
FINANCIAL SECTION

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FIVE-YEAR SUMMARY OF OPERATIONS

Pioneer Corporation and Subsidiaries
Years ended March 31

In millions of yen and thousands of U.S. dollars	U.S. GAAP (Yen)			Japanese GAAP (Yen)		(U.S. Dollars)
	2005	2006	2007	2008	2009	2009
Operating revenue	¥ 711,042	¥ 754,964	¥ 797,102	¥ 774,477	¥ 558,837	\$ 5,702,418
Operating income (loss)	691	(16,409)	12,487	9,216	(54,529)	(556,418)
Loss from continuing operations before income taxes	(2,067)	(71,165)	(7,717)	–	–	–
Loss from continuing operations	(10,112)	(85,758)	(9,536)	–	–	–
Income from discontinued operations, after income tax effect	1,323	772	2,775	–	–	–
Net loss	(8,789)	(84,986)	(6,761)	(19,040)	(130,529)	(1,331,929)
Total equity	332,239	273,250	268,116	259,355	111,848	1,141,306
Total assets	725,167	678,046	635,474	562,276	429,093	4,378,500
Total equity per share (yen)	1,904.73	1,566.60	1,537.22	1,258.40	538.98	5.50
Basic net loss per share (yen)	(50.11)	(487.23)	(38.76)	(103.95)	(636.68)	(6.50)
Diluted net income per share based on Japanese GAAP (yen)	–	–	–	–	–	–
Diluted net loss per share based on U.S. GAAP (yen)	(50.11)	(487.23)	(38.76)	–	–	–
Equity ratio (%)	45.8	40.3	42.2	45.9	25.8	
Return on equity (ROE) (%)	(2.6)	(28.1)	(2.5)	(7.2)	(70.8)	
Price earnings ratio (PER) (times)	–	–	–	–	–	
Cash flows from operating activities	19,946	68,329	16,752	42,220	(61,563)	(628,194)
Cash flows from investing activities	(93,516)	(29,759)	(16,468)	(92,561)	(38,292)	(390,735)
Cash flows from financing activities	(4,019)	(38,551)	(21,673)	35,932	85,833	875,847
Cash and cash equivalents at end of year	116,681	121,680	101,820	81,180	63,746	650,469
Number of employees	33,409	38,826	37,622	42,775	32,115	

Notes: 1. The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥98=US\$1.00, the approximate current rate prevailing on March 31, 2009.

2. Pioneer had adopted U.S. generally accepted accounting principles (GAAP), as stipulated in the "Regulation for Terminology, Forms and Preparation of Consolidated Financial Statements" (Ministry of Finance Ordinance of Japan No. 28, 1976; hereinafter the "Regulation for Consolidated Financial Statements"), Supplementary Provisions, Paragraph 3 (Cabinet Office Ordinance of Japan No. 11, 2002). Effective from fiscal 2009, the year ended March 31, 2009, however, Pioneer has prepared consolidated financial statements based on Japanese GAAP. This change was made in line with not only the decision to shift from U.S. GAAP to Japanese GAAP for financial reporting on financing activities, but also Pioneer's delisting from the New York Stock Exchange and its deregistration from the U.S. Securities and Exchange Commission. The consolidated financial statements of fiscal 2008 are prepared based on the pre-revised Regulation for Consolidated Financial Statements to facilitate a comparison with those of fiscal 2009. Please note that, for fiscal 2005, 2006 and 2007, figures were not calculated in accordance with Japanese GAAP. Therefore, published figures prepared in previous years based on U.S. GAAP are shown.

3. Operating revenue is presented net of consumption taxes.

4. Amounts less than presentation units are rounded.

5. Operating income (loss) for fiscal 2005, 2006 and 2007 represents operating revenue less cost of sales and selling, general and administrative expenses in accordance with Japanese GAAP.

6. Diluted net loss per share based on U.S. GAAP represents net loss per share after adjusting dilutive effects in accordance with U.S. Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings per Share."

7. Total equity per share, basic net loss per share and diluted net loss per share based on U.S. GAAP are calculated by deducting the number of treasury stock from the number of issued shares.

8. In fiscal 2006, Pioneer sold a subsidiary engaged in the development of cable TV software and, in fiscal 2007, sold subsidiaries involved in the electronics devices and parts business. For these, Pioneer applied SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Consequently, operating revenue and loss from continuing operations before income taxes have been reclassified accordingly.

9. Price earnings ratio for fiscal 2005, 2006 and 2007 are not presented because a net loss per share was recorded in each of those fiscal years. Diluted net income per share based on Japanese GAAP and price earnings ratio for fiscal 2008 and 2009 are not presented because a net loss per share was recorded in each of those fiscal years.

10. In fiscal 2006, Pioneer revised its standard for counting the number of employees. Contract employees with a contract period of less than one year and temporary employees previously included in the number of employees have been excluded. As a result, the number of employees for fiscal 2005 has been adjusted accordingly.

FINANCIAL REVIEW

Year ended March 31, 2009,
compared with year ended March 31, 2008

Management's Discussion and Analysis of Financial Position, Results of Operations and Cash Flows

Significant Accounting Policies and Estimates

Effective from fiscal 2009, the year ended March 31, 2009, Pioneer has changed its accounting principles for preparing consolidated financial statements from U.S. generally accepted accounting principles (GAAP) to Japanese GAAP. Figures for fiscal 2008 have been reclassified based on Japanese GAAP accordingly.

Details of significant accounting policies and estimates are shown in the Notes to Consolidated Financial Statements.

Financial Position

Total assets as of March 31, 2009 were ¥429.1 billion, a decrease of ¥133.2 billion from March 31, 2008. This mainly reflected decreases in trade receivables, inventories, deferred tax assets, and investment securities. Trade receivables decreased ¥34.5 billion to ¥61.0 billion, mainly due to lower sales. Inventories declined ¥20.0 billion to ¥84.9 billion, mainly due to production cutbacks centered on plasma displays and car audio products in response to lower sales. Current and noncurrent deferred tax assets decreased ¥22.8 billion to ¥19.6 billion, mainly in line with an increase in the valuation allowance. Meanwhile, investment securities declined ¥16.9 billion to ¥19.0 billion, mainly due to falling prices of shares held by the Company.

Total liabilities as of March 31, 2009 were ¥317.2 billion, up ¥14.3 billion from March 31, 2008. This mainly reflected an increase of ¥95.2 billion in short-term borrowings, and decreases of ¥45.4 billion and ¥16.5 billion in trade payables, and accrued expenses, respectively.

Total equity was ¥111.8 billion, a decrease of ¥147.5 billion from March 31, 2008. This mainly reflected a decrease of ¥131.1 billion in retained earnings. Another factor was a decline of ¥13.9 billion in foreign currency translation adjustments from March 31, 2008, due to the impact of the yen's appreciation.

Results of Operations

Operating revenue

In fiscal 2009, consolidated operating revenue decreased 27.8% year on year to ¥558.8 billion. This was mainly the result of a decline in sales of car audio products, plasma displays and DVD drives, which largely reflected the sharp deterioration in consumer spending worldwide in the wake of the U.S. financial crisis as well as the impact of the Japanese yen's appreciation.

Car Electronics operating revenue decreased 22.0% year on year to ¥291.7 billion because of lower sales of both car audio products and car navigation systems, partly due to lackluster auto sales worldwide. In car navigation systems, consumer-market sales declined year on year, mainly due to lower sales in North America, Japan and Europe. Meanwhile, OEM sales rose on the back of higher sales in Japan and China, despite lower sales in North America. In car audio products, consumer-market sales decreased, mainly because of lower overseas sales. OEM sales also decreased due to lower sales in Japan and North America. Total OEM sales in this segment accounted for approximately 41% of Car Electronics operating revenue in fiscal 2009, compared with approximately 39% in fiscal 2008. In terms of geographic operating revenue, operating revenue in Japan decreased 9.8% to ¥114.0 billion, mainly due to declines in consumer-market sales of car navigation systems and OEM sales of car audio products, despite higher OEM sales of car navigation systems in Japan. Overseas operating revenue declined 28.2% to ¥177.7 billion, mainly due to weak car audio product sales.

