

# News Release

**For Immediate Release  
August 6, 2010**

## **Pioneer Announces Business Results for 1Q Fiscal 2011**

Pioneer Corporation today announced its consolidated first-quarter business results for the period ended June 30, 2010.

### **Consolidated Financial Highlights**

	(In millions of yen except per share information)		
	Three months ended June 30		
	2010	2009	% to prior year
Net sales	¥109,848	¥95,757	114.7%
Operating income (loss)	2,368	(8,756)	-
Ordinary income (loss)	1,685	(8,941)	-
Net income (loss)	¥ 598	¥ (4,099)	-%
Net income (loss) per share	¥1.86	¥(19.99)	

### **Consolidated Business Results**

For the first quarter of fiscal 2011, the three months ended June 30, 2010, consolidated net sales increased 14.7% from the first quarter of fiscal 2010 to ¥109,848 million (US\$1,248.3 million). This was mainly the result of increased sales of Blu-ray Disc drive-related products, and higher car audio product sales in both OEM and consumer markets. This was despite decreased sales of plasma displays, from which business Pioneer withdrew in fiscal 2010, and the impact of the Japanese yen's appreciation.

Pioneer posted operating income of ¥2,368 million (US\$26.9 million), compared with an operating loss of ¥8,756 million in the first quarter of fiscal 2010. This mainly reflected substantial improvement in the gross profit margin owing to the benefits of restructuring, in addition to higher gross profit in line with sales growth, despite increased selling, general and administrative (SG&A) expenses compared with the first quarter of fiscal 2010, when Pioneer recorded lump-sum income from patents. Net income was ¥598 million (US\$6.8 million) compared with a net loss of ¥4,099 million, which included a gain on sale of patents, in the first quarter of fiscal 2010.

During the first quarter of fiscal 2011, the average value of the Japanese yen appreciated 5.8% against the U.S. dollar and 13.3% against the euro, compared with the first quarter of fiscal 2010.

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**Car Electronics** sales increased 15.6% year on year to ¥62,698 million (US\$712.5 million). In car navigation systems, OEM sales decreased mainly in Japan. Consumer-market sales declined, due partly to a shortage of certain components in Japan. In car audio products, consumer-market sales rose primarily in Central and South America and Europe. OEM sales increased in Japan and North America. Total OEM sales in this business segment accounted for approximately 45% of Car Electronics sales, compared with approximately 39% in the first quarter of fiscal 2010.

By geographic region, sales in Japan increased 6.6% to ¥26,256 million (US\$298.4 million), and overseas sales increased 23.1% to ¥36,442 million (US\$414.1 million).

This segment reported operating income of ¥1,987 million (US\$22.6 million) compared with an operating loss of ¥8,693 million in the first quarter of fiscal 2010. This improvement was mainly due to a large improvement in the gross profit margin owing to restructuring benefits, in addition to higher gross profit in line with sales growth.

**Home Electronics** sales rose 16.2% year on year to ¥35,057 million (US\$398.4 million). This mainly reflected substantial growth in sales of Blu-ray Disc drive-related products as an optical disc joint venture commenced operations in the second half of fiscal 2010, in addition to favorable sales of AV receivers, primarily in North America.

By geographic region, sales in Japan increased 83.3% to ¥14,858 million (US\$168.8 million), while overseas sales declined 8.4% to ¥20,199 million (US\$229.5 million).

Operating income in this segment was ¥6 million (US\$0.1 million), compared with ¥972 million in the first quarter of fiscal 2010. This decrease mainly reflected the recording of lump-sum income from patents related to plasma displays in the first quarter of fiscal 2010, despite growth in sales of Blu-ray Disc drive-related products and restructuring benefits in the period under review.

In the **Others** segment, sales increased 6.5% year on year to ¥12,093 million (US\$137.4 million), mainly due to increased sales of electronics devices and parts, and factory automation systems.

By geographic region, sales in Japan decreased 1.4% to ¥7,812 million (US\$88.8 million), while overseas sales increased 24.7% to ¥4,281 million (US\$48.6 million).

