

News Release

***For Immediate Release
December 8, 2005***

Pioneer Announces Partial Amendments to Second-Quarter and Semiannual Results for Fiscal 2006

TOKYO — Pioneer Corporation today announced as follows, partial amendments to its consolidated second-quarter and semiannual business results, and non-consolidated semiannual business results, for the periods ended September 30, 2005, which were announced on October 31, 2005.

Reason for Amendments

The Company, after consulting its Auditors, has amended certain amounts in its consolidated and non-consolidated financial statements, in connection with the business restructuring plans announced on December 8, 2005. The amendments were due to impairment losses recognized for the property, plant and equipment for plasma display production, losses related to the decision to withdraw from active-matrix organic light-emitting diode (OLED) business, and additional valuation allowances made for deferred tax assets.

Impairment losses of ¥31.9 billion in “Other-net,” were recognized after reviewing the future business plans and cash flows of the plasma display production facilities. The Company recognized equity in losses of affiliated companies for the amount of ¥22.4 billion for the active-matrix OLED business, as Tohoku Pioneer Corporation has recently decided to end its joint venture ELDis, Inc. and the guarantee for ELDis Inc.’s loans has been recognized as liabilities. The Company also recognized ¥10.4 billion — ¥9.4 billion for the parent company and ¥1.0 billion for subsidiaries in Japan — in additional valuation allowances for deferred tax assets, after reviewing the business forecast.

I. CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS AND THE SIX MONTHS ENDED SEPTEMBER 30, 2005

(1) CONSOLIDATED STATEMENTS OF OPERATIONS

	(In millions of yen)		
	Three months ended September 30		
	2005	2004	% to prior year
Operating revenue:			
Net sales	¥181,553	¥177,696	102.2%
Royalty revenue	4,162	3,864	107.7
Total operating revenue	185,715	181,560	102.3
Operating costs and expenses:			
Cost of sales	148,180	133,601	110.9
Selling, general and administrative expenses	45,054	39,573	113.9
Total operating costs and expenses	193,234	173,174	111.6
Operating income (loss)	(7,519)	8,386	-
Other income (expenses):			
Interest income	625	432	144.7
Foreign exchange loss	(323)	(228)	141.7
Interest expense	(325)	(315)	103.2
Other—net	(29,718)*	(76)	-
Total other income (expenses)	(29,741)*	(187)	-
Income (loss) before income taxes	(37,260)*	8,199	-
Income taxes	(5,263)*	3,937	- *
Minority interest in losses (earnings) of subsidiaries	3,601 *	(270)	-
Equity in losses of affiliated companies	(24,305)*	(680)	3,574.3 *
Net income (loss)	¥ (52,701)*	¥ 3,312	-%

	(In millions of yen)		
	Six months ended September 30		
	2005	2004	% to prior year
Operating revenue:			
Net sales	¥344,613	¥338,308	101.9%
Royalty revenue	5,285	6,739	78.4
Total operating revenue	349,898	345,047	101.4
Operating costs and expenses:			
Cost of sales	278,393	250,878	111.0
Selling, general and administrative expenses	87,893	80,771	108.8
Total operating costs and expenses	366,286	331,649	110.4
Operating income (loss)	(16,388)	13,398	-
Other income (expenses):			
Interest income	1,252	790	158.5
Foreign exchange loss	(1,065)	(1,161)	91.7
Interest expense	(720)	(689)	104.5
Other—net	(26,948)*	100	- *
Total other income (expenses)	(27,481)*	(960)	2,862.6 *
Income (loss) before income taxes	(43,869)*	12,438	-
Income taxes	(6,815)*	5,544	-
Minority interest in losses (earnings) of subsidiaries	4,168 *	(560)	-
Equity in losses of affiliated companies	(25,158)*	(1,525)	1,649.7 *
Net income (loss)	¥ (58,044)*	¥ 4,809	-%

* Amended figures.