Home Electronics operating revenue decreased 36.5% year on year to ¥209.3 billion. This was largely as a result of lower sales of plasma displays and DVD drives. Display product sales accounted for approximately 38% of Home Electronics operating revenue in fiscal 2009, compared with approximately 40% in fiscal 2008. In terms of geographic operating revenue, operating revenue in Japan declined 33.0% to ¥31.0 billion, due mainly to deterioration in the sales of DVD-related devices. Overseas operating revenue fell 37.1% to ¥178.2 billion, due to lower sales of plasma displays and DVD drives.

In the Others segment, operating revenue decreased 18.6% year on year to ¥57.9 billion due principally to lower sales of electronics devices and parts, speaker units for cellular phones, factory automation systems and organic light-emitting diode displays. In terms of geographic operating revenue, operating revenue in Japan decreased 12.8% to ¥37.5 billion, due to lower sales of OLED displays and electronics devices and parts. Overseas operating revenue decreased 27.3% to ¥20.4 billion, mainly due to lower sales of speaker units for cellular phones, and electronics devices and parts.

Operating income (loss)

Cost of sales decreased to ¥478.0 billion from ¥602.9 billion a year earlier. Cost of sales accounted for 85.5% of operating revenue, worsening by 7.7 percentage points from 77.8% in fiscal 2008. This decrease was due to the Japanese yen's appreciation and lower production volume of car audio and other products in line with decreased sales.

Selling, general and administrative (SG&A) expenses fell to ¥135.4 billion from ¥162.3 billion in fiscal 2008. The decrease resulted from the impact of the Japanese yen's appreciation and decreases in marketing expenses, patent fees, and personnel expenses.

As a result, Pioneer reported an operating loss of ¥54.5 billion in fiscal 2009, compared with operating income of ¥9.2 billion in fiscal 2008. R&D expenses included in cost of sales and SG&A expenses decreased 7.8%, to ¥54.8 billion, representing 9.8% of operating revenue. R&D expenses were mostly incurred to enhance our technological advantage in our strategic products, such as car navigation systems.

Other income (expenses)

In fiscal 2008, gain on sale and disposal of property, plant and equipment was recorded ¥11.9 billion, reflecting a gain on sale of all land and buildings at the Tokorozawa Plant and some at the Omori Plant. In addition, an impairment loss primarily on plasma display production facilities was recorded ¥22.7 billion. In fiscal 2009, Pioneer recorded other expenses, net, of ¥45.4 billion, compared with ¥7.1 billion a year earlier, due to restructuring costs of ¥24.7 billion mainly reflecting special termination benefits and expenses related to withdrawal from plasma display business, and a loss of ¥14.9 billion on impairment of investment securities mainly due to falling prices of shares held by the Company.

Income (loss) before income taxes and minority interests

As a result the foregoing, Pioneer posted a loss before income taxes and minority interests of ¥99.9 billion in fiscal 2009, compared with income before income taxes and minority interests of ¥2.1 billion in fiscal 2008.

Income taxes

Income taxes for fiscal 2008 and fiscal 2009 were ¥20.7 billion and ¥30.4 billion, respectively, reflecting the valuation of the deferred tax assets of the parent company and certain subsidiaries.

Net loss

Consequently, Pioneer reported a net loss of ¥130.5 billion, an increase of ¥111.5 billion compared with a net loss of ¥19.0 billion in the previous fiscal year.

Cash Flows

Net cash used in operating activities in fiscal 2009 totaled ¥61.6 billion, compared with net cash provided by operating activities of ¥42.2 billion in the previous fiscal year. The reversal in cash flows was primarily due to the loss before income taxes and minority interests of ¥99.9 billion posted in fiscal 2009, compared with income before income taxes and minority interests of ¥2.1 billion in fiscal 2008. Another factor was a decrease in trade payables of ¥40.5 billion in fiscal 2009, compared with ¥0.4 billion a year earlier.

Net cash used in investing activities was ¥38.3 billion, down from ¥92.6 billion in fiscal 2008. This was mainly due to a payment for the purchase of investment securities of ¥20.5 billion in fiscal 2008, primarily for the purchase of Sharp Corporation shares as part of a business and capital alliance with Sharp; a payment for the purchase of shares of consolidated subsidiaries of ¥14.7 billion, chiefly for making Tohoku Pioneer Corporation a wholly-owned subsidiary in the previous fiscal year; and a decline in purchase of property, plant and equipment from ¥62.2 billion in fiscal 2008 to ¥45.8 billion in fiscal 2009.

Net cash provided by financing activities was ¥85.8 billion, an increase from ¥35.9 billion a year earlier. The increase was mainly a reflection of a net increase in short-term borrowings of ¥99.8 billion, compared with ¥3.1 billion in fiscal 2008, despite proceeds of ¥41.4 billion from a third-party allotment of newly issued Pioneer shares to Sharp in fiscal 2008.

Consequently, cash and cash equivalents as of March 31, 2009 were ¥63.7 billion, down ¥17.4 billion from March 31, 2008.

CONSOLIDATED BALANCE SHEETS

Pioneer Corporation and Subsidiaries
March 31, 2009 and 2008

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
Current Assets:			
Cash and cash equivalents	¥ 63,746	¥ 81,180	\$ 650,469
Receivables (Note 6):			
Trade receivables	60,989	95,449	622,337
Allowance for doubtful receivables	(2,035)	(2,381)	(20,765)
Inventories (Notes 4 and 6)	84,886	104,876	866,184
Deferred tax assets (Note 10)	7,097	17,089	72,418
Other current assets	17,419	21,749	177,745
Total current assets	232,102	317,962	2,368,388
Property, Plant and Equipment (Notes 5 and 6):			
Land	33,705	33,801	343,929
Buildings and structures	102,285	104,524	1,043,724
Machinery, equipment and others	82,080	115,264	837,551
Construction in progress	373	5,317	3,806
Others	94,513	98,367	964,418
Total	312,956	357,273	3,193,428
Accumulated depreciation	(200,789)	(234,521)	(2,048,867)
Net property, plant and equipment	112,167	122,752	1,144,561
Investments and Other Assets:			
Investments securities (Notes 3 and 6)	18,972	35,871	193,592
Deferred tax assets (Note 10)	12,484	25,250	127,387
Software	39,215	40,113	400,153
Goodwill	1,420	1,497	14,490
Other assets	12,740	18,940	130,000
Allowance for doubtful accounts	(7)	(109)	(71)
Total investments and other assets	84,824	121,562	865,551
Total	¥ 429,093	¥ 562,276	\$ 4,378,500

LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
Current Liabilities:			
Short-term borrowings (Note 6)	¥110,000	¥ 14,812	\$1,122,449
Current portion of long-term debt (Note 6)	2,808	13,672	28,653
Trade payables	40,798	86,195	416,306
Accrued income taxes	4,153	5,601	42,378
Accrued expenses	50,763	67,227	517,990
Warranty reserve	4,222	5,265	43,082
Other current liabilities	19,676	27,070	200,775
Total current liabilities	232,420	219,842	2,371,633
Long-term Liabilities:			
Long-term debt (Note 6)	67,242	71,762	686,143
Accrued pension and severance costs (Note 7)	12,704	8,554	129,632
Other long-term liabilities (Note 10)	4,879	2,763	49,786
Total long-term liabilities	84,825	83,079	865,561
Equity (Note 8):			
Common stock, no par value Authorized, 400,000,000 shares; Issued: 210,063,836 shares in 2009 and 2008	69,824	69,824	712,490
Capital surplus	102,054	102,054	1,041,367
Retained earnings	13,250	144,370	135,204
Unrealized gain on available-for-sale securities	1,552	2,351	15,837
Deferred gain on derivatives under hedge accounting	42	51	429
Foreign currency translation adjustments	(63,549)	(49,699)	(648,459)
Pension adjustments recognized by foreign consolidated subsidiaries	(1,551)	166	(15,827)
Treasury stock—at cost, 5,051,933 shares in 2009 and 5,046,888 shares in 2008	(11,124)	(11,124)	(113,510)
Total	110,498	257,993	1,127,531
Minority interests	1,350	1,362	13,775
Total equity	111,848	259,355	1,141,306
Total	¥429,093	¥562,276	\$4,378,500

