be promoted to Senior Managing Director and Representative Director; and
  - Mr. Koichi Shimizu, currently Director, will be promoted to Managing Director.
- (4) Executive Officers to be newly elected, effective June 29, 2004:
  - Mr. Ryoji Menjo, currently serving as General Manager of Customer Satisfaction Planning and Coordination Division;
  - Mr. Tsutomu Haga, currently serving as President of Pioneer Electronics (USA) Inc.; and
  - Mr. Akira Haeno, currently serving as Plant Manager of Kawagoe Plant and General Manager of Production Division of Pioneer's Mobile Entertainment Company.
- (5) Executive Officers who will retire on June 29, 2004:
  - Mr. Shungo Minato, currently Senior Executive Officer, will concentrate on his duties as Executive Vice President and Director of Pioneer Service Network Corporation; and
  - Mr. Masaharu Yoshino, currently Executive Officer, will become Senior Managing Director of Pioneer Service Network Corporation on June 8, 2004.

(6) Changes in Executive Officer, effective June 29, 2004:

- Mr. Kazunori Yamamoto, currently Senior Executive Officer, will be promoted to Senior Managing Executive Officer;
- Mr. Masao Kawabata, currently Executive Officer, will be promoted to Senior Executive Officer;
- Mr. Yoshio Taniyama, currently Executive Officer, will be promoted to Senior Executive Officer; and
- Mr. Hideki Okayasu, currently Executive Officer, will be promoted to Senior Executive Officer.

Pioneer Corporation is one of the leading manufacturers of consumer- and business-use electronics products such as audio, video and car electronics on a global scale. Its shares are traded on the New York Stock Exchange (ticker symbol PIO), Euronext Amsterdam, Tokyo Stock Exchange, and Osaka Securities Exchange.

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The U.S. dollar amounts in this release represent translation of Japanese yen, for convenience only, at the rate of ¥106=US\$1.00, the approximate rate prevailing on March 31, 2004.

Attached are (I) consolidated financial statements and (II) financial statements of the parent company only.

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## I. CONSOLIDATED FINANCIAL STATEMENTS OF PIONEER CORPORATION

## (1) OPERATING REVENUE BY SEGMENT

(In millions of yen)

|                        | Year ended March 31 |               |          |               | % to<br>prior<br>year |
|------------------------|---------------------|---------------|----------|---------------|-----------------------|
|                        | 2004                |               | 2003     |               |                       |
|                        | Amount              | % to<br>Total | Amount   | % to<br>Total |                       |
| Domestic .....         | ¥ 78,798            | 11.2          | ¥ 86,766 | 12.8          | 90.8                  |
| Overseas .....         | 202,684             | 29.0          | 191,202  | 28.2          | 106.0                 |
| Home Electronics ..... | 281,482             | 40.2          | 277,968  | 41.0          | 101.3                 |
| Domestic .....         | 121,708             | 17.4          | 105,736  | 15.6          | 115.1                 |
| Overseas .....         | 170,479             | 24.3          | 175,354  | 25.9          | 97.2                  |
| Car Electronics .....  | 292,187             | 41.7          | 281,090  | 41.5          | 103.9                 |
| Domestic .....         | -                   | -             | -        | -             | -                     |
| Overseas .....         | 11,821              | 1.7           | 12,584   | 1.9           | 93.9                  |
| Patent Licensing ..... | 11,821              | 1.7           | 12,584   | 1.9           | 93.9                  |
| Domestic .....         | 62,792              | 9.0           | 62,137   | 9.2           | 101.1                 |
| Overseas .....         | 52,603              | 7.4           | 43,480   | 6.4           | 121.0                 |
| Others .....           | 115,395             | 16.4          | 105,617  | 15.6          | 109.3                 |
| Domestic .....         | 263,298             | 37.6          | 254,639  | 37.6          | 103.4                 |
| Overseas .....         | 437,587             | 62.4          | 422,620  | 62.4          | 103.5                 |
| Total .....            | ¥700,885            | 100.0         | ¥677,259 | 100.0         | 103.5                 |

