

News Release

For Immediate Release
October 31, 2007

Pioneer Announces Business Results for 2Q Fiscal 2008

TOKYO — Pioneer Corporation today announced its consolidated second-quarter and semiannual business results, and non-consolidated semiannual business results, for the periods ended September 30, 2007.

Consolidated Financial Highlights

(In millions of yen except per share information)

	Three months ended September 30			Six months ended September 30		
	2007	2006	% to prior year	2007	2006	% to prior year
Operating revenue	¥200,520	¥188,643	106.3%	¥383,161	¥380,319	100.7%
Operating income	939	4,614	20.4	2,262	11,691	19.3
Income from continuing operations before income taxes	1,460	4,620	31.6	17,645	12,624	139.8
Income (loss) from continuing operations	(2,395)	887	–	9,936	6,433	154.5
Income from discontinued operations, net of tax	–	2,659	–	–	2,775	–
Net income (loss)	¥ (2,395)	¥ 3,546	–%	¥ 9,936	¥ 9,208	107.9%
Net income (loss) per share:						
Basic	¥(13.73)	¥20.33		¥56.97	¥52.79	
Diluted	¥(13.73)	¥18.32		¥51.65	¥47.80	

Note: In fiscal 2007, the Company sold subsidiaries involved in the electronic components business. The operating results of these subsidiaries and the gain on the sale are presented as income from discontinued operations in the table above.

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Consolidated Business Results

For the second quarter of fiscal 2008, the three months ended September 30, 2007, consolidated operating revenue increased 6.3% from the second quarter of fiscal 2007 to ¥200,520 million (US\$1,743.7 million), mainly due to higher sales of car audio products and DVD drives for PCs, and the weaker yen, despite lower sales of plasma displays.

Operating income was ¥939 million (US\$8.2 million), a decrease of 79.6% year on year, mainly due to a drop in earnings in the Others segment and worsening profitability in plasma displays, despite higher earnings in the Car Electronics business. In addition to the drop in operating income, there was an increase in income taxes in connection with accumulated losses at the parent company, Pioneer Corporation. Consequently, Pioneer recorded a net loss of ¥2,395 million (US\$20.8 million), compared with net income of ¥3,546 million in the second quarter of fiscal 2007.

During the second quarter of fiscal 2008, the average value of the Japanese yen was weaker against the U.S. dollar and the euro by 1.4% and 8.5%, respectively, compared with the second quarter of fiscal 2007.

Car Electronics sales increased 10.9% year on year to ¥92,730 million (US\$806.3 million), mainly due to increased sales of both car audio products and car navigation systems. In car navigation systems, OEM (original equipment manufacturing) sales rose in North America, but OEM and consumer-market sales dropped in Japan. In car audio products, consumer-market sales rose in Central and South America, and Russia, and OEM sales were also higher both in Japan and overseas. Total OEM sales in this segment accounted for approximately 38% of Car Electronics sales.

In terms of geographic sales, sales in Japan decreased 0.5% to ¥28,415 million (US\$247.1 million), and overseas sales rose 16.8% to ¥64,315 million (US\$559.3 million).

Operating income in this segment increased 7.9% year on year to ¥6,026 million (US\$52.4 million) mainly due to higher sales of car audio products, despite a decrease in the gross profit margin of car navigation systems.

Home Electronics sales increased 4.6% year on year to ¥89,449 million (US\$777.8 million). Overall plasma display sales decreased due to a drop in sales of plasma displays for OEM and business use, although home-use sales rose slightly, reflecting sales growth in Europe partially offset by lower sales in North America and Japan. Sales of plasma displays accounted for approximately 41% of total Home Electronics sales. In addition, sales of DVD drives for PCs rose, but sales of DVD recorders decreased.

In terms of geographic sales, sales in Japan declined 26.4% to ¥10,612 million (US\$92.3 million), while overseas sales rose 10.9% to ¥78,837 million (US\$685.5 million).

The operating loss in this segment was ¥4,105 million (US\$35.7 million), compared with an operating loss of ¥3,681 million in the corresponding period of the previous fiscal year. This mainly reflected higher expenses primarily related to new worldwide marketing activities centered on plasma displays that are currently under way, despite improving profitability in DVD recorders.