This segment reported operating income of ¥94 million (US\$1.1 million) compared with an operating loss of ¥1,567 million in the first quarter of fiscal 2010. This improvement was mainly the result of increased sales and restructuring benefits.

Notes: 1. Operating income (loss) in each business segment represents operating income (loss) before elimination of intersegment transactions.

2. In the first quarter of fiscal 2011, AV accessories were reclassified from the Others segment to the Home Electronics segment. Consequently, figures for the first quarter of fiscal 2010 were also reclassified in accordance with the presentation used in the first quarter of fiscal 2011.

### **Consolidated Financial Position**

Total assets as of June 30, 2010 were ¥373,986 million (US\$4,249.8 million), a decrease of ¥15,733 million from March 31, 2010, mainly reflecting decreases in trade receivables and property, plant and equipment, despite increased inventories. Inventories increased ¥6,010 million to ¥61,060 million (US\$693.9 million). This increase reflected the stockpiling of car electronics and home electronics inventories in line with sales plans for the second quarter onward. Trade receivables were ¥64,052 million (US\$727.9 million), a decrease of ¥6,748 million mainly reflecting progress with the collection of trade

receivables. Property, plant and equipment decreased ¥6,769 million to ¥83,295 million (US\$946.5 million), mainly due to the sale of land and buildings owned by subsidiaries, in addition to curbs on capital expenditures.

Total liabilities as of June 30, 2010 were ¥291,463 million (US\$3,312.1 million), a decrease of ¥7,602 million from March 31, 2010. This mainly reflected a decrease in short-term borrowings due to the repayment of debt, as well as lower accrued expenses.

Total equity was ¥82,523 million (US\$937.8 million), a decrease of ¥8,131 million from March 31, 2010. This chiefly reflected a deterioration of ¥6,169 million in foreign currency translation adjustments due to the yen's sharp appreciation, in addition to a decrease of ¥2,880 million in unrealized gain on available-for-sale securities due to the decline of market price of investment securities.

### **Cash Flows**

During the first quarter of fiscal 2011, operating activities provided net cash of ¥6,255 million (US\$71.1 million). The main factors providing cash were the addback of non-cash expenses, namely depreciation and amortization of ¥8,162 million (US\$92.8 million), an increase in trade payables of ¥5,651 million (US\$64.2 million) and a decrease in trade receivables of ¥4,476 million (US\$50.9 million), despite an increase in inventories of ¥8,487 million (US\$96.4 million). Investing activities used net cash of ¥679 million (US\$7.7 million). This mainly reflected capital expenditures of ¥5,125 million (US\$58.2 million), despite proceeds of ¥3,036 million (US\$34.5 million) from the sale of property, plant and equipment, mainly land and buildings owned by subsidiaries. Financing activities used net cash of ¥3,485 million (US\$39.6 million), mainly for the repayment of ¥2,696 million (US\$30.6 million) in short-term borrowings. In addition, cash and cash equivalents denominated in foreign currencies declined by ¥2,987 million (US\$33.9 million) upon translation into Japanese yen, due to the yen's sharp appreciation.

Consequently, cash and cash equivalents as of June 30, 2010 were ¥83,246 million (US\$946.0 million), down ¥896 million from March 31, 2010.

### **Business Forecasts for Fiscal 2011**

Consolidated business forecasts for fiscal 2011, ending March 31, 2011, have not been changed from those announced on May 13, 2010, as shown below.

In the first quarter of fiscal 2011, sales and profits were both better than initially planned, but we have conservatively estimated consumption trends and the competitive environment from the second quarter of fiscal 2011 onward. The yen-U.S. dollar and yen-euro exchange rate assumptions for these consolidated business forecasts are unchanged at ¥90 and ¥120, respectively.

	<b>First half</b>			<b>Full year</b>		
	Forecasts for fiscal 2011	Results for fiscal 2010	Percent changes	Forecasts for fiscal 2011	Results for fiscal 2010	Percent changes
Net sales	¥223,500	¥203,733	+9.7%	¥480,000	¥438,998	+9.3%
Operating income (loss)	6,000	(22,760)	-	17,000	(17,514)	-
Ordinary income (loss)	3,500	(24,270)	-	12,500	(24,740)	-
Net income (loss)	¥ 7,500	¥ (40,857)	-%	¥ 11,000	¥ (58,276)	-%

(In millions of yen)

### **Material Events Regarding Going Concern Assumption**

Pioneer's financial position remained under strain in fiscal 2010, due to a sharp drop in net sales and large losses. However, Pioneer's financial position has improved substantially, mainly due to measures implemented in March 2010, including stable funding secured through the refinancing of loans from financial institutions, and capital increases through an international offering.