## (2) CONSOLIDATED STATEMENTS OF INCOME

(In millions of yen)

|  | Year ended March 31 |          |
|--|---------------------|----------|
|  | 2004                | 2003     |
| Operating revenue:   |                     |          |
| Net sales .....  | ¥689,064            | ¥664,675 |
| Royalty revenue .....  | 11,821              | 12,584   |
|  | 700,885             | 677,259  |
| Operating costs and expenses:                                  |                     |          |
| Cost of sales .....  | 487,297             | 473,239  |
| Selling, general and administrative .....                      | 169,869             | 173,255  |
|  | 657,166             | 646,494  |
| Operating income .....   | 43,719              | 30,765   |
| Other income (expenses):                                       |                     |          |
| Interest income .....  | 1,420               | 2,153    |
| Foreign exchange loss .....                                    | (1,244)             | (2,045)  |
| Interest expense .....   | (2,154)             | (2,814)  |
| Others, net .....  | 107                 | 20       |
|  | (1,871)             | (2,686)  |
| Income from continuing operations<br>before income taxes ..... | 41,848              | 28,079   |
| Income taxes .....   | 18,587              | 9,032    |
| Minority interest in income of subsidiaries .....              | (654)               | 21       |
| Equity in losses of affiliated companies .....                 | (2,244)             | (3,126)  |
| Income from continuing operations .....                        | 20,363              | 15,942   |
| Income from discontinued<br>operations, net of taxes .....     | 4,475               | 136      |
| Net income .....   | ¥ 24,838            | ¥ 16,078 |

Pioneer Corporation and Subsidiaries

(3) CONSOLIDATED BALANCE SHEETS

(In millions of yen)

| <u>ASSETS</u>  | March 31          |                   | Increase/<br>(Decrease) |
|--|-------------------|-------------------|-------------------------|
|  | 2004              | 2003              |                         |
| Current assets:  |                   |                   |                         |
| Cash and cash equivalents                                      | ¥192,419          | ¥142,480          | ¥49,939                 |
| Trade receivables, less allowance                              | 112,055           | 113,868           | (1,813)                 |
| Inventories  | 107,806           | 93,620            | 14,186                  |
| Others   | 67,508            | 66,014            | 1,494                   |
| Total current assets   | 479,788           | 415,982           | 63,806                  |
| Investments and long-term receivables                          | 33,725            | 25,871            | 7,854                   |
| Property, plant and equipment, less depreciation               | 156,201           | 145,699           | 10,502                  |
| Intangible assets  | 18,966            | 15,619            | 3,347                   |
| Other assets   | 33,862            | 43,858            | (9,996)                 |
|  | <u>¥722,542</u>   | <u>¥647,029</u>   | <u>¥75,513</u>          |
| <br><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>                |                   |                   |                         |
| Current liabilities:   |                   |                   |                         |
| Short-term borrowings and current portion<br>of long-term debt | ¥ 27,837          | ¥ 30,867          | ¥ (3,030)               |
| Trade payables   | 79,439            | 67,173            | 12,266                  |
| Others   | 116,022           | 108,490           | 7,532                   |
| Total current liabilities                                      | 223,298           | 206,530           | 16,768                  |
| Long-term debt   | 89,691            | 32,196            | 57,495                  |
| Other long-term liabilities                                    | 58,771            | 71,631            | (12,860)                |
| Minority interests   | 17,844            | 18,279            | (435)                   |
| Shareholders' equity:  |                   |                   |                         |
| Common stock   | 49,049            | 49,049            | -                       |
| Capital surplus  | 82,464            | 82,159            | 305                     |
| Retained earnings  | 273,718           | 253,266           | 20,452                  |
| Accumulated other comprehensive income (loss)                  | (61,829)          | (55,629)          | (6,200)                 |
| Treasury stock   | (10,464)          | (10,452)          | (12)                    |
| Total shareholders' equity                                     | 332,938           | 318,393           | 14,545                  |
|  | <u>¥722,542</u>   | <u>¥647,029</u>   | <u>¥75,513</u>          |
| <br>Breakdown of accumulated other comprehensive income (loss) |                   |                   |                         |
| Minimum pension liability adjustments                          | ¥ (22,930)        | ¥ (32,675)        | ¥ 9,745                 |
| Net unrealized holding gain on securities                      | 9,103             | 3,348             | 5,755                   |
| Cumulative foreign currency translation adjustments            | (48,002)          | (26,302)          | (21,700)                |
| Total accumulated other comprehensive income (loss)            | <u>¥ (61,829)</u> | <u>¥ (55,629)</u> | <u>¥ (6,200)</u>        |

