

# News Release

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***For Immediate Release***  
***March 7, 2008***

## **Pioneer Announces Restructuring Plans for its Display Business and Measures to Enhance Corporate Value**

TOKYO — Pioneer Corporation has announced that at a meeting of its Board of Directors held today, the Company resolved to restructure its display business and implement measures to enhance corporate value, as follows.

### **I. Restructuring Plans for the Display Business**

Displays are positioned at the heart of Pioneer's home audio/video product lineup and help to enhance the image of the Company's brands in the Home Electronics business. Pioneer believes that displays are indispensable to its product lineup for these reasons and will therefore maintain its fundamental strategy for the display business—supply premium models with high picture and sound quality befitting the image of its brands at prices matching their added value, while optimizing the scale of its business.

However, we have judged that maintaining the cost competitiveness of plasma display panels at projected sales volumes will be difficult going forward. Accordingly, we have decided to terminate in-house plasma display panel production and to procure these panels externally, after panel production for our next series of models is complete. This move will allow us to transform our business model for displays from vertically integrated, capital-intensive operations to a leaner business model geared to making value-added product proposals. Pioneer is currently in discussions on the feasibility of procuring panel modules that may incorporate the Company's proprietary technologies. Details will be announced as soon as they are finalized.

Pioneer plans to review its production structure in conjunction with the termination of plasma display panel production and to streamline the entire display business to a scale commensurate with sales. We aim to compensate for cutbacks in the plasma display business by driving further expansion in our growth businesses. This will be done by shifting related personnel and other business resources to the Car Electronics business; the professional sound & visual (Pro SV) business, which involves DJ equipment; and the audio/video product business, including Blu-ray Disc-related products. We will give consideration to retaining employees in the course of

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this process. Details are currently under review and will be announced as soon as they are finalized.

In fiscal 2008, the year ending March 31, 2008, Pioneer will book an impairment loss on plasma display production facilities. In fiscal 2009, we will streamline the plasma display business and shift resources to our growth businesses. However, these measures are not expected to produce significant benefits until fiscal 2010. Nevertheless, we believe that these measures will help to restore profitability in the Home Electronics business in fiscal 2010.

## **II. Measures to Enhance Corporate Value**

### **1. Growth Strategies for the Car Electronics Business**

Pioneer's top priority for maintaining its current level of profitability in the Car Electronics business is to grow the car navigation system business.

First, Pioneer will bolster telematics functions, which employ mobile phones and the Internet and are expected to become mainstream in the car navigation system field going forward. This is part of efforts to transform car navigation systems into comprehensive in-vehicle information terminals offering much more than merely car navigation in a bid to stimulate new demand. Another goal is to counter growing demand for portable navigation devices. Here, Pioneer will expand its customer base for in-dash car navigation systems by proposing new forms of value not offered by portable navigation devices. For instance, Pioneer is developing new in-dash car navigation systems with built-in audio/video functions that feature connectivity with peripheral electronics and innovative device operability. We are developing a "light" platform that will support the worldwide launch of these new models.

In OEM car navigation systems, we will concentrate on winning contracts for assembly line products worldwide for automakers. At the same time, we will grow business in the domestic dealer options market. Through these measures, Pioneer aims to expand the scope of its car navigation system business as a whole.

In car audio/video products for consumer markets, we will compensate for contraction in developed countries' consumer markets by actively responding to rapid market expansion in the BRICs nations. Concurrently, we plan to maintain profitability and mitigate any decrease in unit prices by shifting our center of gravity from models equipped with CD players to those with DVD players. We also aim to maintain our market share by vigorously offering new value propositions that cater to various forms of media and networks.

On the development front, Pioneer will work to boost efficiency by implementing reforms of increasingly complex software development processes and by adopting common platforms for OEM products for which orders are growing. These and other measures will help us to maintain profitability as we grow our business.

Through these and other initiatives, we aim to maintain an operating margin of around 6% to 7% in the Car Electronics business over the medium term.

## **2. Restoring Profitability in the Home Electronics Business**

In the Home Electronics business, Pioneer is focused on improving profitability by expanding sales of audio/video products linked with displays and by growing sales of Blu-ray Disc-related products.

Pioneer will reinforce its range of network and wireless-compatible audio/video products linked with displays. Our goal is to create home environments where people can freely manipulate digital content piped into their homes over networks. We also aim to develop displays that are next-generation wall-mountable TVs by wirelessly connecting displays and various source devices. Pioneer also aims to expand business by incorporating new value proposals into each new product—proposals based on video and audio analysis technologies cultivated through extensive research into high picture and sound quality.

With regards to Blu-ray Disc-related products, Pioneer will concentrate internal product development on Blu-ray Disc players, which are expected to find growing adoption worldwide. Meanwhile, we will use joint development and outsourcing to enhance our lineup of Blu-ray Disc recorders and other products. Furthermore, we aim to grow external sales of Blu-ray Disc devices through package sales that combine such devices with platforms for Blu-ray Disc players and recorders.

In the Pro SV business, Pioneer will drive even greater business expansion by augmenting its lineup of DJ equipment and moving into new categories of video and audio equipment.