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

Pioneer Corporation and Subsidiaries
Years ended March 31, 2009 and 2008

	2009	Millions of Yen 2008	Thousands of U.S. Dollars (Note 1) 2009
Operating Revenue:			
Net sales	¥ 558,236	¥772,478	\$ 5,696,286
Other operating revenue	601	1,999	6,132
Total operating revenue	558,837	774,477	5,702,418
Cost of Sales	477,965	602,917	4,877,194
Gross profit	80,872	171,560	825,224
Selling, General and Administrative Expenses (Notes 11 and 12)	135,401	162,344	1,381,642
Operating income (loss)	(54,529)	9,216	(556,418)
Other Income (Expenses):			
Interest and dividend income	3,696	6,922	37,714
Interest expense	(2,840)	(2,507)	(28,979)
Gain (loss) on sale and disposal of property, plant and equipment—net	(1,895)	11,871	(19,337)
Loss on impairment of property, plant and equipment (Note 5)	(4,132)	(22,692)	(42,163)
Exchange loss	(243)	(1,385)	(2,480)
Equity in earnings (losses) of affiliated companies—net	(132)	136	(1,347)
Loss on impairment of investment securities	(14,871)	(99)	(151,745)
Restructuring costs (Note 13)	(24,744)	–	(252,490)
Others—net	(249)	636	(2,541)
Other expenses—net	(45,410)	(7,118)	(463,368)
Income (loss) before income taxes and minority interests	(99,939)	2,098	(1,019,786)
Income Taxes (Note 10):			
Current	4,805	8,600	49,031
Deferred	25,620	12,135	261,428
Total income taxes	30,425	20,735	310,459
Minority Interests	165	403	1,684
Net loss	¥(130,529)	¥ (19,040)	\$(1,331,929)

	Yen	U.S. Dollars
Per Share of common stock (Note 15):		
Basic net loss	¥(636.68)	¥(103.95) \$ (6.50)
Cash dividends, applicable to the year	¥ 0.0	¥ 7.5 \$ 0.0

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Pioneer Corporation and Subsidiaries
Years ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
Common Stock			
Balance, beginning of year	¥ 69,824	¥ 49,049	\$ 712,490
Issuance of new shares	-	20,775	-
Balance, end of year	¥ 69,824	¥ 69,824	\$ 712,490
Capital Surplus			
Balance, beginning of year	¥ 102,054	¥ 81,279	\$ 1,041,367
Issuance of new shares	-	20,775	-
Balance, end of year	¥ 102,054	¥ 102,054	\$ 1,041,367
Retained Earnings			
Balance, beginning of year	¥ 144,370	¥ 166,497	\$ 1,473,163
Adjustment to initially applied FIN No. 48	-	(996)	-
Adjustment to initially applied SFAS No. 158	(75)	-	(765)
Net loss	(130,529)	(19,040)	(1,331,929)
Disposal of treasury stock	(3)	(347)	(30)
Cash dividends (¥2.5 per share in 2009 and ¥10.0 per share in 2008)	(513)	(1,744)	(5,235)
Balance, end of year	¥ 13,250	¥ 144,370	\$ 135,204
Unrealized Gain on Available-for-Sale Securities			
Balance, beginning of year	¥ 2,351	¥ 7,852	\$ 23,990
Net change in the year	(799)	(5,501)	(8,153)
Balance, end of year	¥ 1,552	¥ 2,351	\$ 15,837
Deferred Gain (Loss) on Derivatives Under Hedge Accounting			
Balance, beginning of year	¥ 51	¥ (121)	\$ 520
Net change in the year	(9)	172	(91)
Balance, end of year	¥ 42	¥ 51	\$ 429
Foreign Currency Translation Adjustments			
Balance, beginning of year	¥ (49,699)	¥ (19,180)	\$ (507,133)
Net change in the year	(13,850)	(30,519)	(141,326)
Balance, end of year	¥ (63,549)	¥ (49,699)	\$ (648,459)
Pension Adjustments Recognized by Foreign Consolidated Subsidiaries			
Balance, beginning of year	¥ 166	¥ (740)	\$ 1,693
Net change in the year	(1,717)	906	(17,520)
Balance, end of year	¥ (1,551)	¥ 166	\$ (15,827)
Treasury Stock			
Balance, beginning of year	¥ (11,124)	¥ (12,453)	\$ (113,510)
Purchase of treasury stock	(4)	(9)	(41)
Disposal of treasury stock	4	1,338	41
Balance, end of year	¥ (11,124)	¥ (11,124)	\$ (113,510)
Minority Interests			
Balance, beginning of year	¥ 1,362	¥ 14,469	\$ 13,897
Net change in the year	(12)	(13,107)	(122)
Balance, end of year	¥ 1,350	¥ 1,362	\$ 13,775
Number of shares			
		2009	2008
Number of Shares of Common Stock Issued			
Balance, beginning of year		210,063,836	180,063,836
Issuance of new shares		-	30,000,000
Balance, end of year		210,063,836	210,063,836
Number of shares			
		2009	2008
Number of Shares of Treasury Stock			
Balance, beginning of year		5,046,888	5,647,513
Purchase in the year		6,816	6,216
Disposal in the year		(1,771)	(606,841)
Balance, end of year		5,051,933	5,046,888

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Pioneer Corporation and Subsidiaries
Years ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
Operating Activities:			
Income (loss) before income taxes and minority interests	¥(99,939)	¥ 2,098	\$(1,019,786)
Adjustments for:			
Income taxes—paid	(9,115)	(11,236)	(93,010)
Depreciation and amortization	43,187	44,270	440,684
Loss on impairment of property, plant and equipment	4,132	22,692	42,163
Loss (gain) on sale and disposal of property, plant and equipment—net	1,895	(11,871)	19,337
Loss on impairment of investment securities	14,871	99	151,745
Changes in assets and liabilities:			
Decrease in receivables	27,213	18,869	277,684
Decrease (increase) in inventories	8,500	(7,318)	86,735
Decrease in trade payables	(40,536)	(358)	(413,633)
Decrease in accrued expenses	(12,258)	(8,405)	(125,082)
Decrease (increase) in interest and dividend receivable	370	(310)	3,775
Increase (decrease) in interest payable	(170)	248	(1,735)
Other—net	287	(6,558)	2,929
Net cash provided by (used in) operating activities	(61,563)	42,220	(628,194)
Investing Activities:			
Purchase of property, plant and equipment	(45,849)	(62,177)	(467,847)
Proceeds from sale of property, plant and equipment	1,846	3,251	18,837
Purchase of investment securities	—	(20,539)	—
Proceeds from sale of investment securities	161	2,483	1,643
Payment for additional investments in subsidiaries	—	(14,732)	—
Proceeds from cancellation of insurance policy	5,515	—	56,275
Other—net	35	(847)	357
Net cash used in investing activities	(38,292)	(92,561)	(390,735)
Financing Activities:			
Net increase in short-term borrowings	99,842	3,092	1,018,796
Repayment of long-term debt	(13,064)	(4,072)	(133,306)
Dividends paid	(513)	(1,744)	(5,235)
Proceeds from issuance of new shares	—	41,358	—
Other—net	(432)	(2,702)	(4,408)
Net cash provided by financing activities	85,833	35,932	875,847
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(3,412)	(6,231)	(34,816)
Net Decrease in Cash and Cash Equivalents	(17,434)	(20,640)	(177,898)
Cash and Cash Equivalents, Beginning of Year	81,180	101,820	828,367
Cash and Cash Equivalents, End of Year	¥ 63,746	¥ 81,180	\$ 650,469