## (4) CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In millions of yen)

|  | Common<br>Stock | Capital<br>Surplus | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Treasury<br>Stock | Total<br>Shareholders'<br>Equity |
|--|-----------------|--------------------|----------------------|--|-------------------|----------------------------------|
| Balance at March 31, 2002                    | ¥49,049         | ¥82,010            | ¥240,692             | ¥(24,736)  | ¥ (12)            | ¥347,003                         |
| Net income                                   |                 |                    | 16,078               |  |                   | 16,078                           |
| Other comprehensive<br>income (loss)         |                 |                    |                      | (30,893)   |                   | (30,893)                         |
| Value ascribed to<br>stock options           |                 | 149                |                      |  |                   | 149                              |
| Cash dividends<br>(¥17.50 per share)         |                 |                    | (3,092)              |  |                   | (3,092)                          |
| Purchase and sales of<br>treasury stock, net |                 |                    | (412)                |  | (10,440)          | (10,852)                         |
| Balance at March 31, 2003                    | ¥49,049         | ¥82,159            | ¥253,266             | ¥(55,629)  | ¥(10,452)         | ¥318,393                         |
| Net income                                   |                 |                    | 24,838               |  |                   | 24,838                           |
| Other comprehensive<br>income (loss)         |                 |                    |                      | (6,200)  |                   | (6,200)                          |
| Value ascribed to<br>stock options           |                 | 305                |                      |  |                   | 305                              |
| Cash dividends<br>(¥25.00 per share)         |                 |                    | (4,386)              |  |                   | (4,386)                          |
| Purchase and sales of<br>treasury stock, net |                 |                    |                      |  | (12)              | (12)                             |
| Balance at March 31, 2004                    | ¥49,049         | ¥82,464            | ¥273,718             | ¥(61,829)  | ¥(10,464)         | ¥332,938                         |

## (5) CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions of yen)

|  | Year ended March 31 |          |
|--|---------------------|----------|
|  | 2004                | 2003     |
| I. Operating activities:   |                     |          |
| Net income.....  | ¥ 24,838            | ¥ 16,078 |
| Income from discontinued<br>operations, net of taxes.....                | (4,475)             | (136)    |
| Depreciation and amortization .....                                      | 40,911              | 36,238   |
| (Increase) decrease in trade receivables .....                           | (10,186)            | 8,481    |
| (Increase) decrease in inventories .....                                 | (20,707)            | 838      |
| Increase in trade payables.....  | 18,989              | 13,221   |
| Increase in other accrued liabilities .....                              | 7,654               | 8,172    |
| Other .....  | 3,354               | 8,617    |
| Net cash provided by operating activities                                | 60,378              | 91,509   |
| II. Investing activities:  |                     |          |
| Payment for purchase of fixed assets.....                                | (57,978)            | (40,493) |
| Other .....  | 5,224               | 5,265    |
| Net cash used in investing activities                                    | (52,754)            | (35,228) |
| III. Financing activities:   |                     |          |
| Increase (decrease) in short-term<br>borrowings and long-term debt ..... | 56,071              | (21,128) |
| Dividends paid.....  | (3,947)             | (2,688)  |
| Purchase and sales of treasury stock, net .....                          | (12)                | (10,852) |
| Other .....  | (285)               | (12)     |
| Net cash provided by (used in) financing activities                      | 51,827              | (34,680) |
| Effect of exchange rate changes on cash<br>and cash equivalents .....    | (9,512)             | (6,234)  |
| Net increase in cash and cash equivalents .....                          | 49,939              | 15,367   |
| Cash and cash equivalents at beginning of year .....                     | 142,480             | 127,113  |
| Cash and cash equivalents at end of year.....                            | ¥192,419            | ¥142,480 |
| I + II Free cash flow .....  | ¥ 7,624             | ¥ 56,281 |