In **Patent Licensing**, royalty revenue decreased 38.4% year on year to ¥308 million (US\$2.7 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 57.8% to ¥79 million (US\$0.7 million) from the same period of the previous fiscal year.

In the **Others** segment, sales decreased 5.0% year on year to ¥18,033 million (US\$156.8 million), mainly reflecting lower sales of business-use AV systems, factory automation systems and passive-matrix organic light-emitting diode (OLED) displays.

In terms of geographic sales, sales in Japan decreased 19.1% to ¥10,516 million (US\$91.4 million), while overseas sales increased 25.5% to ¥7,517 million (US\$65.4 million).

Operating income in this segment was ¥191 million (US\$1.7 million), down 92.0% year on year. This was mainly attributable to worsening profitability in business-use AV systems and map software.

For the first half of fiscal 2008, the six months ended September 30, 2007, consolidated operating revenue rose 0.7% year on year to ¥383,161 million (US\$3,331.8 million). Operating income was ¥2,262 million (US\$19.7 million), down 80.7% year on year. Net income rose 7.9% to ¥9,936 million (US\$86.4 million), mainly due to a gain on sale of all land and buildings at the Tokorozawa Plant and some at the Omori plant, which was recorded in the first quarter of fiscal 2008.

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

Cash Flows

During the first half of fiscal 2008, operating activities used net cash of ¥5,165 million (US\$44.9 million). This mainly reflected an increase in trade notes and receivables of ¥5,191 million (US\$45.1 million), and an increase in inventories of ¥32,309 million (US\$280.9 million). There were also adjustments for a gain on sale and disposal of fixed assets of ¥12,650 million (US\$110.0 million), for which we received most of the cash proceeds in fiscal 2007, and other items. These factors outweighed cash provided by net income of ¥9,936 million (US\$86.4 million), depreciation and amortization of ¥16,772 million (US\$145.8 million) and an increase in trade payables of ¥22,636 million (US\$196.8 million). Investing activities used net cash of ¥36,755 million (US\$319.6 million). This reflected capital expenditures of ¥25,310 million (US\$220.1 million), mainly related to the newly established Kawasaki Plant and car electronics products, as well as ¥14,342 million (US\$124.7 million) for the purchase of shares of consolidated subsidiaries, chiefly the purchase of shares of Tohoku Pioneer Corporation through a tender offer. Financing activities provided net cash of ¥21,693 million (US\$188.6 million), mainly through an increase in short-term borrowings.

Consequently, cash and cash equivalents at September 30, 2007 were ¥82,120 million (US\$714.1 million), ¥19,700 million lower than at March 31, 2007.

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 an interim dividend for fiscal 2008 of ¥5.0 (US\$0.04) per share of common stock, the same amount as the previous fiscal year.

Business Forecasts for Fiscal 2008

We revised our consolidated business forecasts for fiscal 2008, ending March 31, 2008, which were announced on May 14, 2007, as follows:

(In millions of yen)

	Revised projections for fiscal 2008 (A)	Previous projections for fiscal 2008 (B)	Changes (A - B)	Results for fiscal 2007
Operating revenue	¥820,000	¥835,000	¥(15,000)	¥797,102
Operating income	10,000	15,000	(5,000)	12,487
Income (loss) before income taxes	26,000	29,000	(3,000)	(7,717)
Net income (loss)	¥ 6,000	¥ 12,500	¥ (6,500)	¥ (6,761)

We have lowered our previous operating revenue forecast because plasma display sales are projected to fall below initial forecasts chiefly in North America and Europe, although sales of car audio products and DVD drives for PCs are expected to surpass initial forecasts on a full-year basis.

Turning to profitability, we have reduced our previous forecasts for operating income, income before income taxes and net income. This comes mainly on expectations of a larger-than-projected loss in the Home Electronics business due to lower plasma display sales, although income in the Car Electronics business is projected to beat initial forecasts.

