

# News Release

**For Immediate Release**  
**May 14, 2007**

## **Pioneer Announces Business Results for Fiscal 2007**

TOKYO — Pioneer Corporation today announced its business results on consolidated and non-consolidated bases for fiscal 2007, ended March 31, 2007.

### **Consolidated Financial Highlights**

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

	2007	2006	% to prior year
Operating revenue	¥797,102	¥754,964	105.6%
Operating income (loss)	12,487	(16,409)	—
Income (loss) from continuing operations before income taxes	(7,717)	(71,165)	—
Income (loss) from continuing operations Income from discontinued operations, net of tax	(9,536)	(85,758)	—
Net income (loss)	2,775	772	359.5
	¥ (6,761)	¥ (84,986)	—%
Basic net income (loss) per share:			
Income (loss) from continuing operations	¥(54.67)	¥(491.66)	
Income from discontinued operations, net of tax	15.91	4.43	
Net income (loss)	¥(38.76)	¥(487.23)	
Diluted net income (loss) per share:			
Income (loss) from continuing operations	¥(54.67)	¥(491.66)	
Income from discontinued operations, net of tax	15.91	4.43	
Net income (loss)	¥(38.76)	¥(487.23)	

Note: In fiscal 2006, the Company sold a subsidiary engaged in the development of cable TV software, and in fiscal 2007, sold subsidiaries involved in the electronic components business. The operating results of these subsidiaries and the gain on the sales are presented as income from discontinued operations in the table above.

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## **Consolidated Business Results**

In fiscal 2007, the year ended March 31, 2007, consolidated operating revenue rose 5.6% year on year to ¥797,102 million (US\$6,755.1 million). This increase mainly reflected higher sales of car navigation systems and DVD drives and the weaker yen, despite a drop in sales of DVD recorders.

Operating income was ¥12,487 million (US\$105.8 million), compared with an operating loss of ¥16,409 million in the previous fiscal year. This was due chiefly to higher sales, as well as an improved gross profit margin and lower selling, general and administrative expenses due to the benefits of business restructuring measures and the weaker yen. On the other hand, the net loss was ¥6,761 million (US\$57.3 million) due mainly to impairment losses on property, plant and equipment mainly for plasma displays. Meanwhile, the net loss in the previous fiscal year was ¥84,986 million, mainly attributable to expenses and losses accompanying the implementation of business restructuring measures.

During fiscal 2007, the average value of the Japanese yen was weaker against the U.S. dollar and the euro by 3.2% and 8.1%, respectively, compared with fiscal 2006.

**Home Electronics** sales increased 3.9% year on year to ¥368,622 million (US\$3,123.9 million). Plasma display sales declined slightly due to a drop in overall OEM (original equipment manufacturing) sales, despite increased sales of own-brand models in Europe and North America. Plasma display sales accounted for approximately 48% of Home Electronics sales. Meanwhile, sales of DVD drives, DVD-related devices and DJ equipment rose, while sales of DVD recorders fell year on year.

In terms of geographic sales, sales in Japan declined 19.7% to ¥65,851 million (US\$558.1 million), while overseas sales increased 11.0% to ¥302,771 million (US\$2,565.9 million).

The operating loss in this segment was ¥16,236 million (US\$137.6 million), improving from an operating loss of ¥35,184 million in the previous fiscal year. This was mainly attributable to an improved gross profit margin mainly for plasma displays, largely due to the benefits of business restructuring measures.

**Car Electronics** sales increased 8.3% year on year to ¥357,809 million (US\$3,032.3 million) due to higher sales of both car navigation systems and car audio products. In car navigation systems, consumer-market sales rose mainly in Japan and OEM sales also increased mainly in North America. In car audio products, consumer-market sales increased in Central and South America and Russia, while OEM sales declined in North America, but rose in Japan and China. Total OEM sales in this segment accounted for approximately 36% of Car Electronics sales in fiscal 2007.

In terms of geographic sales, sales in Japan rose 7.4% to ¥126,278 million (US\$1,070.2 million) and overseas sales increased 8.7% to ¥231,531 million (US\$1,962.1 million).