Pioneer Corporation and Subsidiaries

(6) SEGMENT INFORMATION

The following segment information is prepared pursuant to the regulations under the Securities and Exchange Law of Japan.

<Business Segments>

(In millions of yen)

|                           | Year ended March 31 |                  |                   |                  |                   |                  |
|---------------------------|---------------------|------------------|-------------------|------------------|-------------------|------------------|
|                           | 2004                |                  | 2003              |                  | % to prior year   |                  |
|                           | Operating Revenue   | Operating Income | Operating Revenue | Operating Income | Operating Revenue | Operating Income |
| Home Electronics          | ¥282,881            | ¥ 2,099          | ¥279,686          | ¥ 3,878          | 101.1             | 54.1             |
| Car Electronics           | 294,647             | 28,936           | 282,361           | 26,126           | 104.4             | 110.8            |
| Patent Licensing          | 13,878              | 11,398           | 14,598            | 10,736           | 95.1              | 106.2            |
| Others                    | 152,255             | 1,096            | 147,397           | 8                | 103.3             | -                |
| Total                     | 743,661             | 43,529           | 724,042           | 40,748           | 102.7             | 106.8            |
| Corporate and elimination | (42,776)            | 190              | (46,783)          | (9,983)          | -                 | -                |
| Consolidated total        | ¥700,885            | ¥43,719          | ¥677,259          | ¥30,765          | 103.5             | 142.1            |

<Geographic Segments>

(In millions of yen)

|                           | Year ended March 31 |                  |                   |                  |                   |                  |
|---------------------------|---------------------|------------------|-------------------|------------------|-------------------|------------------|
|                           | 2004                |                  | 2003              |                  | % to prior year   |                  |
|                           | Operating Revenue   | Operating Income | Operating Revenue | Operating Income | Operating Revenue | Operating Income |
| Japan                     | ¥ 572,269           | ¥18,456          | ¥ 543,641         | ¥16,463          | 105.3             | 112.1            |
| North America             | 176,276             | 11,467           | 195,452           | 11,091           | 90.2              | 103.4            |
| Europe                    | 146,357             | 2,044            | 133,476           | (462)            | 109.7             | -                |
| Other                     | 276,032             | 9,595            | 253,505           | 7,415            | 108.9             | 129.4            |
| Total                     | 1,170,934           | 41,562           | 1,126,074         | 34,507           | 104.0             | 120.4            |
| Corporate and elimination | (470,049)           | 2,157            | (448,815)         | (3,742)          | -                 | -                |
| Consolidated total        | ¥ 700,885           | ¥43,719          | ¥ 677,259         | ¥30,765          | 103.5             | 142.1            |

Notes:

1. The Company's consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.
2. The consolidated financial statements include the accounts of the parent company and 130 subsidiaries and the investments in 5 affiliated companies accounted for on an equity basis.
3. In fiscal 2004, the Company changed business segment classification for certain businesses. Results related to DVD drives for PCs have been moved from "Others" to "Home Electronics", and results related to plasma displays for business use have been moved from "Home Electronics" to "Others". Corresponding figures for the previously reported operating revenue by segment and segment information have been reclassified accordingly.
4. As a result of the sale of subsidiaries in audio/video software business in the fiscal 2004, the gain on such sale, as well as the operating results of the discontinued operations, are presented as a separate line item in consolidated statements of income in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Reclassifications have been made to previously reported consolidated statements of income, consolidated statements of cash flows and segment information to conform to this presentation.