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

Plasma Display Panel Production Structure

Pioneer's new plasma displays, which were launched worldwide beginning in the summer of 2007, have earned high marks in terms of their picture and sound quality, and design. However, we expect sales volumes of plasma displays to fall below initial sales volume projections. Weighing these factors, Pioneer has decided not to construct a new plasma display plant for now. Furthermore, we plan to stop production at an existing production line with low productivity. Meanwhile, we will reinforce production of our 1080p high-definition plasma displays, which have earned a strong reputation in the markets.

Going forward, while carefully monitoring market developments and our sales performance, we will continue to work on building a more efficient production structure that matches the scale of our business.

Cautionary Statement with Respect to Forward-Looking Statements

Statements made in this release with respect to our current plans, estimates, strategies and beliefs, and other statements that are not historical facts are forward-looking statements about our future performance. These statements are based on management's assumptions and beliefs in light of the information currently available to it. We caution that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, and therefore you should not place undue reliance on them. 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 for 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 expenditures; (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 realize the Pioneer Group's philosophy, "Move the Heart and Touch the Soul," with more people around the world.

Based on this group philosophy, Pioneer formulated a group vision: "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." This vision will serve as a reference point for the activities of individual employees and is expected to underpin improvement in Pioneer's performance.

In June 2006, Pioneer set management targets of consolidated operating revenue of ¥950 billion and operating income of at least ¥30 billion for the fiscal year ending March 31, 2009. However, Pioneer faces a more severe business environment, characterized by greater-than-expected decreases in prices of large, flat-panel TVs and intensifying competition in this product domain. In light of these circumstances, the Company is carefully formulating a medium-term business plan. This plan will give due consideration to the plasma display production structure and other issues.

On September 20, 2007, Pioneer and Sharp Corporation agreed to establish a comprehensive business alliance and a capital alliance to ensure a close and firm business alliance. Through joint development, the business alliance targets the effective use of each other's technologies in the next-generation DVD, network-related, car electronics and imaging fields and the achievement of further innovation in each field. In addition, Pioneer and Sharp will strengthen business ties and increase transactions and trade volume between both companies by actively adopting each other's products and components.

On October 1, 2007, Pioneer made Tohoku Pioneer Corporation, which was previously listed on the Second Section of the Tokyo Stock Exchange, a wholly owned subsidiary. This move is intended to develop Tohoku Pioneer into a core company in the production of car stereos and speakers within the Pioneer Group. We seek to achieve higher competitiveness and profitability in order to further reinforce market superiority in the Car Electronics business and Home Electronics business, the core businesses of the Pioneer Group.

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, to pave the way for further business expansion in this segment, Pioneer is expanding production capacity at overseas sites.

In the Home Electronics business, where new marketing activities are under way,

we are working to improve earnings by providing new forms of value for customers, mainly through plasma displays, in terms of picture quality, product design, user friendliness, quality, and sound as well as by further enhancing the image of our brands and focusing on profitable products.

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

Issues to Be Addressed

The overall economic outlook is for continued stable growth, supported by favorable corporate earnings and consumer spending, despite soaring materials prices, including crude oil prices, and concerns about the effects of a credit crunch in financial markets, especially in North America. Meanwhile, Pioneer faces extremely challenging business conditions due to fiercer competition involving its core products.

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 growing markets such as Central and South America and Russia, which are expected to continue to expand, 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. We will also continue to actively press ahead with business expansion in North America and Europe, where Pioneer car navigation systems with built-in audio/video functions have been launched at mass-market prices. Aiming to curb burgeoning software development costs accompanying product advancements, Pioneer is reforming product development processes and pursuing internal sharing and standardization in this area.

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

In the display business, Pioneer will leverage its technological edge in panel technologies to offer plasma displays with high picture quality. Efforts will also focus on offering unique value propositions by enhancing 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.

Furthermore, we will consider adding liquid crystal displays of smaller sizes than our plasma displays to our lineup in order to augment our display products. We plan to move forward on this front with the cooperation of Sharp with whom we recently formed a business alliance.