Operating income in this segment rose 26.5% to ¥22,116 million (US\$187.4 million). This increase principally reflected sales growth and cost reductions achieved by reorganizing our production sites.

In **Patent Licensing**, royalty revenue decreased 45.4% year on year to ¥4,661 million (US\$39.5 million). This decrease was attributable to the impact of the expiration of some

patents licensed to the optical disc industry.

Operating income in this segment declined 45.6% to ¥3,924 million (US\$33.3 million).

In the **Others** segment, sales rose 7.8% year on year to ¥66,010 million (US\$559.4 million). This mainly reflected higher sales of factory automation systems and passive-matrix organic light-emitting diode (OLED) displays, despite lower sales of speaker units for cellular phones.

In terms of geographic sales, sales in Japan increased 24.9% to ¥41,490 million (US\$351.6 million), while overseas sales were down 12.4% at ¥24,520 million (US\$207.8 million).

Operating income in this segment was ¥2,875 million (US\$24.4 million) compared with an operating loss of ¥3,991 million in the previous fiscal year. This improvement was mainly attributable to improved profitability in OLED displays primarily due to the benefits of business restructuring measures.

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

### **Cash Flows**

During fiscal 2007, operating activities provided net cash of ¥16,752 million (US\$142.0 million). This was due mainly to adjustments for non-cash expenses, such as depreciation and amortization of ¥41,127 million (US\$348.5 million) and impairment losses of ¥22,711 million (US\$192.5 million) on property, plant and equipment, despite the net loss of ¥6,761 million (US\$57.3 million) and a decrease in accounts payable and accrued liabilities of ¥24,285 million (US\$205.8 million). Investing activities used net cash of ¥16,468 million (US\$139.6 million). This reflected ¥41,932 million (US\$355.4 million) mainly for capital expenditures related to car electronics products and plasma displays, partially offset by an advance of ¥14,112 million (US\$119.6 million) for the sale of all land and buildings at the Tokorozawa Plant and some at the Omori Plant and by proceeds of ¥10,949 million (US\$92.8 million) from the sale of subsidiaries. Financing activities used net cash of ¥21,673 million (US\$183.7 million), mainly for repayments of loans.

Consequently, cash and cash equivalents at March 31, 2007 were ¥101,820 million (US\$862.9 million), ¥19,860 million lower than at March 31, 2006.

### **Dividends**

Pioneer positions its dividend policy as one of its highest management priorities. On the basis of maintaining stable dividends, the Company sets dividend payments appropriately in light of its financial position, consolidated business results, and other factors. Retained earnings are effectively used primarily to develop businesses, as well as reinforce competitiveness and our management base.

Based on this dividend policy, Pioneer has decided to pay a year-end dividend for fiscal 2007 of ¥5.0 (US\$0.04) per share of common stock, subject to approval by the ordinary general meeting of shareholders to be held in June 2007. The total annual dividend for fiscal 2007, including the interim dividend, will be ¥10.0 per share.

## **Business Forecasts for Fiscal 2008**

Consolidated business forecasts for fiscal 2008, the year ending March 31, 2008, are as follows:

(In millions of yen)

	<b>First half</b>			<b>Full year</b>		
	Projections for fiscal 2008	Results for fiscal 2007	Percent changes	Projections for fiscal 2008	Results for fiscal 2007	Percent changes
Operating revenue	¥368,000	¥380,319	-3.2%	¥835,000	¥797,102	+4.8%
Operating income (loss)	(3,500)	11,691	—	15,000	12,487	+20.1
Income (loss) before income taxes	9,500	12,624	-24.7	29,000	(7,717)	—
Net income (loss)	¥ 3,000	¥ 9,208	-67.4%	¥ 12,500	¥ (6,761)	—%

For fiscal 2008, Pioneer is forecasting operating revenue of ¥835,000 million on a full-year basis, an increase of 4.8% year on year. This mainly reflects a large projected increase in plasma display sales in the Home Electronics business in the second half of fiscal 2008, due to the launch of products featuring new panel technologies. Additionally, in the Car Electronics business, Pioneer anticipates sales growth in the OEM business, and higher sales of car navigation systems for overseas consumer markets and car audio products for Central and South America and Russia.