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Pioneer Corporation and Subsidiaries

1. BASIS OF PRESENTATIONS

a. Basis of Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Act of Japan and its related accounting regulations and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Pioneer Corporation (Pioneer Kabushiki Kaisha; the “Company”) is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥98 to \$1.00, the approximate rate of exchange at March 31, 2009. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

b. Nature of Operations

The Company is engaged in the development, manufacture and sale of electronic products. The Company is a leading

global manufacturer of consumer- and business-use electronic products such as car electronics and audio/video. The principal production activities of the Company are carried out in Asia including Japan, the United States, and Europe. The Company’s products are generally sold under its own brand names, principally “Pioneer.” The principal markets for the Company are Japan, the United States, Europe and Asia. The Company sells its products to customers in consumer and commercial markets through its sales offices in Japan, and its sales subsidiaries and independent distributors overseas. On an OEM (original equipment manufacturing) basis, the Company markets certain products, such as car electronics products, to other companies.

In the year ended March 31, 2009, the Company’s financial position deteriorated as a result of a sharp drop in operating revenue, large losses and significant net cash used in operating activities. To address this situation, the Company is implementing a drastic restructuring centered on conducting business portfolio realignment. Going forward, the Company will position the Car Electronics business as a core business. In addition, the Company will develop the Home Electronics business in three main areas: home AV products, DJ equipment and cable TV set-top boxes. In the display business, the Company will completely withdraw the business after ending plasma TV sales by the end of the year ending March 31, 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

The consolidated financial statements as of March 31, 2009 include the accounts of the Company and its 116 significant (120 in 2008) subsidiaries (together, the “Group”).

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in six (six in 2008) affiliated companies are accounted for by the equity method.

Investments in the remaining affiliated companies are

stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is being amortized over 20 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either IFRS or U.S. GAAP tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income (loss) is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of research and development costs; 4) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior year's effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and 6) exclusion of minority interests from net income (loss), if contained. PITF No. 18 was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

The Company applied this accounting standard effective April 1, 2008. The adoption of this standard did not have any material impact on the Company's consolidated statements of operations or financial position.

c. Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits which become due within three months of the date of acquisition.

d. Marketable and Investment Securities

Available-for-sale securities for which market quotations are available are stated fair value. Unrealized gain on these securities is stated at net of tax effect and minority interests as "unrealized gain on available-for-sale securities" on a separate component of equity.

Available-for-sale securities for which market quotations are unavailable are stated at cost by using the moving average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

e. Allowance for Doubtful Receivables

The Group has provided the allowance for doubtful receivables by the method based on the percentage of its own historical bad debt loss against the balance of total receivables, plus the amount deemed necessary to cover individual accounts estimated to be uncollectible.

f. Inventories

In 2008, inventories are valued at the lower of cost determined principally by the average-cost method or market, which is net realizable value. Inventories are reviewed periodically and items considered to be slow-moving or obsolete are written down to market.

In July 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories." This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

The Company applied this new accounting standard for measurement of inventories effective April 1, 2008. The effect of this change on the accompanying consolidated financial statements is immaterial.

g. Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its domestic consolidated subsidiaries is computed principally using the declining-balance method based on the estimated useful lives of the assets, while the straight-line method is applied to property, plant and equipment of foreign consolidated subsidiaries (excluding leased property in 2009).

Property, plant and equipment of the Company and its domestic consolidated subsidiaries acquired on and after April 1, 2007 are depreciated by the declining-balance method in accordance with the revised corporate tax law, which is effective for fiscal years beginning on or after April 1, 2007. The effect of this change on the accompanying consolidated financial statements is immaterial.

Property, plant and equipment of the Company and its domestic consolidated subsidiaries had been depreciated up to 95% of acquisition cost with 5% of residual value carried until previous fiscal years. However, such 5% portion of property, plant and equipment is systematically amortized over five years starting in the following year in which the carrying value of property, plant and equipment reaches 5% of the acquisition cost in accordance with the revised Corporate Tax Law.

The effect of this change on the accompanying consolidated financial statements is immaterial.

h. Long-lived Assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

i. Stock Issuance Costs

Stock issuance costs are amortized by the straight-line method over three years.

j. Warranty Reserve

Provisions for warranty costs are recognized at the date of sale of the relevant products, at the best estimate of the expenditure required to settle the Company's after-sales service obligation.

k. Retirement and Pension Plans

The Group sponsors both defined benefit pension plans and defined contribution pension plans.

With respect to the defined benefit pension plan, the Group accounts for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date. Part of the changes in projected benefit obligations and plan assets are not recognized when incurred, but deferred and amortized on predetermined assumptions. Net transitional obligation is being amortized in equal amounts mainly over 15 years. Prior service cost is amortized using the straight-line method over the average of the estimated remaining service years (mainly 10–15 years). Actuarial gain or loss is primarily amortized using the straight-line method over the average of the estimated remaining service years. The Group records net periodic pension costs consisted of service cost, interest cost, expected return on plan assets and amortization of such deferred amounts.

With respect to the defined contribution plans, the Group records net pension cost as the amount the contribution is called for.

l. Research and Development Costs and Intangible Assets

Research and development costs are charged to income as incurred. Software for sale is amortized by the straight-line method over 2–3 years, while software used by the Company is amortized by the straight-line method over the estimated useful life of five years. Intangible assets other than software are amortized using the straight-line method.

m. Leases

“Accounting Standard for Lease Transactions” and related Guidance was applied and finance lease transactions without title transfer were formerly accounted for as operating leases. On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, “Accounting Standard for Lease Transactions,” which revised the former accounting standard for lease transactions issued on June 17, 1993, and ASBJ Guidance No. 16, “Guidance on accounting Standard for Lease Transactions,” which revised the former Guidance issued on January 18, 1994. The adoption of the revised accounting standard is permitted for fiscal years beginning on or after April 1, 2008. Accordingly, the Company has applied the revised accounting standard from April 1, 2008. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. Since the Group has been capitalizing all finance leases from the year ended March 31, 2008, the impact of this change on operating loss and loss before income taxes and minority interests is immaterial.

n. Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences. A valuation allowance is established to reduce deferred tax assets if it is considered not to be recoverable.

o. Foreign Currency Transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward exchange contracts.

p. Foreign Currency Financial Statements

The balance sheet accounts of the foreign consolidated subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translations were shown as “Foreign currency translation adjustments” in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

q. Derivatives and Hedging Activities

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate and currency swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks associated with assets and liabilities denominated in foreign currencies and debt obligations. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the income statement and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign currency forward contracts, currency option and currency swaps are utilized to hedge foreign currency exposures in export sales and procurements from overseas suppliers. Trade receivable and trade payables denominated in foreign currencies are translated at the contracted rates if the foreign currency forward contracts, currency option and currency swaps qualify for hedge accounting.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

r. Per Share Information

Basic net income (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits. Diluted net income (loss) per share is not disclosed because of the Company's net loss position.

Cash dividends per share presented in the accompanying consolidated statements of operations are dividends applicable to the respective years including dividends to be paid after the end of the year.

s. New Accounting Pronouncements

Business Combinations—

On December 26, 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows:

- (1) The current accounting standard for business combinations allows companies to apply the pooling of interests method of accounting when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. The revised standard requires to account for such business combination by the purchase method and the pooling of interests method of accounting is no longer allowed.
- (2) The current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard, an in-process research and development (IPR&D) acquired by the business combination is capitalized as an intangible asset.
- (3) The current accounting standard accounts for a bargain purchase gain (negative goodwill) to be systematically amortized within 20 years. Under the revised standard, the acquirer recognizes a bargain purchase gain in profit or loss on the acquisition date after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used.