In the optical disc business, Pioneer is focusing on Blu-ray Disc products, having already shifted the core of development from DVD products. We will offer new value propositions worldwide based on combinations of Blu-ray Disc players and plasma displays. In Blu-

ray Disc drives for PCs, we aim to enhance profitability by accelerating the pace of product development.

Through the business alliance with Sharp, we will mutually utilize each company's resources and promote joint development in each business, in order to develop new products and businesses and improve the efficiency of development activities, with the aim of improving our performance.

Other Important Management Matters

Based on a resolution by the Board of Directors on September 20, 2007, Pioneer plans to issue 30,000,000 new shares (14.3% of post-allotment issued shares) through a third-party allotment to Sharp on December 20, 2007 for ¥41,550 million. The funds raised by Pioneer from the issuance of new shares will be used mainly for working capital, including for the business alliance and joint development with Sharp. On the same date, Pioneer plans to subscribe to 10,000,000 shares of Sharp's treasury stock (0.9% of Sharp's issued shares) through a third-party allotment at a cost of ¥19,750 million.

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

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The U.S. dollar amounts in this release represent translation of Japanese yen, for convenience only, at the rate of ¥115=US\$1.00, the approximate rate prevailing as of September 30, 2007.

Attachments:

- I. Consolidated financial statements for the three months and the six months ended September 30, 2007
- II. Non-consolidated financial statements for the six months ended September 30, 2007

I. CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND THE SIX MONTHS ENDED SEPTEMBER 30, 2007

(1) OPERATING REVENUE BY SEGMENT

(In millions of yen)

	Three months ended September 30				
	2007		2006		% to prior year
	Amount	% to total	Amount	% to total	
Domestic	¥ 28,415	14.2%	¥ 28,564	15.1%	99.5%
Overseas	64,315	32.0	55,070	29.2	116.8
Car Electronics	92,730	46.2	83,634	44.3	110.9
Domestic	10,612	5.3	14,421	7.6	73.6
Overseas	78,837	39.3	71,103	37.7	110.9
Home Electronics	89,449	44.6	85,524	45.3	104.6
Domestic	-	-	-	-	-
Overseas	308	0.2	500	0.3	61.6
Patent Licensing	308	0.2	500	0.3	61.6
Domestic	10,516	5.2	12,993	7.0	80.9
Overseas	7,517	3.8	5,992	3.1	125.5
Others	18,033	9.0	18,985	10.1	95.0
Domestic	49,543	24.7	55,978	29.7	88.5
Overseas	150,977	75.3	132,665	70.3	113.8
Total	¥200,520	100.0%	¥188,643	100.0%	106.3%

(In millions of yen)

	Six months ended September 30				
	2007		2006		% to prior year
	Amount	% to total	Amount	% to total	
Domestic	¥ 60,873	15.9%	¥ 62,882	16.5%	96.8%
Overseas	128,874	33.6	112,088	29.5	115.0
Car Electronics	189,747	49.5	174,970	46.0	108.4
Domestic	23,375	6.1	28,814	7.6	81.1
Overseas	135,505	35.4	138,091	36.3	98.1
Home Electronics	158,880	41.5	166,905	43.9	95.2
Domestic	-	-	-	-	-
Overseas	415	0.1	1,761	0.5	23.6
Patent Licensing	415	0.1	1,761	0.5	23.6
Domestic	20,871	5.4	25,081	6.6	83.2
Overseas	13,248	3.5	11,602	3.0	114.2
Others	34,119	8.9	36,683	9.6	93.0
Domestic	105,119	27.4	116,777	30.7	90.0
Overseas	278,042	72.6	263,542	69.3	105.5
Total	¥383,161	100.0%	¥380,319	100.0%	100.7%

(2) CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions of yen)