For the full year, we are forecasting a 20.1% year-on-year increase in operating income to ¥15,000 million on expectations of a significant improvement in the profitability of the Home Electronics business in the second half of fiscal 2008 as we launch new plasma display products. The forecast also factors in the adverse effects of intensifying competition and falling prices for core products, tax reforms applicable to depreciation and amortization, and increasing operating expenses.

Furthermore, Pioneer expects to book a gain of ¥12,500 million on the sale of all land and buildings at the Tokorozawa Plant and some at the Omori Plant in conjunction with the transfer and concentration of planning, development and design departments in the Home Electronics business at the newly established Kawasaki Plant. Due to these and other factors, Pioneer is forecasting income before income taxes of ¥29,000 million and net income of ¥12,500 million.

We are assuming average yen-U.S. dollar and yen-euro exchange rates of ¥115 and ¥155, respectively.

### **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. It is not our obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. We disclaim any such obligation. Risks and uncertainties that might affect us include, but are not limited to, (i) general economic conditions in our markets, particularly levels of consumer spending; (ii) exchange rates, particularly between the yen and the U.S. dollar, euro, and other currencies in which we make significant sales or in which our assets and liabilities are denominated; (iii) our ability to continue to design and develop and win acceptance of our products and services, which are offered in highly competitive markets characterized by continual new product introductions, rapid developments in technology, severe

price competition and subjective and changing consumer preferences; (iv) our ability to successfully implement our business strategies; (v) our ability to compete, as well as develop and implement successful sales and distribution strategies, in light of technological developments in and affecting our businesses; (vi) our continued ability to devote sufficient resources to research and development, and capital expenditure; (vii) our ability to continuously enhance our brand image; (viii) the success of our joint ventures and alliances; (ix) the success of our business restructuring plans; and (x) the outcome of contingencies.

### **Basic Management Policies and Medium-term Management Strategies**

Pioneer positions customer satisfaction at the core of management. We seek to offer innovative, high-quality, and value-added electronics products that create new value for customers, aiming to share the Pioneer Group's philosophy, "Move the Heart and Touch the Soul," with more people around the world.

Based on this group philosophy, in April 2006 Pioneer formulated a group vision to guide management over the medium term: "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." Through this vision, we believe that we can set a process in motion where employees fulfill their duties from the customer's perspective, and come up with ideas that resonate with other employees around them to give rise to major innovations. This innovation will produce products that play an integral role in offering new lifestyle proposals and triggering revolutions in consumers' ways of life.

Pioneer has set, for the fiscal year ending March 31, 2009, management targets of operating revenue and operating income of ¥950 billion and at least ¥30 billion, respectively, on a consolidated basis. However, Pioneer faces a more severe business environment, characterized by further decreases in flat-panel TV prices, and shrinking consumer markets for car audio products in Japan, North America and Europe. Accordingly, the Company is currently reviewing its business strategies.

In the Home Electronics business, we aim to enhance the image of our brands, providing new forms of value for customers, mainly through plasma displays, in terms of picture quality, product design, user friendliness, quality, and sound, while improving earnings by focusing on profitable products.

In the Car Electronics business, Pioneer aims to grow its earnings by allocating more resources to maintain a leading position in consumer markets and to drive further expansion in the OEM business, as well as by developing products more efficiently. Furthermore, Pioneer has taken steps to pave the way for further business expansion in this segment. In Thailand, we have ramped up production capacity and established a new product development facility. In China, we are currently building a new plant due to come on stream in August 2007.

Going forward, we consider the Home Electronics business and Car Electronics business as our growth drivers, and thus remain focused on improving profitability in the Home Electronics business and increasing earnings in the Car Electronics business.

## **Issues to Be Addressed**

The economic outlook is for continued stable growth overall, supported by favorable corporate earnings and consumer spending, despite some lingering concerns over surging materials prices. However, Pioneer faces extremely challenging business conditions such as ongoing price-based competition involving its core products.