The financial result of discontinued operations for the year ended March 31 2003 and 2004, and income from discontinued operations presented as a line in consolidated statements of income, is itemized as follows.

|  | (In millions of yen) |         |
|--|----------------------|---------|
|  | Year ended March 31  |         |
|  | 2004                 | 2003    |
| Operating revenue.....                       | ¥16,650              | ¥35,009 |
| Operating income.....                        | ¥ 382                | ¥ 587   |
| Income before income taxes.....              | ¥ 340                | ¥ 551   |
| Gain on sale of discontinued operations..... | 1,825                | -       |
| Income taxes (benefit).....                  | (2,310)              | 415     |
| Income from discontinued operations.....     | ¥ 4,475              | ¥ 136   |

II. FINANCIAL STATEMENTS OF PIONEER CORPORATION  
FOR THE YEAR ENDED MARCH 31, 2004 and 2003

(1) SALES BY PRODUCT GROUP

|                        | (In millions of yen) |               |          |               |                       |
|------------------------|----------------------|---------------|----------|---------------|-----------------------|
|                        | Year ended March 31  |               |          |               |                       |
|                        | 2004                 |               | 2003     |               | % to<br>prior<br>year |
|                        | Amount               | % to<br>Total | Amount   | % to<br>Total |                       |
| Domestic .....         | ¥ 66,402             | 14.2          | ¥ 74,274 | 16.5          | 89.4                  |
| Export .....           | 148,421              | 31.6          | 130,701  | 29.0          | 113.6                 |
| Home Electronics ..... | 214,824              | 45.8          | 204,975  | 45.5          | 104.8                 |
| Domestic .....         | 119,295              | 25.4          | 105,688  | 23.4          | 112.9                 |
| Export .....           | 108,852              | 23.2          | 114,030  | 25.3          | 95.5                  |
| Car Electronics .....  | 228,147              | 48.6          | 219,718  | 48.7          | 103.8                 |
| Domestic .....         | 8,617                | 1.8           | 9,821    | 2.2           | 87.7                  |
| Export .....           | 17,421               | 3.8           | 16,435   | 3.6           | 106.0                 |
| Others .....           | 26,039               | 5.6           | 26,256   | 5.8           | 99.2                  |
| Domestic .....         | 194,315              | 41.4          | 189,783  | 42.1          | 102.4                 |
| Export .....           | 274,695              | 58.6          | 261,166  | 57.9          | 105.2                 |
| Total .....            | ¥469,010             | 100.0         | ¥450,950 | 100.0         | 104.0                 |

Note: In fiscal 2004, the Company changed business segment classification for certain businesses. Results related to DVD drives for PCs have been moved from "Others" to "Home Electronics", and results related to plasma displays for business use have been moved from "Home Electronics" to "Others".

(2) CONDENSED STATEMENTS OF INCOME

|   | (In millions of yen) |               |          |               |
|---|----------------------|---------------|----------|---------------|
|   | Year ended March 31  |               |          |               |
|   | 2004                 |               | 2003     |               |
|   | Amount               | % to<br>sales | Amount   | % to<br>sales |
| Net sales - Domestic .....                            | ¥194,315             | 41.4          | ¥189,783 | 42.1          |
| Export .....  | 274,695              | 58.6          | 261,166  | 57.9          |
|   | 469,010              | 100.0         | 450,950  | 100.0         |
| Cost of sales .....                                   | 373,479              | 79.6          | 358,427  | 79.5          |
| Selling, general and<br>administrative expenses ..... | 85,607               | 18.3          | 87,669   | 19.4          |
| Operating income .....                                | 9,923                | 2.1           | 4,853    | 1.1           |
| Non-operating income, net .....                       | 6,496                | 1.4           | 5,916    | 1.3           |
| Ordinary income .....                                 | 16,419               | 3.5           | 10,769   | 2.4           |
| Other expenses, net .....                             | 6,637                | 1.4           | 6,459    | 1.4           |
| Income before income taxes .....                      | 9,782                | 2.1           | 4,310    | 1.0           |
| Income taxes .....                                    | 3,008                | 0.7           | 66       | 0.0           |
| Net income .....                                      | ¥ 6,774              | 1.4           | ¥ 4,243  | 0.9           |