	Three months ended September 30		
	2007	2006	% to prior year
Operating revenue:			
Net sales	¥200,212	¥188,143	106.4%
Royalty revenue	308	500	61.6
Total operating revenue	200,520	188,643	106.3
Operating costs and expenses:			
Cost of sales	154,998	142,817	108.5
Selling, general and administrative expenses	44,583	41,212	108.2
Total operating costs and expenses	199,581	184,029	108.5
Operating income	939	4,614	20.4
Other income (expenses):			
Interest income	1,124	1,136	98.9
Foreign exchange loss	(261)	(986)	26.5
Interest expense	(386)	(217)	177.9
Other—net	44	73	60.3
Total other income	521	6	-
Income from continuing operations before income taxes	1,460	4,620	31.6
Income taxes	3,927	3,470	113.2
Minority interest in earnings of subsidiaries	(46)	(245)	18.8
Equity in earnings (losses) of affiliated companies	118	(18)	-
Income (loss) from continuing operations	(2,395)	887	-
Income from discontinued operations, net of tax	-	2,659	-
Net income (loss)	¥ (2,395)	¥ 3,546	-%

(In millions of yen)

	Six months ended September 30		
	2007	2006	% to prior year
Operating revenue:			
Net sales	¥382,746	¥378,558	101.1%
Royalty revenue	415	1,761	23.6
Total operating revenue	383,161	380,319	100.7
Operating costs and expenses:			
Cost of sales	293,731	283,384	103.7
Selling, general and administrative expenses	87,168	85,244	102.3
Total operating costs and expenses	380,899	368,628	103.3
Operating income	2,262	11,691	19.3
Other income (expenses):			
Interest income	2,914	2,085	139.8
Foreign exchange gain (loss)	168	(385)	-
Interest expense	(929)	(616)	150.8
Other—net	13,230	(151)	-
Total other income	15,383	933	-
Income from continuing operations before income taxes	17,645	12,624	139.8
Income taxes	7,578	6,214	122.0
Minority interest in losses (earnings) of subsidiaries	(138)	1	-
Equity in earnings of affiliated companies	7	22	31.8
Income from continuing operations	9,936	6,433	154.5
Income from discontinued operations, net of tax	-	2,775	-
Net income	¥ 9,936	¥ 9,208	107.9%

(3) CONSOLIDATED BALANCE SHEETS

	(In millions of yen)				
	September 30			March 31	
	2007	2006	Increase (Decrease)	2007	Increase (Decrease)
ASSETS					
Current assets:					
Cash and cash equivalents	¥ 82,120	¥109,822	¥(27,702)	¥101,820	¥(19,700)
Trade receivables, less allowance	123,552	119,106	4,446	117,875	5,677
Inventories	137,762	139,030	(1,268)	105,331	32,431
Other current assets	72,117	70,826	1,291	69,066	3,051
Total current assets	415,551	438,784	(23,233)	394,092	21,459
Investments and long-term receivables	25,133	27,795	(2,662)	27,219	(2,086)
Property, plant and equipment, less depreciation	146,703	159,857	(13,154)	146,475	228
Intangible assets	19,192	19,482	(290)	18,248	944
Other assets	48,395	42,232	6,163	49,440	(1,045)
Total assets	¥654,974	¥688,150	¥(33,176)	¥635,474	¥ 19,500
LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Short-term borrowings and current portion of long-term debt	¥ 53,795	¥ 40,270	¥ 13,525	¥ 18,605	¥ 35,190
Trade payables	114,685	120,322	(5,637)	93,351	21,334
Other current liabilities	113,027	116,351	(3,324)	130,757	(17,730)
Total current liabilities	281,507	276,943	4,564	242,713	38,794
Long-term debt	73,943	89,225	(15,282)	86,015	(12,072)
Other long-term liabilities	23,769	25,168	(1,399)	24,341	(572)
Total liabilities	379,219	391,336	(12,117)	353,069	26,150
Minority interests	2,383	14,056	(11,673)	14,289	(11,906)
Shareholders' equity:					
Common stock	49,049	49,049	-	49,049	-
Capital surplus	82,995	82,959	36	82,983	12
Retained earnings	174,083	182,162	(8,079)	165,321	8,762
Accumulated other comprehensive loss	(20,296)	(18,964)	(1,332)	(16,784)	(3,512)
Treasury stock	(12,459)	(12,448)	(11)	(12,453)	(6)
Total shareholders' equity	273,372	282,758	(9,386)	268,116	5,256
Total liabilities, minority interests and shareholders' equity	¥654,974	¥688,150	¥(33,176)	¥635,474	¥ 19,500
Breakdown of accumulated other comprehensive loss:					
Minimum pension liability adjustments	-	¥ (4,650)	¥ 4,650	-	-
Pension liability adjustments	¥ (5,105)	-	(5,105)	¥ (5,009)	¥ (96)
Net unrealized gains on securities	6,116	9,342	(3,226)	7,405	(1,289)
Foreign currency translation adjustments	(21,307)	(23,656)	2,349	(19,180)	(2,127)
Total accumulated other comprehensive loss	¥(20,296)	¥(18,964)	¥(1,332)	¥(16,784)	¥(3,512)