In the plasma display business, Pioneer will leverage its technological edge in panel technologies to offer outstanding high-resolution plasma displays, as demand for high-definition panels is projected to increase in step with the worldwide uptake of HD broadcasting and HD content through media such as Blu-ray Discs. Efforts will also focus on offering unique value propositions based on stronger combinations and links between plasma displays and other audio/video products, and reinforcing Pioneer's brand strategy. In doing so, we aim to develop businesses with an emphasis on profitability rather than merely pursuing expansion. This approach will be underpinned by high-definition, high-quality panel production and continuous cost reductions. At the same time, we will continue to consider all options for optimizing our production structure, including rebuilding panel plants and joint investments with other companies.

In the optical disc business, Pioneer is focusing on Blu-ray Disc products, having already shifted the core of development from DVD products. Looking ahead, we will offer new value propositions worldwide based on combinations of Blu-ray Disc products and plasma displays. In Blu-ray Disc drives for PCs, we aim to achieve profitability by accelerating the pace of product development.

To generate synergies between plasma displays and other audio/video products, Pioneer is currently integrating its respective planning, development and design departments for products in the Home Electronics business at a recently completed new office in Kawasaki City, Kanagawa Prefecture.

In the Car Electronics business, Pioneer aims to increase earnings in both consumer and OEM markets.

In car audio products for consumer markets, Pioneer is focusing on fast-growing markets such as Central and South America and Russia in order to retain its position of leadership in these products. The Company will also offer products that stand apart from those of other companies by delivering new value and functions. In car navigation systems for consumer markets, we will drive further growth in Japan, where Pioneer's car navigation systems have enjoyed a strong reputation. Pioneer will also actively press ahead with business expansion in North America and Europe, through such actions as launching car navigation systems with built-in audio/video functions in price ranges targeting broad consumer uptake. Aiming to curb burgeoning software development costs accompanying product advancements, Pioneer is reforming product development processes and pursuing sharing and standardization in this area.

In both OEM car audio products and OEM car navigation systems, Pioneer seeks to drive further business expansion by offering new proposals to customers by leveraging its product planning capabilities, which have garnered strong support in consumer markets.

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 Japanese yen, for convenience only, at the rate of ¥118=US\$1.00, the approximate rate prevailing on March 31, 2007.

Attachments:

- I. Consolidated financial statements for the year ended March 31, 2007
- II. Non-consolidated financial statements for the year ended March 31, 2007
- III. Proposed changes in management

**I. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2007****(1) OPERATING REVENUE BY SEGMENT**

(In millions of yen)

	Year ended March 31				% to prior year
	2007		2006		
	Amount	% to total	Amount	% to total	
Domestic	¥ 65,851	8.3%	¥ 81,998	10.9%	80.3%
Overseas	302,771	37.9	272,692	36.1	111.0
Home Electronics	368,622	46.2	354,690	47.0	103.9
Domestic	126,278	15.8	117,560	15.6	107.4
Overseas	231,531	29.1	212,962	28.2	108.7
Car Electronics	357,809	44.9	330,522	43.8	108.3
Domestic	-	-	-	-	-
Overseas	4,661	0.6	8,540	1.1	54.6
Patent Licensing	4,661	0.6	8,540	1.1	54.6
Domestic	41,490	5.2	33,208	4.3	124.9
Overseas	24,520	3.1	28,004	3.8	87.6
Others	66,010	8.3	61,212	8.1	107.8
Domestic	233,619	29.3	232,766	30.8	100.4
Overseas	563,483	70.7	522,198	69.2	107.9
Total	¥797,102	100.0%	¥754,964	100.0%	105.6%

**(2) CONSOLIDATED STATEMENTS OF OPERATIONS**

(In millions of yen)