This standard is applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Asset Retirement Obligations—

On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

3. MARKETABLE AND INVESTMENT SECURITIES

Cost, unrealized gains and losses and aggregate fair values of marketable and investment securities at March 31, 2009 and 2008 were as follows:

	2009				2008			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Millions of Yen								
Available-for-sale:								
with market quotation								
Equity securities	¥13,332	¥3,147	¥456	¥16,023	¥28,245	¥7,316	¥3,285	¥32,276
Bonds	-	-	-	-	80	-	2	78
Unlisted securities	2,949	-	-	2,949	3,517	-	-	3,517
Total	¥16,281	¥3,147	¥456	¥18,972	¥31,842	¥7,316	¥3,287	¥35,871

	2009			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Thousands of U.S. Dollars				
Available-for-sale:				
with market quotation				
Equity securities	\$136,041	\$32,112	\$4,653	\$163,500
Bonds	-	-	-	-
Unlisted securities	30,092	-	-	30,092
Total	\$166,133	\$32,112	\$4,653	\$193,592

Unlisted securities of affiliated companies amounting to ¥1,635 million (\$16,684 thousand) at March 31, 2009 and ¥2,226 million at March 31, 2008, respectively, were included in investment securities in the accompanying consolidated balance sheets.

Available-for-sale securities and bonds that the Group sold during the year ended March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Proceeds from Sales:			
Equity securities	¥ 97	¥ 671	\$ 990
Bonds	64	-	653
Others	-	1,812	-
Total	¥161	¥2,483	\$1,643
Gains on Sales:			
Equity securities	¥ 25	¥ 331	\$ 255
Bonds	-	-	-
Others	-	259	-
Total	¥ 25	¥ 590	\$ 255
Losses on Sales:			
Equity securities	-	-	-
Bonds	¥ 14	-	\$ 143
Others	-	-	-
Total	¥ 14	-	\$ 143

4. INVENTORIES

Inventories at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Finished products	¥45,169	¥ 54,404	\$460,908
Work in process	14,699	21,818	149,990
Raw materials and supplies	25,018	28,654	255,286
Total	¥84,886	¥104,876	\$866,184

5. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2009 and 2008. As a result, the Group recognized an impairment loss as other expenses for certain processing

machinery group related to plasma display panels, DVD recorders and idle assets due to decline of market value and the prospect of future profit.

For the year ended March 31, 2009, the Group recognized impairment losses of ¥4,132 million (\$42,163 thousand), as summarized in the table below:

Application	Type	Location	Millions of Yen	Thousands of U.S. Dollars
				Impairment loss
Plasma display related facilities	Machinery and equipment, etc.	Fukuroi, Shizuoka, etc.	¥1,585	\$16,174
DVD recorder related facilities	Machinery and equipment, etc.	Kawasaki, Kanagawa, etc.	1,089	11,112
Assets held for sale (idle assets)	Buildings, machinery and equipment, etc.	California, USA, etc.	300	3,061
Idle assets	Land, buildings, etc.	Adachi, Fukushima	363	3,704
Idle assets	Land	Minami Alps, Yamanashi	795	8,112
Total			¥4,132	\$42,163

In principle, business assets are grouped based on management classification. However, idle assets whose disposal is planned or whose future use is not forecasted are grouped individually in the smallest cash-flow generating unit independent of each other.

The Group determined in the year ended March 31, 2009 to withdraw from the display business by March 2010 as part of its Business Restructuring Plans. In the DVD recorder business, the establishment of a new joint venture in the optical disc business field is being considered.

In light of the above, concerning the group of business assets relating to plasma displays and DVD recorders to be

disposed, the group of assets held for sale to be disposed and the group of idle assets whose land value is falling, each individual asset group was reduced to the net selling price and the amount of decrease was recorded in other income (expenses) as loss on impairment of property, plant and equipment.

The book value of the business-use asset group and for-sale asset group was reduced to nominal value. As for the idle asset group, the market price information was obtained on the basis of values provided by real estate appraisers and other specialists.

For the year ended March 31, 2008, the Group recognized impairment losses of ¥22,692 million, as summarized in the table below:

Application	Type	Location	Millions of Yen
			Impairment Loss
Plasma display related facilities	Buildings, machinery and equipment, etc.	Fukuroi, Shizuoka, etc.	¥21,344
DVD recorder related facilities	Buildings, machinery and equipment, etc.	Kawasaki, Kanagawa, etc.	1,117
Patent rights of plasma display panels	Patent rights		231
Total			¥22,692

In principle, business assets are grouped based on management classification. However, patent rights of plasma display panels for production were grouped individually in the smallest cash-flow generating unit independent of each other.

The Group anticipated difficulty to restore the profitability in the plasma display and DVD recorder businesses. As to patent rights of plasma display panels, on March 7, 2008, the Board of Directors decided to cease inhouse production of plasma display panels as soon as the production runs for the next model series are completed.

In light of the above, concerning the group of business assets, each individual asset group was reduced to the value

in use and the amount of decrease was recorded in other income (expenses) as loss on impairment of property, plant and equipment.

The impairment losses of ¥21,344 million of plasma display related facilities are comprised as follows: ¥7,285 million of buildings, ¥13,526 million of machinery and equipment, and ¥533 million of others.

The book value of the business-use asset group was reduced to nominal value because negative net future cash flows were expected. The discount rate used for computing the value of patent rights of plasma display panels was 18.59%.

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2009 and 2008 are comprised as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Short-term borrowings:			
Weighted-average interest rate of 2.70% at March 31, 2009 and 1.50% at March 31, 2008			
Collateralized	¥ 99,814	¥ 276	\$1,018,510
Uncollateralized	10,186	14,536	103,939
Total	¥110,000	¥14,812	\$1,122,449

Long-term debts at March 31, 2009 and 2008 are comprised as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Long-term debt:			
Collateralized	¥ 9,179	¥ 1,628	\$ 93,664
Uncollateralized	-	10,615	-
2.80% uncollateralized bonds due 2008	-	10,000	-
Zero coupon convertible bonds due 2011	60,600	60,600	618,367
Long-term capital lease obligations, due principally 2011	271	2,591	2,765
Total	70,050	85,434	714,796
Less—Portion due within one year	2,808	13,672	28,653
Long-term debt, less current portion	¥67,242	¥71,762	\$686,143

On March 5, 2004, the Company issued ¥60,000 million zero coupon convertible bonds due 2011 (bonds with stock acquisition rights) ("Bonds") at 103.5% of their principal amount. The Bonds do not bear interest. The stock acquisition rights are not transferable separately from the Bonds. The Bonds are traded on the London Stock Exchange's market for listed securities. The Bonds were issued in the denomination of ¥5 million each and each bondholder is entitled to exercise the stock acquisition right from April 1, 2006 until February 18, 2011 (unless previously redeemed) into common shares at the defined conversion price. The original conversion price of ¥4,022 was adjusted to ¥3,963 in December 2007, and is subject to further adjustment in certain events in the future. Market price of common stock at the date of issuance of the Bonds was ¥3,220.

The Company may redeem all, but not some of the Bonds, with advance irrevocable notice to bondholders in each case (1) if the closing price of common stock for each of the 30 consecutive trading days is at least 120% of the conversion price on or after March 4, 2007 and prior to maturity, or (2) if the laws or regulations of Japan having power to tax is changed, or (3) if a resolution is passed at the general meeting

of shareholders of the Company to become a wholly owned subsidiary of another company.