(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, 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
Adjustment pursuant to FIN 48			(302)			(302)
Net income			9,936			9,936
Other comprehensive loss				(3,512)		(3,512)
Value ascribed to stock options		12				12
Cash dividends (¥5 per share)			(872)			(872)
Purchase and sales of treasury stock, net					(6)	(6)
Balance at September 30, 2007	¥49,049	¥82,995	¥174,083	¥(20,296)	¥(12,459)	¥273,372

(5) CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions of yen)

	Three months ended September 30		Six months ended September 30	
	2007	2006	2007	2006
I. Cash flows from operating activities:				
Net income (loss)	¥ (2,395)	¥ 3,546	¥ 9,936	¥ 9,208
Depreciation and amortization	8,055	9,348	16,772	18,500
Loss (Gain) on sale and disposal fixed assets	273	(885)	(12,650)	(697)
(Increase) decrease in trade receivables	4,198	1,765	(5,191)	(9,965)
Increase in inventories	(10,607)	(15,446)	(32,309)	(32,687)
Increase (decrease) in trade payables	(1,283)	9,519	22,636	17,184
Increase (decrease) in other accrued liabilities	9,964	8,921	519	(7,866)
Other	810	(2,463)	(4,878)	(3,532)
Net cash provided by (used in) operating activities	9,015	14,305	(5,165)	(9,855)
II. Cash flows from investing activities:				
Payment for purchase of fixed assets	(9,850)	(12,157)	(25,310)	(20,477)
Payment for purchase of shares of consolidated subsidiaries	(638)	–	(14,342)	–
Proceeds from sale of discontinued operations	–	10,862	–	10,862
Other	1,386	1,584	2,897	1,857
Net cash provided by (used in) investing activities	(9,102)	289	(36,755)	(7,758)
III. Cash flows from financing activities:				
Increase (decrease) in short-term borrowings and long-term debt	(372)	5,742	24,327	7,198
Dividends paid	–	–	(872)	(436)
Other	(883)	(907)	(1,762)	(1,727)
Net cash provided by (used in) financing activities	(1,255)	4,835	21,693	5,035
Effect of exchange rate changes on cash and cash equivalents	(3,044)	1,575	527	720
Net increase (decrease) in cash and cash equivalents	(4,386)	21,004	(19,700)	(11,858)
Cash and cash equivalents, beginning of period	86,506	88,818	101,820	121,680
Cash and cash equivalents, end of period	¥ 82,120	¥109,822	¥ 82,120	¥109,822
Free cash flows (I + II)	¥(87)	¥14,594	¥(41,920)	¥(17,613)

(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)

	Three months ended September 30					
	2007		2006		% to prior year	
	Operating Revenue	Operating Income	Operating Revenue	Operating Income	Operating Revenue	Operating Income
Car Electronics	¥ 93,274	¥ 6,026	¥ 84,124	¥ 5,586	110.9%	107.9%
Home Electronics	89,644	(4,105)	85,732	(3,681)	104.6	-
Patent Licensing	425	79	500	187	85.0	42.2
Others	26,729	191	27,788	2,399	96.2	8.0
Total	210,072	2,191	198,144	4,491	106.0	48.8
Corporate and Eliminations	(9,552)	(1,252)	(9,501)	123	-	-
Consolidated	¥200,520	¥ 939	¥188,643	¥ 4,614	106.3%	20.4%

(In millions of yen)