	Year ended March 31		
	2007	2006	% to prior year
Operating revenue:			
Net sales	¥792,441	¥746,424	106.2%
Royalty revenue	4,661	8,540	54.6
Total operating revenue	797,102	754,964	105.6
Operating costs and expenses:			
Cost of sales	614,444	593,238	103.6
Selling, general and administrative expenses	170,171	178,135	95.5
Total operating costs and expenses	784,615	771,373	101.7
Operating income (loss)	12,487	(16,409)	-
Other income (expenses):			
Interest income	5,873	2,658	221.0
Foreign exchange loss	(2,558)	(2,326)	110.0
Interest expense	(2,622)	(1,479)	177.3
Other—net	(20,897)	(53,609)	39.0
Total other expenses	(20,204)	(54,756)	36.9
Loss from continuing operations before income taxes	(7,717)	(71,165)	-
Income taxes	1,758	(4,660)	-
Minority interest in losses (earnings) of subsidiaries	(404)	4,774	-
Equity in earnings (losses) of affiliated companies	343	(24,027)	-
Loss from continuing operations	(9,536)	(85,758)	-
Income from discontinued operations, net of tax	2,775	772	359.5
Net loss	¥ (6,761)	¥ (84,986)	-%

**(3) CONSOLIDATED BALANCE SHEETS**

(In millions of yen)

	March 31		
	2007	2006	Increase (Decrease)
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	¥101,820	¥121,680	¥(19,860)
Trade receivables, less allowance	117,875	107,563	10,312
Inventories	105,331	104,226	1,105
Assets held for sale	–	25,577	(25,577)
Others	69,066	69,626	(560)
<b>Total current assets</b>	<b>394,092</b>	<b>428,672</b>	<b>(34,580)</b>
Investments and long-term receivables	27,219	29,772	(2,553)
Property, plant and equipment, less depreciation	146,475	160,231	(13,756)
Intangible assets	18,248	20,576	(2,328)
Other assets	49,440	38,795	10,645
<b>Total assets</b>	<b>¥635,474</b>	<b>¥678,046</b>	<b>¥(42,572)</b>
<b>LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY</b>			
Current liabilities:			
Short-term borrowings and current portion of long-term debt	¥ 18,605	¥ 30,370	¥(11,765)
Trade payables	93,351	102,082	(8,731)
Liabilities held for sale	–	17,863	(17,863)
Others	130,757	121,977	8,780
<b>Total current liabilities</b>	<b>242,713</b>	<b>272,292</b>	<b>(29,579)</b>
Long-term debt	86,015	92,970	(6,955)
Other long-term liabilities	24,341	25,425	(1,084)
<b>Total liabilities</b>	<b>353,069</b>	<b>390,687</b>	<b>(37,618)</b>
Minority interests	14,289	14,109	180
Shareholders' equity:			
Common stock	49,049	49,049	–
Capital surplus	82,983	82,910	73
Retained earnings	165,321	173,826	(8,505)
Accumulated other comprehensive loss	(16,784)	(20,092)	3,308
Treasury stock	(12,453)	(12,443)	(10)
<b>Total shareholders' equity</b>	<b>268,116</b>	<b>273,250</b>	<b>(5,134)</b>
<b>Total liabilities, minority interests and shareholders' equity</b>	<b>¥635,474</b>	<b>¥678,046</b>	<b>¥(42,572)</b>
Breakdown of accumulated other comprehensive loss:			
Minimum pension liability adjustments	–	¥ (3,680)	¥ 3,680
Pension liability adjustments	¥ (5,009)	–	(5,009)
Net unrealized gains on securities	7,405	10,352	(2,947)
Foreign currency translation adjustments	(19,180)	(26,764)	7,584
<b>Total accumulated other comprehensive loss</b>	<b>¥(16,784)</b>	<b>¥(20,092)</b>	<b>¥ 3,308</b>

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

(In millions of yen)