The stock acquisition right is also exercisable on or after March 19, 2004 if the Company issues an irrevocable notice to bondholders for (2) or (3) above, or if a resolution passes at a general meeting of shareholders of the Company (a) for any consolidation or amalgamation of the Company with any company, or (b) for any split of the Company's business, or (c) for the Company to become a wholly owned subsidiary of another company. The Company has an obligation to redeem the outstanding Bonds at 100% of their principal amount on March 4, 2011.

Annual maturities of long-term debts and long-term capital lease obligations as of March 31, 2009 for the next five years and thereafter were as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2011	¥63,391	\$646,847
2012	2,664	27,184
2013	1,176	12,000
2014	11	112
Total	¥67,242	\$686,143

At March 31, 2009 and 2008, the following assets were pledged as collateral for short-term borrowings and long-term debt of the Group:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Receivables	–	¥ 276	–
Finished products	¥11,440	–	\$116,735
Building and structures	31,473	2,586	321,153
Land	24,366	4,606	248,632
Investments securities	4,615	–	47,092
Total	¥71,894	¥7,468	\$733,612

The Company has revolving credit facility contract totaling ¥70,000 million (\$714,286 thousand) with five banks as of March 31, 2009, out of which loan payable outstanding amounted to ¥57,700 million (\$588,776 thousand). These include certain financial covenants which require the Company to maintain certain levels of equity and operating income. Also, the Company's business performance for the year ended March 31, 2009 comes into conflict with financial covenants stipulated by loan agreements with multiple banks. However, the banks have agreed to maintain their existing loans to

Pioneer in recognition of the Company's situation. Furthermore, Pioneer has received additional loans chiefly from its main banks, which have pledged their intention to continue providing financial support to the Company.

Although the revolving credit facility contract expired on May 19, 2009, the amount of the loan payable outstanding described above is loan payable balance which will expire between July 21 and July 27 based on the contracts. The Company is currently negotiating new credit facilities with the banks.

7. RETIREMENT AND PENSION PLANS

The Company and major domestic subsidiaries have non-contributory defined benefit pension plans which cover substantially all of their employees. The benefits are in the form of annuity payments and/or lump-sum payments and are determined based on the sum of cumulative points. The points are accumulated based on years of service, job class and conditions under which termination occurs. The Company's policy is to fund amounts required to maintain sufficient plan assets to provide for accrued benefits, subject to the limitation on deductibility imposed by the Japanese income tax laws. The Company also sponsors a domestic non-contributory defined-benefit Corporate Pension Fund ("CPF") under the Defined Benefit Corporate Pension Law of Japan, which

covers substantially all of its Japanese employees. The benefits are determined based on the sum of cumulative points accumulated based on years of service, job class and conditions under which termination occurs.

Substantially all of the employees of U.S. and European subsidiaries are covered by defined benefit pension plans. Under such plans, the related cost of benefit is funded or accrued. The benefits are based on the level of salary at retirement or earlier termination of employment, the years of service and conditions under which termination occurs. Certain other foreign subsidiaries sponsor defined contribution pension plans or lump-sum payment plans.

The reserve for retirement benefits for the years ended March 31, 2009 and 2008 was analyzed as follows:

Domestic

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Projected benefit obligation	¥(93,818)	¥(95,608)	\$(957,327)
Fair value of plan assets	50,348	67,916	513,755
Unfunded retirement obligation	(43,470)	(27,692)	(443,572)
Unrecognized prior service gain	(758)	(1,053)	(7,735)
Unrecognized actuarial loss	40,776	24,784	416,082
Unrecognized transitional obligation	1,758	2,401	17,939
Net retirement obligations	(1,694)	(1,560)	(17,286)
Prepaid pension cost	5,068	4,363	51,714
Accrued pension and severance costs	¥ (6,762)	¥ (5,923)	\$ (69,000)

Net periodic pension costs related to the retirement benefits for the years ended March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Service cost	¥ 4,082	¥ 4,136	\$ 41,653
Interest cost	2,366	2,287	24,143
Expected return on plan assets	(2,703)	(3,336)	(27,582)
Amortization of prior service gain	(103)	(113)	(1,051)
Recognized actuarial loss	2,172	1,292	22,163
Amortization of transitional obligation	317	345	3,235
Net periodic pension costs	¥ 6,131	¥ 4,611	\$ 62,561

	2009	2008
Discount rate	2.50%	2.50%
Expected rate of return on plan assets	4.00%	4.50%
Method of attributing the projected benefits to periods of service	Straight-line	Straight-line
Amortization period of prior service gain or cost	10 to 15 years	10 to 15 years
Recognition period of actuarial gain or loss	10 to 18 years	10 to 18 years
Amortization period of transitional obligation	15 years	15 years

Overseas

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Projected benefit obligation	¥(13,728)	¥(15,410)	\$ (140,082)
Fair value of plan assets	7,786	12,786	79,449
Unfunded retirement obligation	(5,942)	(2,624)	(60,633)
Unrecognized prior service gain (Note)	-	-	-
Unrecognized actuarial loss (Note)	-	-	-
Unrecognized transition obligation (Note)	-	-	-
Net retirement obligations	(5,942)	(2,624)	(60,633)
Prepaid pension cost	-	7	-
Accrued pension and severance costs	¥ (5,942)	¥ (2,631)	\$ (60,633)

Note: In accordance with Financial Accounting Standards Board Statement of Financial Accounting Standards No. 158 "Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans," applicable amounts, net of tax basis, are presented as "Pension adjustments recognized by foreign consolidated subsidiaries," in the Equity section of the accompanying consolidated balance sheets.

Net periodic pension costs related to the retirement benefits for the years ended March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Service cost	¥ 310	¥ 388	\$ 3,163
Interest cost	792	922	8,082
Expected return on plan assets	(803)	(940)	(8,194)
Amortization of prior service gain	(4)	(5)	(41)
Recognized actuarial (gain) loss	(12)	18	(122)
Amortization of transition obligation	-	1	-
Curtailment gain	(228)	-	(2,327)
Net periodic pension costs	¥ 55	¥ 384	\$ 561

	2009	2008
Discount rate	5.8%–7.4%	4.3%–6.8%
Expected rate of return on plan assets	2.0%–7.5%	3.8%–7.5%
Method of attributing the projected benefits to periods of service	Projected unit credit method	Projected unit credit method
Amortization period of prior service gain or cost	Average remaining service period of employees	Average remaining service period of employees
Recognition period of actuarial gain or loss	Average remaining service period of employees	Average remaining service period of employees

8. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Company Law of Japan (the “Company Law”). The significant provisions in the Company Law that affect financial and accounting matters are summarized below:

a. Dividends

Under the Company Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution of the shareholders meeting. For companies that meet certain criteria such as; (1) having a board of directors, (2) having independent auditors, (3) having a board of corporate auditors, and (4) the term of service of directors is prescribed as one year rather than two years by its articles of incorporation, the board of directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

Semiannual interim dividends may also be paid once a year upon resolution by the board of directors if the articles of incorporation of the company so stipulate. The Company Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

9. STOCK OPTIONS

The Company has incentive stock option plans for directors, executive officers and selected employees. In accordance with approval at the ordinary general meetings of shareholders on June 29, 2004, and June 29, 2005, the Company granted share acquisition rights to directors, executive officers and certain employees of the parent company and director of the consolidated subsidiaries. These stock options become exercisable two years after the date of grant and the exercisable period is three years. The Company recorded the fair value of the stock options as a part of their remuneration.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Company Law requires that an amount equal to 10% of dividends must be appropriated as an additional paid-in capital (a component of capital surplus) or as a legal reserve (a component of retained earnings) depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid in capital equals 25% of the common stock. Under the Company Law, the total amount of additional paid in capital and legal reserve may be reversed without limitation. The Company Law also provides that common stock, legal reserve, additional paid in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Company Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the board of directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specified formula. Under the Company Law, stock acquisition rights are presented as a separate component of equity. The Company Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

The ASBJ Statement No. 8, “Accounting Standard for Stock Options” and related guidance are applicable to stock options granted on and after May 1, 2006.