	Six months ended September 30					
	2007		2006		% to prior year	
	Operating Revenue	Operating Income	Operating Revenue	Operating Income	Operating Revenue	Operating Income
Car Electronics	¥190,785	¥13,635	¥175,913	¥13,118	108.5%	103.9%
Home Electronics	159,236	(9,542)	167,246	(4,133)	95.2	-
Patent Licensing	616	3	1,761	974	35.0	0.3
Others	51,350	(483)	54,169	2,692	94.8	-
Total	401,987	3,613	399,089	12,651	100.7	28.6
Corporate and Eliminations	(18,826)	(1,351)	(18,770)	(960)	-	-
Consolidated	¥383,161	¥ 2,262	¥380,319	¥11,691	100.7%	19.3%

<Geographic Segments>

(In millions of yen)

	Six months ended September 30					
	2007		2006		% to prior year	
	Operating Revenue	Operating Income	Operating Revenue	Operating Income	Operating Revenue	Operating Income
Japan	¥ 336,676	¥ 2,031	¥ 322,597	¥ 5,525	104.4%	36.8%
North America	97,049	(802)	99,623	4,271	97.4	-
Europe	78,976	(815)	80,026	1,528	98.7	-
Other Regions	201,451	6,435	175,437	2,862	114.8	224.8
Total	714,152	6,849	677,683	14,186	105.4	48.3
Corporate and Eliminations	(330,991)	(4,587)	(297,364)	(2,495)	-	-
Consolidated	¥ 383,161	¥ 2,262	¥ 380,319	¥11,691	100.7%	19.3%

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

<Operating Revenue by Geographic Market>

(In millions of yen)

	Six months ended September 30					
	2007		2006		% to	
	Amount	% to total	Amount	% to total	prior year	
Japan	¥105,119	27.4%	¥116,777	30.7%	90.0%	
North America	95,596	25.0	100,175	26.3	95.4	
Europe	80,496	21.0	83,252	21.9	96.7	
Other Regions	101,950	26.6	80,115	21.1	127.3	
Consolidated	¥383,161	100.0%	¥380,319	100.0%	100.7%	

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

Notes:

1. The Company's consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, except for the disclosure of segment information.
2. The Company's business is classified into four segments: "Car Electronics," "Home Electronics," "Patent Licensing" 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, DVD recorders, DVD players, DVD drives, Blu-ray Disc players, Blu-ray Disc drives, audio systems, audio components, DJ equipment and equipment for cable TV systems
 - Patent Licensing
 - licensing of patents related to laser optical disc technologies
 - Others
 - organic light-emitting diode displays, factory automation systems, speaker units, electronics devices and parts, telephones and business-use AV systems
3. Effective from this fiscal 2008, the Company classified telephones in "Others," which were previously included in "Home Electronics." Reclassifications have been made to previously reported "operating revenue by segment" and "segment information" to conform to this presentation.
4. In the second quarter of fiscal 2007, the Company sold subsidiaries involved in the electronic components business. The operating results of these subsidiaries and the gain on the sale are presented as income from discontinued operations in the consolidated statements of operations.
5. In the first quarter of fiscal 2008, the Company sold all land and buildings at the Tokorozawa Plant and some at the Omori Plant. The gain on these sales has been included in "Other—net" in the consolidated statements of operations.
6. From May 15, 2007 to June 19, 2007, the Company made a tender offer bid to make Tohoku Pioneer Corporation (a 67.1% owned subsidiary) a wholly-owned subsidiary, and acquired 30.5% shares of common stock of Tohoku Pioneer for ¥13,506 million. In addition, effective on October 1, 2007, the Company acquired, through a share exchange, Tohoku Pioneer's shares which had not been acquired through the tender offer, and Tohoku Pioneer became a wholly-owned subsidiary of the Company.
7. From this fiscal 2008, the Company adopted the Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109" ("FIN 48"). As a result, the amount of ¥302 million has been recognized to the beginning balance of the Company's retained earnings upon the adoption of FIN 48.