	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Shareholders' Equity
Balance at March 31, 2005	¥49,049	¥82,735	¥260,556	¥(47,669)	¥(12,432)	¥332,239
Net loss			(84,986)			(84,986)
Other comprehensive income				27,577		27,577
Value ascribed to stock options		175				175
Cash dividends (¥10 per share)			(1,744)			(1,744)
Purchase and sales of treasury stock, net					(11)	(11)
Balance at March 31, 2006	49,049	82,910	173,826	(20,092)	(12,443)	273,250
Net loss			(6,761)			(6,761)
Other comprehensive income				3,308		3,308
Value ascribed to stock options		73				73
Cash dividends (¥10 per share)			(1,744)			(1,744)
Purchase and sales of treasury stock, net					(10)	(10)
Balance at March 31, 2007	¥49,049	¥82,983	¥165,321	¥(16,784)	¥(12,453)	¥268,116

**(5) CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In millions of yen)

	Year ended March 31	
	2007	2006
I. Cash flows from operating activities:		
Net loss	¥ (6,761)	¥ (84,986)
Depreciation and amortization	41,127	46,703
Decrease (increase) in trade receivables	(6,348)	19,329
Decrease in inventories	4,380	9,530
Increase (decrease) in trade payables	(11,841)	13,941
Increase (decrease) in other accrued liabilities	(12,444)	24,114
Other	8,639	39,698
Net cash provided by operating activities	16,752	68,329
II. Cash flows from investing activities:		
Payment for purchase of fixed assets	(41,932)	(40,325)
Proceed from sale of discontinued operations	10,949	754
Other	14,515	9,812
Net cash used in investing activities	(16,468)	(29,759)
III. Cash flows from financing activities:		
Decrease in short-term borrowings and long-term debt	(17,012)	(31,204)
Dividends paid	(1,308)	(3,499)
Decrease in capital-lease obligations	(3,149)	(3,535)
Other	(204)	(313)
Net cash used in financing activities	(21,673)	(38,551)
Effect of exchange rate changes on cash and cash equivalents	1,529	4,980
Net increase (decrease) in cash and cash equivalents	(19,860)	4,999
Cash and cash equivalents, beginning of year	121,680	116,681
Cash and cash equivalents, end of year	¥101,820	¥121,680
Free cash flow (I + II)	¥284	¥38,570

**(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					
	2007		2006		% to prior year	
	Operating Revenue	Operating Income	Operating Revenue	Operating Income	Operating Revenue	Operating Income
Home Electronics	¥369,446	¥(16,236)	¥356,813	¥(35,184)	103.5%	–%
Car Electronics	359,802	22,116	332,101	17,486	108.3	126.5
Patent Licensing	5,423	3,924	10,588	7,217	51.2	54.4
Others	100,287	2,875	98,857	(3,991)	101.4	–
Total	834,958	12,679	798,359	(14,472)	104.6	–
Corporate and Eliminations	(37,856)	(192)	(43,395)	(1,937)	–	–
Consolidated	¥797,102	¥12,487	¥754,964	¥(16,409)	105.6%	–%

<Geographic Segments>

(In millions of yen)

	Year ended March 31					
	2007		2006		% to prior year	
	Operating Revenue	Operating Income	Operating Revenue	Operating Income	Operating Revenue	Operating Income
Japan	¥ 632,730	¥ (941)	¥ 604,649	¥(25,832)	104.6%	–%
North America	208,914	423	202,970	3,368	102.9	12.6
Europe	180,038	4,945	163,702	3,519	110.0	140.5
Other Regions	350,431	6,580	333,942	3,697	104.9	178.0
Total	1,372,113	11,007	1,305,263	(15,248)	105.1	–
Corporate and Eliminations	(575,011)	1,480	(550,299)	(1,161)	–	–
Consolidated	¥ 797,102	¥12,487	¥ 754,964	¥(16,409)	105.6%	–%