(2) CONSOLIDATED BALANCE SHEETS

(In millions of yen)

	September 30			March 31	
	2005	2004	Increase/ (Decrease)	2005	Increase/ (Decrease)
ASSETS					
Current assets:					
Cash and cash equivalents	¥107,198	¥123,936	¥(16,738)	¥116,681	¥ (9,483)
Trade receivables, less allowance	126,981	119,863	7,118	132,176	(5,195)
Inventories	126,594	135,504	(8,910)	109,015	17,579
Others	73,878 *	74,711	(833)*	69,024	4,854 *
Total current assets	434,651 *	454,014	(19,363)*	426,896	7,755 *
Investments and long-term receivables	25,268	29,553	(4,285)	28,828	(3,560)
Property, plant and equipment, less depreciation	171,893 *	208,964	(37,071)*	210,145	(38,252)*
Intangible assets	22,723 *	25,590	(2,867)*	24,052	(1,329)*
Other assets	44,518 *	39,015	5,503 *	35,246	9,272 *
Total assets	¥699,053 *	¥757,136	¥(58,083)*	¥725,167	¥(26,114)*
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Short-term borrowings and current portion of long-term debt	¥ 55,560	¥ 40,615	¥ 14,945	¥ 52,428	¥ 3,132
Trade payables	104,831	103,031	1,800	96,335	8,496
Others	122,463 *	104,554	17,909 *	102,407	20,056 *
Total current liabilities	282,854 *	248,200	34,654 *	251,170	31,684 *
Long-term debt	79,512	87,397	(7,885)	81,219	(1,707)
Other long-term liabilities	41,225 *	58,909	(17,684)*	42,371	(1,146)*
Minority interests	14,202 *	18,281	(4,079)*	18,168	(3,966)*
Shareholders' equity:					
Common stock	49,049	49,049	-	49,049	-
Capital surplus	82,834	82,612	222	82,735	99
Retained earnings	201,204 *	276,334	(75,130)*	260,556	(59,352)*
Accumulated other comprehensive income (loss)	(39,390)	(53,185)	13,795	(47,669)	8,279
Treasury stock	(12,437)	(10,461)	(1,976)	(12,432)	(5)
Total shareholders' equity	281,260 *	344,349	(63,089)*	332,239	(50,979)*
Total liabilities and shareholders' equity	¥699,053 *	¥757,136	¥(58,083)*	¥725,167	¥(26,114)*
Breakdown of accumulated other comprehensive income (loss):					
Minimum pension liability adjustments	¥(11,391)	¥(21,714)	¥ 10,323	¥(11,186)	¥ (205)
Net unrealized holding gain on securities	7,475	7,516	(41)	8,250	(775)
Cumulative foreign currency translation adjustments	(35,474)	(38,987)	3,513	(44,733)	9,259
Total accumulated other comprehensive income (loss)	¥(39,390)	¥(53,185)	¥13,795	¥(47,669)	¥ 8,279

* Amended figures.

(3) CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In millions of yen)

	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Equity
Balance at March 31, 2004	¥49,049	¥82,464	¥273,718	¥(61,829)	¥(10,464)	¥332,938
Net loss			(8,789)			(8,789)
Other comprehensive income				14,160		14,160
Value ascribed to stock options		270				270
Cash dividends (¥25 per share)			(4,373)			(4,373)
Purchase and sales of treasury stock, net		1			(1,968)	(1,967)
Balance at March 31, 2005	¥49,049	¥82,735	¥260,556	¥(47,669)	¥(12,432)	¥332,239
Net loss			(58,044)*			(58,044)*
Other comprehensive income				8,279		8,279
Value ascribed to stock options		99				99
Cash dividends (¥7.5 per share)			(1,308)			(1,308)
Purchase and sales of treasury stock, net					(5)	(5)
Balance at September 30, 2005	¥49,049	¥82,834	¥201,204 *	¥(39,390)	¥(12,437)	¥281,260 *

(4) CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions of yen)

	Three months		Six months	
	ended September 30		ended September 30	
	2005	2004	2005	2004
I. Operating activities:				
Net income (loss)	¥ (52,701)*	¥ 3,312	¥ (58,044)*	¥ 4,809
Depreciation and amortization	11,575	10,778	24,122	21,287
(Increase) decrease in trade receivables	(15,718)	(8,194)	7,160	415
(Increase) decrease in inventories	1,396	(6)	(14,635)	(18,814)
Increase (decrease) in trade payables	5,607	(76)	8,016	7,168
Increase (decrease) in other accrued liabilities	10,822	1,545	2,737	(11,185)
Other	41,299 *	(5,714)	31,864 *	(7,711)
Net cash provided by (used in) operating activities	2,280	1,645	1,220	(4,031)
II. Investing activities:				
Payment for purchase of fixed assets	(10,355)	(12,646)	(19,282)	(26,284)
Payment for purchase of subsidiary	-	(36,615)	-	(36,615)
Other	3,354	(17)	7,357	338
Net cash used in investing activities	(7,001)	(49,278)	(11,925)	(62,561)
III. Financing activities:				
Increase (decrease) in short-term borrowings and long-term debt	(3,183)	1,035	2,866	(3,034)
Dividends paid	-	-	(2,180)	(2,193)
Other	(1,034)	(220)	(2,073)	(323)
Net cash provided by (used in) financing activities	(4,217)	815	(1,387)	(5,550)
Effect of exchange rate changes on cash and cash equivalents	1,366	1,792	2,609	3,659
Net decrease in cash and cash equivalents	(7,572)	(45,026)	(9,483)	(68,483)
Cash and cash equivalents, beginning of period	114,770	168,962	116,681	192,419
Cash and cash equivalents, end of period	¥107,198	¥123,936	¥107,198	¥123,936
Free cash flow (I + II)	¥(4,721)	¥(47,633)	¥(10,705)	¥(66,592)