II. NON-CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2007**(1) CONDENSED STATEMENTS OF OPERATIONS**

(In millions of yen)

	Six months ended September 30		
	2007	2006	% to prior year
Net sales	¥285,446	¥270,886	105.4%
Cost of sales	253,825	234,989	108.0
Selling, general and administrative expenses	41,003	41,825	98.0
Operating loss	(9,381)	(5,928)	-
Non-operating income—net	1,476	425	347.3
Ordinary loss	(7,905)	(5,503)	-
Other income—net	11,653	4,381	266.0
Income (loss) before income taxes	3,747	(1,122)	-
Income taxes	1,689	(308)	-
Net income (loss)	¥ 2,057	¥ (813)	-%

(2) CONDENSED BALANCE SHEETS

(In millions of yen)

	September 30		March 31
	2007	2006	2007
ASSETS			
Current assets:			
Cash	¥ 17,652	¥ 43,289	¥ 30,367
Notes and accounts receivable—trade	56,361	49,847	50,462
Inventories	31,227	35,298	28,630
Other current assets	45,238	48,937	44,733
Total current assets	150,480	177,373	154,192
Fixed assets:			
Tangible	60,360	56,273	63,904
Intangible	33,334	28,366	31,348
Investments and others	204,139	200,814	190,518
Total fixed assets	297,835	285,454	285,770
Total assets	¥448,315	¥462,827	¥439,963
LIABILITIES			
Current liabilities:			
Notes and accounts payable—trade	¥ 72,273	¥ 76,040	¥ 52,701
Accrued expenses	51,987	53,505	55,787
Other current liabilities	65,320	42,546	63,050
Total current liabilities	189,581	172,091	171,538
Long-term liabilities	61,831	71,860	72,019
Total liabilities	251,412	243,951	243,558
NET ASSETS			
Shareholders' equity:			
Common stock	49,048	49,048	49,048
Capital surplus	81,314	81,315	81,314
Retained earnings	73,760	94,920	72,574
Treasury stock	(12,459)	(12,449)	(12,452)
Total shareholders' equity	191,664	212,834	190,485
Adjustments to valuation and translation:			
Net unrealized gains on securities	5,197	6,288	6,041
Deferred gains (losses) on hedges	40	(247)	(121)
Total adjustments to valuation and translation	5,238	6,041	5,920
Total net assets	196,902	218,876	196,405
Total liabilities and net assets	¥448,315	¥462,827	¥439,963

(3) CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In millions of yen)

	Shareholders' Equity				Total Shareholders' Equity
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	
Balance at March 31, 2007	¥49,048	¥81,314	¥72,574	¥(12,452)	¥190,485
Dividends paid			(872)		(872)
Net income			2,057		2,057
Purchase and sales of treasury stock, net		(0)		(6)	(6)
Net change in items other than shareholders' equity					-
Balance at September 30, 2007	¥49,048	¥81,314	¥73,760	¥(12,459)	¥191,664

	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, 2007	¥6,041	¥(121)	¥5,920	¥196,405
Dividends paid			-	(872)
Net income			-	2,057
Purchase and sales of treasury stock, net			-	(6)
Net change in items other than shareholders' equity	(844)	161	(682)	(682)
Balance at September 30, 2007	¥5,197	¥ 40	¥5,238	¥196,902

(In millions of yen)

	Shareholders' Equity				Total Shareholders' Equity
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	
Balance at March 31, 2006	¥49,048	¥81,315	¥96,169	¥(12,442)	¥214,090
Dividends paid			(436)		(436)
Net loss			(813)		(813)
Purchase and sales of treasury stock, net		0		(7)	(7)
Net change in items other than shareholders' equity					-
Balance at September 30, 2006	¥49,048	¥81,315	¥94,920	¥(12,449)	¥212,834

	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			-	(436)
Net loss			-	(813)
Purchase and sales of treasury stock, net			-	(7)
Net change in items other than shareholders' equity	(1,120)	¥(247)	(1,368)	(1,368)
Balance at September 30, 2006	¥ 6,288	¥(247)	¥ 6,041	¥218,876

(In millions of yen)

	Shareholders' Equity				Total Shareholders' Equity
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	
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