## Notes:

- The Company's consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP), except for the disclosure of segment information.
- The Company's business is classified into four segments: "Home Electronics," "Car Electronics," "Patent Licensing" and "Others." Principal products and services included in each segment are as follows:
  - Home Electronics
    - plasma displays, DVD recorders, DVD players, DVD drives, Blu-ray Disc players, Blu-ray Disc drives, audio systems, individual audio components, DJ equipment, telephones and equipment for cable TV systems
  - Car Electronics
    - car navigation systems, car stereos, car AV systems and car speakers
  - Patent Licensing
    - licensing of patents related to laser optical disc technologies
  - Others
    - organic light-emitting diode (OLED) displays, factory automation systems, speaker units, electronics devices and parts and business-use AV systems
- In accordance with the Statement of Financial Accounting Standards ("SFAS") No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Benefits," which is effective from fiscal 2007, the Company reported the difference between the projected benefit obligations and the fair value of plan assets in the consolidated balance sheets, and recognized an adjustment in accumulated other comprehensive loss net of tax. The effect on accrued pension and severance cost, and on accumulated other comprehensive loss, was an increase of ¥2,795 million and ¥1,783 million, respectively. There was no effect on net income.
- In fiscal 2006, the Company sold a subsidiary engaged in the development of cable TV software, and in fiscal 2007, sold subsidiaries involved in the electronic components business. The operating results of these subsidiaries and the gain on the sales are presented as income from discontinued operations in the consolidated statements of operations.
 

Summarized financial information of the discontinued operations for the years ended March 31, 2006 and 2007 is as follows:

	(In millions of yen)	
	Year ended March 31	
	2007	2006
Operating revenue	¥10,442	¥30,274
Operating income	425	739
Income before income taxes	324	820
Gain on sales of discontinued operations	2,488	434
Income taxes	37	482
Income from discontinued operations	¥ 2,775	¥ 772

- Changes in accumulated other comprehensive loss for the years ended March 31, 2006 and 2007 are as follows:

	(In millions of yen)				
	Minimum Pension Liability Adjustments	Pension Liability Adjustments	Net Unrealized Gains on Securities	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Loss
Balance at March 31, 2005	¥(11,186)	-	¥ 8,250	¥(44,733)	¥(47,669)
Adjustments for the year	7,506	-	2,102	17,969	27,577
Balance at March 31, 2006	(3,680)	-	10,352	(26,764)	(20,092)
Adjustments for the year	454	-	(2,947)	7,584	5,091
Adjustments pursuant to SFAS No. 158	¥ 3,226	¥(5,009)	-	-	(1,783)
Balance at March 31, 2007	-	¥(5,009)	¥ 7,405	¥(19,180)	¥(16,784)

**II. NON-CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2007**

**(1) CONDENSED STATEMENTS OF OPERATIONS**

	(In millions of yen)		
	Year ended March 31		
	2007	2006	% to prior year
Net sales	¥532,895	¥515,792	103.3%
Cost of sales	468,442	451,320	103.8
Selling, general and administrative expenses	81,730	96,712	84.5
Operating income (loss)	(17,277)	(32,239)	-
Non-operating income—net	5,007	692	722.9
Ordinary income (loss)	(12,269)	(31,546)	-
Other income (expenses)—net	(10,518)	(13,183)	-
Income (loss) before income taxes	(22,788)	(44,730)	-
Income taxes	(501)	3,027	-
Net income (loss)	¥ (22,286)	¥ (47,757)	-%

**(2) CONDENSED BALANCE SHEETS**

(In millions of yen)