## (3) CONDENSED BALANCE SHEETS

(In millions of yen)

| <u>ASSETS</u>                         | March 31 |          | Increase/<br>(Decrease) |
|---------------------------------------|----------|----------|-------------------------|
|                                       | 2004     | 2003     |                         |
| Current assets:                       |          |          |                         |
| Cash                                  | ¥ 73,134 | ¥ 19,756 | ¥53,378                 |
| Notes and accounts receivable - trade | 43,582   | 42,991   | 591                     |
| Marketable securities                 | 32,685   | 28,784   | 3,901                   |
| Inventories                           | 31,183   | 24,300   | 6,883                   |
| Other current assets                  | 27,781   | 30,876   | (3,095)                 |
| Total current assets                  | 208,368  | 146,710  | 61,658                  |
| Fixed assets:                         |          |          |                         |
| Tangible                              | 42,913   | 35,368   | 7,545                   |
| Intangible                            | 20,075   | 13,303   | 6,772                   |
| Investments and others                | 190,207  | 189,303  | 904                     |
| Total fixed assets                    | 253,196  | 237,975  | 15,221                  |
| Total assets                          | ¥461,564 | ¥384,685 | ¥76,879                 |

LIABILITIES AND SHAREHOLDERS' EQUITY

|  |          |          |         |
|--|----------|----------|---------|
| Current liabilities:                       |          |          |         |
| Accounts payable – trade                   | ¥ 40,987 | ¥ 35,552 | ¥ 5,435 |
| Accrued expenses                           | 40,953   | 37,539   | 3,414   |
| Other current liabilities                  | 12,123   | 11,981   | 142     |
| Total current liabilities                  | 94,064   | 85,074   | 8,990   |
| Long-term liabilities                      | 90,074   | 29,058   | 61,016  |
| Total liabilities                          | 184,139  | 114,133  | 70,006  |
| Shareholders' equity                       | 277,425  | 270,552  | 6,873   |
| Total liabilities and shareholders' equity | ¥461,564 | ¥384,685 | ¥76,879 |

Note: In preparing the financial statements, all amounts less than one million yen were disregarded.

Pioneer Corporation—Parent Company Only

(4) PROPOSAL OF APPROPRIATION OF UNAPPROPRIATED RETAINED EARNINGS

(In million of yen except per share information)

|   | Year ended<br>March 31, 2004                   | Year ended<br>March 31, 2003                 |
|---|--|--|
| Unappropriated retained earnings at the end of the period .....             | ¥7,061   | ¥3,009                                       |
| Restoration of general reserves.....  | -  | 1,297  |
| Total.....  | 7,061  | 4,307  |
| To be appropriated as follows:  |  |  |
| General reserve.....  | -  | 2  |
| Dividends .....   | 2,192  | 1,754  |
|   | (¥12.50 per<br>share of<br>common stock)       | (¥10 per<br>share of<br>common stock)        |
| Bonus to directors and corporate auditors .....                             | 100  | 70   |
|   | (of ¥100,<br>¥11 is for<br>corporate auditors) | (of ¥70,<br>¥5 is for<br>corporate auditors) |
| Unappropriated retained earnings carried<br>forward to the next period..... | ¥4,769   | ¥2,480                                       |

Note: Combined with the interim dividends of ¥12.5 per share of common stock paid on December 3, 2003, the total cash dividends for fiscal year 2004 will amount to ¥25 per share of common stock.