Through these initiatives and the aforementioned restructuring plans for the display business, Pioneer aims to improve profitability in the Home Electronics business, moving it back into the black in fiscal 2010.

## **3. Strategy for the Speaker Business**

The speaker business makes effective use of technologies and expertise accumulated by Pioneer over its entire 70-year history. We are trying to expand this business as a whole by focusing on growing not only the car speaker business, where we boast a dominant market position, but also speakers for home use.

In home-use speakers, we aim to ensure profitability while expanding sales by supplying value-added products. Efforts will also focus on moving into new product categories in business-use speakers.

Turning to speaker unit sales to external customers, Pioneer will work to increase its external customer base to ensure consistent and stable growth in speaker units for mobile phones. In fields such as speaker units for flat-panel TVs, Pioneer will develop and boost sales of proprietary speaker units.

Reforming the operating structure is a priority, too. We will pursue economies of scale by concentrating speaker development and production at Tohoku Pioneer Corporation, which is now a wholly owned subsidiary of Pioneer Corporation. We will also apply our expertise in home-use speakers to car speakers. In this way, we hope to rapidly reap benefits from our business integration with Tohoku Pioneer.

By working hard on these and other initiatives, we aim to grow our speaker business roughly 1.5-fold over the medium term to become the world's leading speaker manufacturer in terms of both quantity and quality.

#### **4. Progress on Business Alliance with Sharp Corporation**

As part of a comprehensive business and capital alliance formed by Pioneer and Sharp Corporation in 2007, the two companies are conducting joint product development by making effective use of each other's resources in their respective fields of expertise. The overriding goal is to enhance the corporate value of both companies.

In the field of flat-panel TVs, for example, Pioneer is taking part in Sharp's development of acoustic systems for ultra-thin, flat-panel TVs. By leveraging its acoustic technologies built up over many years, Pioneer aims to develop acoustic systems employing ultra-thin speakers that still achieve outstanding sound quality for supply to Sharp. Furthermore, Pioneer will be supplied by Sharp with LCD TVs based on its superior technologies. We will launch these LCD TVs first in Europe this fall and steadily expand our lineup of LCD TVs. Plans also call for engineers from Pioneer and Sharp to team up to develop LCD TVs that carry on the legacy of the Pioneer "KURO" series in terms of high picture and sound quality. This project will give Pioneer access to Sharp's extensive expertise in LCD TVs, while promoting joint development of digital tuners, platforms and technologies for realizing high picture quality. The goal is to develop value-added products and raise the efficiency of development activities at both companies.

In the optical disc field, Pioneer and Sharp have agreed to join forces to expand their respective Blu-ray Disc-related product businesses. This step takes the alliance beyond merely supplying existing products such as DVD players and DVD recorders to each other. Joint development of pickups and drives for Blu-ray Disc players/recorders, will bolster the two companies' vertically integrated business models spanning devices to end products. Cost reductions resulting from more efficient development and volume growth will in turn contribute to business expansion. Here too, Pioneer and Sharp are resolved to build even stronger ties by efficiently conducting joint development.

In car electronics fields, Pioneer and Sharp plan to jointly develop products based on Sharp's "only one device" concept. The two companies will make a point of enhancing device operability to propose new kinds of automotive passenger cabin environments. We also plan to propose new forms of value by linking Sharp's AQUOS™ mobile phone concept with our car navigation system technologies. We want to use these joint development projects to drive further business expansion at both companies in the car electronics field.

The concrete achievements of these initiatives will be showcased at CEATEC JAPAN 2008 this fall and at various product presentations.

Note: "AQUOS" is a registered trademark of Sharp Corporation.

#### **5. Outlook**

Pioneer will make a group-wide effort to steadily implement structural reforms of its display business, while expanding its Car Electronics business, improving profitability in its Home Electronics business and growing the speaker business. Our aim is to improve our operating results and ensure stable earnings growth. Through the business alliance with Sharp, we will utilize each other's resources and promote joint development in each of our businesses, in order to develop new products and businesses and improve the efficiency of development activities.

### **III. Revisions to Consolidated Business Forecasts for Fiscal 2008**

In light of the aforementioned business restructuring plans, we have revised our consolidated business forecasts for fiscal 2008, the year ending March 31, 2008, which were announced on January 31, 2008, as follows:

(In millions of yen)

	Revised forecasts for fiscal 2008 (A)	Previous forecasts for fiscal 2008 (B)	Changes (A – B)	Results for fiscal 2007
Operating revenue	¥800,000	¥800,000	¥ 0	¥797,102
Operating income	10,000	10,000	0	12,487
Income (loss) before income taxes	7,000	26,000	(19,000)	(7,717)
Net income (loss)	¥ (15,000)	¥ 6,000	¥(21,000)	¥ (6,761)

There has been no change in our previous forecasts for operating revenue and operating income.

We have lowered our previous forecast for income before income taxes based on an estimated impairment loss of ¥19,000 million on plasma display production facilities in the Home Electronics business. In addition to this impairment loss, we expect to incur an estimated increase of ¥2,000 million in income taxes accompanying evaluation of deferred tax assets. Accordingly, we have also reduced our previous net income forecast.

#### **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.

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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