	March 31		
	2007	2006	Increase (Decrease)
<b>ASSETS</b>			
Current assets:			
Cash	¥ 30,367	¥ 50,305	¥(19,937)
Notes and accounts receivable—trade	50,462	46,034	4,427
Inventories	28,630	30,015	(1,385)
Other current assets	44,733	40,105	4,627
Total current assets	154,192	166,461	(12,268)
Fixed assets:			
Tangible	63,904	55,537	8,366
Intangible	31,348	28,752	2,595
Investments and others	190,518	201,979	(11,461)
Total fixed assets	285,770	286,269	(498)
Total assets	¥439,963	¥452,730	¥(12,766)
<b>LIABILITIES</b>			
Current liabilities:			
Notes and accounts payable—trade	¥ 52,701	¥ 56,175	¥ (3,474)
Accrued expenses	55,787	61,190	(5,403)
Other current liabilities	63,050	40,512	22,537
Total current liabilities	171,538	157,879	13,659
Long-term liabilities	72,019	73,351	(1,331)
Total liabilities	243,558	231,230	12,328
<b>SHAREHOLDERS' EQUITY</b>			
Common stock	-	49,048	(49,048)
Capital surplus	-	81,315	(81,315)
Retained earnings	-	96,169	(96,169)
Net unrealized gains on securities	-	7,409	(7,409)
Treasury stock	-	(12,442)	12,442
Total shareholders' equity	-	221,500	(221,500)
Total liabilities and shareholders' equity	-	¥452,730	452,730
<b>NET ASSETS</b>			
Shareholders' equity:			
Common stock	49,048	-	49,048
Capital surplus	81,314	-	81,314
Retained earnings	72,574	-	72,574
Treasury stock	(12,452)	-	(12,452)
Total shareholders' equity	190,485	-	190,485
Adjustments to valuation and translation			
Net unrealized gains on securities	6,041	-	6,041
Deferred gains (losses) on hedges	(121)	-	(121)
Total adjustments to valuation and translation	5,920	-	5,920
Total net assets	196,405	-	196,405
Total liabilities and net assets	¥439,963	-	¥ 439,963

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

(In millions of yen)

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance at March 31, 2006	¥49,048	¥81,315	¥96,169	¥(12,442)	¥214,090
Dividends paid			(1,308)		(1,308)
Net loss			(22,286)		(22,286)
Purchase and sales of treasury stock, net		0		(10)	(10)
Net change in items other than shareholders' equity					-
Balance at March 31, 2007	¥49,048	¥81,314	¥72,574	¥(12,452)	¥190,485

	Adjustments to Valuation and Translation			Total Net Assets
	Net Unrealized Gains on Securities	Deferred Gains (Losses) on Hedges	Total Adjustments to Valuation and Translation	
Balance at March 31, 2006	¥ 7,409	-	¥ 7,409	¥221,500
Dividends paid			-	(1,308)
Net loss			-	(22,286)
Purchase and sales of treasury stock, net				(10)
Net change in items other than shareholders' equity	(1,368)	¥(121)	(1,489)	(1,489)
Balance at March 31, 2007	¥ 6,041	¥(121)	¥ 5,920	¥196,405

### **III. Proposed Changes in Management** (Previously Announced on April 18, 2007)

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 28, 2007.

- (1) Mr. Hajime Ishizuka, currently Senior Managing Director and Representative Director, will be promoted to Executive Vice President and Representative Director.
- (2) Candidates for directors to be newly elected:
  - Mr. Hideki Okayasu, currently Senior Executive Officer, and General Manager of Finance and Accounting Division and President and Representative Director of Pioneer AFM Corporation, will be elected as Managing Director.
  - Mr. Koichi Ueda, professor at Meiji Law School and attorney-at-law, will be elected as Outside Director.
- (3) Directors who will retire:
  - Mr. Osamu Yamada, Senior Managing Director, and General Manager of Research & Development Group and General Manager of Corporate Research & Development Laboratories\*1; and
  - Mr. Tatsuhiko Ishikawa, Outside Director.
- (4) Candidates for Corporate Auditors to be newly elected:
  - Mr. Michiyoshi Ogawa, currently Managing Director of Tohoku Pioneer Corporation\*2, will be elected as Corporate Auditor (full time); and
  - Mr. Shinichi Yamada, certified public accountant, will be elected as Outside Corporate Auditor.
- (5) Corporate Auditors who will retire:
  - Mr. Makoto Koshihara, Corporate Auditor (full time); and
  - Mr. Isao Moriya, Outside Corporate Auditor.
- (6) Mr. Takashi Miyazawa, General Manager of Legal Affairs Division, will be newly elected as Substitute Auditor in case of a vacancy.

\*1: Mr. Osamu Yamada will retire from his post as General Manager of Research & Development Group and General Manager of Corporate Research & Development Laboratories effective May 16, 2007.

\*2: Mr. Michiyoshi Ogawa will retire from the office of Managing Director of Tohoku Pioneer Corporation effective June 26, 2007.