This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The Company does not have stock options granted on and after May 1, 2006.

A summary of information for the Company's stock option plans as of March 31, 2009 is as follows:

Years ended March 31	Persons Granted	Exercisable Period	Yen	Number of Shares
			Weighted-Average Exercise Price	
2005	420	From July 3, 2006 to June 30, 2009	2,944	315,900
2006	436	From July 2, 2007 to June 30, 2010	1,828	315,100

A summary of the status of the Company's stock options at March 31, 2009, and the changes during the year then ended is as follows:

	Number of Shares		
	2004 Stock Option	2005 Stock Option	2006 Stock Option
Non-vested			
March 31, 2008 (Outstanding)	—	—	—
Granted	—	—	—
Canceled	—	—	—
Vested	—	—	—
March 31, 2009 (Outstanding)	—	—	—
Vested			
March 31, 2008 (Outstanding)	312,600	315,900	315,100
Vested	—	—	—
Exercised	—	—	—
Expired	312,600	—	—
March 31, 2009 (Outstanding)	—	315,900	315,100

10. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 41% for the years ended March 31, 2009 and 2008.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Deferred tax assets:			
Write-down of inventories	¥ 9,529	¥ 7,259	\$ 97,235
Accrued expenses	11,540	15,989	117,755
Excess depreciation	6,135	6,634	62,602
Loss on impairment of property, plant and equipment	15,231	23,669	155,418
Loss on impairment of investment securities	8,720	1,873	88,980
Tax loss carryforwards	95,227	48,167	971,704
Others	7,392	7,012	75,429
Valuation allowance	(132,987)	(65,084)	(1,357,011)
Total	20,787	45,519	212,112
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(868)	(1,182)	(8,857)
Others	(3,055)	(2,279)	(31,173)
Total	(3,923)	(3,461)	(40,030)
Net deferred tax assets	¥ 16,864	¥ 42,058	\$ 172,082

Reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of operations for the years ended March 31, 2009 and 2008 was as follows:

	2009	2008
Normal effective statutory tax rate	(41.0)%	41.0%
Expenses not deductible for income tax purposes	1.2	28.2
Revenue not taxable for income tax purposes	(0.4)	(6.0)
Difference in foreign and Japanese tax rates	(0.1)	(119.7)
Valuation allowance	71.7	1,048.4
Others—net	(0.9)	(3.6)
Actual effective tax rate	30.5%	988.3%

Net deferred tax assets for the years ended March 31, 2009 and 2008 were included in the following accounts:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Current Assets:			
Deferred tax assets	¥ 7,097	¥17,089	\$ 72,418
Investments and Other Assets:			
Deferred tax assets	12,484	25,250	127,387
Long-term Liabilities:			
Other long-term liabilities	(2,717)	(281)	(27,724)

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥54,790 million (\$559,082 thousand) and ¥59,420 million for the years ended March 31, 2009 and 2008, respectively.

12. LEASES

The Group leases certain land, machinery and equipment, office space, warehouses, computer equipment and employees' residential facilities.

The minimum rental commitments under noncancellable operating leases at March 31, 2009 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2009	2009
Operating leases:		
Within one year	¥2,777	\$28,337
Over one year	5,037	51,398
Total	¥7,814	\$79,735

13. RESTRUCTURING COSTS

A breakdown of restructuring costs for the year ended March 31, 2009 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2009	2009
Special termination benefits	¥16,898	\$172,429
Expected amount payable for settlement of retirement benefit obligations of which benefit will be succeeded by the another Group company	1,620	16,531
Loss on settlement of retirement benefit obligations	1,098	11,204
Expenses related to withdrawal from plasma display business	3,382	34,510
Others	1,746	17,816
Total	¥24,744	\$252,490

14. DERIVATIVES

The Group enters into foreign currency forward contracts and currency options to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group also enters into interest rate swap and currency swap contracts to manage its interest rate exposure on certain liabilities. All derivative transactions are entered into to hedge interest and foreign currency exposure. Accordingly, market risk in these derivatives is basically offset by opposite

movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.

The Group had the following derivatives contracts outstanding at March 31, 2009 and 2008:

	2009			2008		
	Contract Amount	Fair Value	Unrealized Gain/Loss	Contract Amount	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:						
Buying U.S. dollars	¥ 731	¥ 766	¥35	¥ 8,927	¥ 8,906	¥ (21)
Buying Sterling pound	3,929	3,924	(5)	4,305	4,925	(10)
Selling U.S. dollars	1,343	1,328	15	2,712	2,647	65
Selling Euro	-	-	-	2,495	2,451	44
Currency Option contracts:						
Euro call	-	-	-	10,970	(176)	¥(176)
Euro put	-	-	-	5,485	180	180
Swap contracts:						
Receiving Japanese yen, paying U.S. dollars	-	-	-	2,923	(101)	(101)
Receiving Australian dollars, paying U.S. dollars	2,857	8	8	2,323	22	22
Total	¥8,860	¥6,026	¥53	¥40,140	¥18,854	¥ 3

	Thousands of U.S. Dollars		
	Contract Amount	Fair Value	Unrealized Gain/Loss
2009			
Foreign currency forward contracts:			
Buying U.S. dollars	\$ 7,459	\$ 7,816	\$357
Buying Sterling pound	40,092	40,041	(51)
Selling U.S. dollars	13,704	13,551	153
Selling Euro	-	-	-
Currency Option contracts:			
Euro call	-	-	-
Euro put	-	-	-
Swap contracts:			
Receiving Japanese yen, paying U.S. dollars	-	-	-
Receiving Australian dollars, paying U.S. dollars	29,153	82	82
Total	\$90,408	\$61,490	\$541

Notes: 1. Fair value of foreign currency forward contracts was calculated by quotations obtained from the forward exchange market.

2. Derivative transactions that qualify for hedge accounting are excluded from disclosure.

3. The above information does not include derivative transactions executed to hedge existing foreign currency receivables and payables.

15. NET INCOME (LOSS) PER SHARE

Reconciliation of the differences between basic net income (loss) per share ("EPS") for the years ended March 31, 2009 and 2008 was as follows. Diluted net income (loss) per share is not disclosed because of the Company's net loss position:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Loss	Weighted Average Shares		EPS
For the year ended March 31, 2009:				
Basic EPS				
Net loss attributable to common shareholders	¥(130,529)	205,014	¥(636.68)	\$(6.50)
For the year ended March 31, 2008:				
Basic EPS				
Net loss attributable to common shareholders	¥ (19,040)	183,159	¥(103.95)	

16. SEGMENT INFORMATION

Information about business segments, geographic segments and sales to overseas customers of the Group for the years ended March 31, 2009 and 2008 was as follows:

a. Business Segments

(1) Sales and operating loss

	Millions of Yen				
	2009				
	Car Electronics	Home Electronics	Others	Corporate Eliminations	Consolidated
Sales to customers	¥291,704	¥209,257	¥57,876	–	¥558,837
Intersegment sales	1,797	556	27,304	¥(29,657)	–
Operating revenue	293,501	209,813	85,180	(29,657)	558,837
Operating expenses	305,838	248,435	88,557	(29,464)	613,366
Operating loss	¥ (12,337)	¥ (38,622)	¥ (3,377)	¥ (193)	¥ (54,529)

(2) Total assets, depreciation, impairment loss and capital expenditures

	Millions of Yen				
	2009				
	Car Electronics	Home Electronics	Others	Corporate Eliminations	Consolidated
Total assets	¥142,546	¥102,766	¥62,950	¥120,831	¥429,093
Depreciation	25,240	7,768	6,709	3,470	43,187
Impairment loss	–	2,673	–	1,459	4,132
Capital expenditures	29,774	12,484	5,448	2,089	49,795