* Amended figures.

II. NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2005

(1) SALES BY SEGMENT

(In millions of yen)

	Six months ended September 30					
	2005		2004		% to prior year	
	Amount	% to total	Amount	% to total		
Domestic	¥ 31,923	13.0%	¥ 32,120	13.7%	99.4%	
Export	84,303	34.3	77,616	33.2	108.6	
Home Electronics	116,226	47.3	109,737	46.9	105.9	
Domestic	55,997	22.8	61,362	26.3	91.2	
Export	73,053	29.7	62,086	26.5	117.7	
Car Electronics	129,051	52.5	124,173	52.8	103.9	
Domestic	494	0.2	788	0.3	62.8	
Export	47	0.0	64	0.0	72.9	
Others	541	0.2	852	0.3	63.5	
Domestic	88,416	36.0	94,995	40.3	93.1	
Export	157,403	64.0	139,767	59.7	112.6	
Total	<u>¥245,819</u>	<u>100.0%</u>	<u>¥234,039</u>	<u>100.0%</u>	<u>104.7%</u>	

Note: Effective from this fiscal 2006, the Company changed business segment classification for certain businesses. Results related to plasma displays for business use and DJ equipment have been moved from "Others" to "Home Electronics." Previously reported amounts have been reclassified accordingly.

(2) CONDENSED STATEMENTS OF OPERATIONS

(In millions of yen)

	Six months ended September 30			
	2005		2004	
	Amount	% to net sales	Amount	% to net sales
Net sales	¥245,819	100.0%	¥234,039	100.0%
Cost of sales	213,720	86.9	191,874	82.0
Selling, general and administrative expenses	41,592	17.0	41,981	17.9
Operating income (loss)	(9,493)	(3.9)	183	0.1
Non-operating income —net	54	0.1	2,098	0.9
Ordinary income (loss)	(9,439)	(3.8)	2,282	1.0
Other income (expenses)—net	357	0.1	(0)	(0.0)
Income (loss) before income taxes	(9,081)	(3.7)	2,281	1.0
Income taxes	5,679*	2.3*	141	0.1
Net income (loss)	<u>¥ (14,761)*</u>	<u>(6.0)%*</u>	<u>¥ 2,140</u>	<u>0.9%</u>

* Amended figures.

(3) CONDENSED BALANCE SHEETS

(In millions of yen)

	September 30		March 31
	2005	2004	2005
ASSETS			
Current assets:			
Cash	¥ 46,162	¥ 33,829	¥ 40,502
Notes and accounts receivable—trade	46,605	38,018	51,833
Marketable securities	-	18,683	11,685
Inventories	29,044	34,733	28,018
Other current assets	31,020	64,070	41,683
Total current assets	152,832	189,336	173,724
Fixed assets:			
Tangible	52,674	48,282	53,301
Intangible	28,523	21,335	29,826
Investments and others	199,361 *	204,768	201,893
Total fixed assets	280,559 *	274,386	285,021
Total assets	¥433,392 *	¥463,722	¥458,745
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Notes and accounts payable—trade	¥ 53,827	¥ 50,129	¥ 52,738
Accrued expenses	37,471	34,730	40,152
Other current liabilities	15,350	26,766	23,611
Total current liabilities	106,649	111,627	116,502
Long-term liabilities	73,279	76,100	73,237
Total liabilities	179,929	187,727	189,740
Shareholders' equity	253,463 *	275,995	269,005
Total liabilities and shareholders' equity	¥433,392 *	¥463,722	¥458,745

* Amended figures.

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