(1) Sales and operating income (loss)

	Millions of Yen				
	2008				
	Car Electronics	Home Electronics	Others	Corporate Eliminations	Consolidated
Sales to customers	¥373,883	¥329,530	¥ 71,064	–	¥774,477
Intersegment sales	2,002	670	33,553	¥(36,225)	–
Operating revenue	375,885	330,200	104,617	(36,225)	774,477
Operating expenses	349,784	348,121	102,861	(35,505)	765,261
Operating income (loss)	¥ 26,101	¥ (17,921)	¥ 1,756	¥ (720)	¥ 9,216

(2) Total assets, depreciation, impairment loss and capital expenditures

	Millions of Yen				
	2008				
	Car Electronics	Home Electronics	Others	Corporate Eliminations	Consolidated
Total assets	¥199,878	¥165,562	¥74,792	¥122,044	¥562,276
Depreciation	22,211	10,709	7,524	3,826	44,270
Impairment loss	–	22,461	–	231	22,692
Capital expenditures	27,262	14,550	6,106	3,827	51,745

(1) Sales and operating income (loss)

	Thousands of U.S. Dollars				
	2009				
	Car Electronics	Home Electronics	Others	Corporate Eliminations	Consolidated
Sales to customers	\$2,976,571	\$2,135,276	\$590,571	–	\$5,702,418
Intersegment sales	18,337	5,673	278,612	\$(302,622)	–
Operating revenue	2,994,908	2,140,949	869,183	(302,622)	5,702,418
Operating expenses	3,120,796	2,535,051	903,642	(300,653)	6,258,836
Operating loss	\$ (125,888)	\$ (394,102)	\$ (34,459)	\$ (1,969)	\$ (556,418)

(2) Total assets, depreciation, impairment loss and capital expenditures

	Thousands of U.S. Dollars				
	2009				
	Car Electronics	Home Electronics	Others	Corporate Eliminations	Consolidated
Total assets	\$1,454,551	\$1,048,633	\$642,347	\$1,232,969	\$4,378,500
Depreciation	257,551	79,266	68,459	35,408	440,684
Impairment loss	–	27,275	–	14,888	42,163
Capital expenditures	303,816	127,388	55,592	21,316	508,112

Note: The Group's business is classified into three segments: "Car Electronics," "Home Electronics," and "Others." Principal products and services included in each segment are as follows:

Car Electronics: Car navigation systems, car stereos, car AV systems and car speakers

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

Others: Organic light-emitting diode displays, factory automation systems, speaker units, electronics devices and parts, telephones, AV accessories, business-use AV systems and licensing of patents related to laser optical disc technologies

b. Geographic Segments

	Millions of Yen					
	2009					
	Japan	North America	Europe	Other Regions	Corporate Eliminations	Consolidated
Sales to customers	¥222,451	¥109,394	¥111,717	¥115,275	–	¥558,837
Interarea transfer	216,656	4,046	375	170,288	¥(391,365)	–
Operating revenue	439,107	113,440	112,092	285,563	(391,365)	558,837
Operating expenses	499,800	117,134	117,012	281,401	(401,981)	613,366
Operating income (loss)	¥ (60,693)	¥ (3,694)	¥ (4,920)	¥ 4,162	¥ 10,616	¥ (54,529)
Total assets	¥165,843	¥ 23,568	¥ 44,079	¥ 87,491	¥ 108,112	¥429,093

	Millions of Yen					
	2008					
	Japan	North America	Europe	Other Regions	Corporate Eliminations	Consolidated
Sales to customers	¥278,243	¥179,393	¥166,905	¥149,936	–	¥774,477
Interarea transfer	352,153	5,504	437	241,397	¥(599,491)	–
Operating revenue	630,396	184,897	167,342	391,333	(599,491)	774,477
Operating expenses	638,546	184,257	166,213	377,075	(600,830)	765,261
Operating income (loss)	¥ (8,150)	¥ 640	¥ 1,129	¥ 14,258	¥ 1,339	¥ 9,216
Total assets	¥232,973	¥ 34,303	¥ 66,719	¥122,284	¥ 105,997	¥562,276

	Thousands of U.S. Dollars					
	2009					
	Japan	North America	Europe	Other Regions	Corporate Eliminations	Consolidated
Sales to customers	\$2,269,908	\$1,116,265	\$1,139,969	\$1,176,276	–	\$5,702,418
Interarea transfer	2,210,776	41,286	3,827	1,737,631	\$(3,993,520)	–
Operating revenue	4,480,684	1,157,551	1,143,796	2,913,907	(3,993,520)	5,702,418
Operating expenses	5,100,000	1,195,245	1,194,000	2,871,439	(4,101,847)	6,258,837
Operating income (loss)	\$ (619,316)	\$ (37,694)	\$ (50,204)	\$ 42,469	\$ 108,327	\$ (556,418)
Total assets	\$1,692,275	\$ 240,490	\$ 449,786	\$ 892,765	\$ 1,103,184	\$4,378,500

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

c. Sales to Overseas Customers

Sales to overseas customers for the years ended March 31, 2009 and 2008 amounted to ¥376,359 million (\$3,840,398 thousand) and ¥558,834 million, respectively.

17. SUBSEQUENT EVENTS

a. Third-party Allotment of New Shares for Honda Motor Co., Ltd.

The Company has resolved to issue new shares through a third-party allotment for Honda Motor Co., Ltd. at the Board of Directors' meeting held on April 28, 2009. The funds to be raised through the issuance of new shares will be applied to working capital. In particular, the funds will be applied to a part of research and development expenses for the Car Electronics business, which will be positioned as a core business of the Company. The Company planned to issue 14,700 thousand shares of common stock at an issue price of ¥170 per share (of which ¥85 per share was to be accounted for as stated capital), or in the aggregate of ¥2,499 million. It is also possible that the terms and conditions of issuance may be modified as a result of future discussions with Honda.

While considering all funding options, the Company is continuing to examine possible financial partnerships and is now negotiating with potential sponsors other than Honda. Under these circumstances, based on the status of negotiations with the potential sponsors and as a result of the discussions with Honda, the issuance of new shares is expected to be postponed from that which was initially scheduled, end of June 2009. The schedule of the issuance of new shares is to be fixed by the time the financial partnerships have been finally agreed upon with the potential sponsors.

Please note that Honda still intends to subscribe for the new shares in the above aggregate amount.

b. Transfer of Patents for Plasma Display Panels to Panasonic Corporation

The Company resolved to transfer its patents for plasma display panels and modules to Panasonic Corporation at the Board of Directors' meeting held on April 28, 2009. The two companies had executed the agreement on May 15, 2009. This constitutes part of the business restructuring effort in accordance with plans for a full withdrawal from the display business.

c. Joint Venture Agreement on Optical Disc Business with Sharp Corporation

The Company executed an agreement with Sharp Corporation on the establishment of a joint venture in the optical disc business on June 25, 2009. On April 9, 2009, the Company and Sharp previously executed a basic agreement on this business. The goal of the joint venture is to make more effective use of the management resources of the two companies in the optical disc business field, and to further expand the business in this area, especially in the highly promising Blu-ray Disc market.

Outline of the new company is as follows.

Company name: Pioneer Digital Design and
Manufacturing Corporation
Headquarters: Kawasaki-shi, Kanagawa, Japan
Main businesses: Development, design, manufacture and
sale of optical-disc-related products
and parts

INDEPENDENT AUDITORS' REPORT

Deloitte.

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To the Board of Directors of Pioneer Corporation:

We have audited the accompanying consolidated balance sheets of Pioneer Corporation (the "Company") and consolidated subsidiaries (together, the "Group") as of March 31, 2009 and 2008, and the related consolidated statements of operations, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Pioneer Corporation and consolidated subsidiaries as of March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.



June 25, 2009

Member of
Deloitte Touche Tohmatsu