In the first quarter of fiscal 2011, Pioneer restored profitability at the operating income and net income levels, supported by a large increase in net sales compared with the first quarter of fiscal 2010. As in fiscal 2010, Pioneer has continued to sell assets that have a low degree of relevance to its main businesses. The sale of the Company's former head office in Meguro, Tokyo was completed on schedule at the end of July 2010. In light of the above, Pioneer plans to use its own internal funds for the redemption of ¥60 billion in the aggregate principal amount of its convertible bonds due in March 2011.

As a result of the foregoing, the Company believes that material uncertainty about Pioneer's ability to continue its business activities into the future has been largely resolved.

### **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, and levels of demand in the major industrial sectors which we serve; (ii) exchange rates, particularly between the Japanese yen and the euro, the U.S. dollar, and other currencies in which we make significant sales or in which our assets and liabilities are denominated; (iii) our ability to continuously design and develop and win acceptance for our products in extremely competitive markets; (iv) our ability to successfully implement our business strategies; (v) the success of our joint ventures, alliances and other business relationships with third parties; (vi) our ability to access funding; (vii) our continued ability to devote sufficient resources to research and development, and capital expenditure; (viii) our ability to ensure the quality of our products; and (ix) the outcome of contingencies.

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

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The U.S. dollar amounts in this release represent translations of Japanese yen, for convenience only, at the rate of ¥88=US\$1.00, the approximate rate prevailing on June 30, 2010.

Attached are consolidated financial statements for the three months ended June 30, 2010.

**(1) CONSOLIDATED BALANCE SHEETS**

	(In millions of yen)	
	June 30, 2010	March 31, 2010
<b>ASSETS</b>		
Current assets:		
Cash and deposits	¥ 89,335	¥ 90,245
Trade receivables	64,052	70,800
Merchandise and finished goods	29,308	25,218
Work in process	11,468	10,211
Raw materials and supplies	20,284	19,621
Deferred tax assets	5,569	5,808
Other current assets	13,551	13,845
Allowance for doubtful receivables	(1,794)	(1,875)
<b>Total current assets</b>	<b>231,773</b>	<b>233,873</b>
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures	87,850	92,245
Machinery, vehicles, tools, furniture and fixtures	161,658	168,397
Others	26,945	29,395
Accumulated depreciation	(193,158)	(199,973)
<b>Total property, plant and equipment</b>	<b>83,295</b>	<b>90,064</b>
Intangible assets:		
Goodwill	1,323	1,343
Software	26,566	28,357
Others	1,727	1,603
<b>Total intangible assets</b>	<b>29,616</b>	<b>31,303</b>
Investments and other assets:		
Investment securities	13,449	17,020
Deferred tax assets	8,804	9,389
Others	6,778	7,762
Allowance for doubtful accounts	(7)	(10)
<b>Total investments and other assets</b>	<b>29,024</b>	<b>34,161</b>
<b>Total noncurrent assets</b>	<b>141,935</b>	<b>155,528</b>
Deferred assets	278	318
<b>Total assets</b>	<b>¥ 373,986</b>	<b>¥ 389,719</b>

(In millions of yen)

	June 30, 2010	March 31, 2010
<b>LIABILITIES</b>		
Current liabilities:		
Trade payables	¥ 60,966	¥ 57,694
Short-term borrowings	11,601	14,567
Current portion of long-term debt	2,554	2,553
Current portion of bonds	60,600	60,600
Accrued income taxes	3,324	5,016
Accrued expenses	35,432	39,813
Warranty reserve	3,215	3,504
Other current liabilities	15,027	15,420
<b>Total current liabilities</b>	<b>192,719</b>	<b>199,167</b>
Long-term liabilities:		
Long-term debt	86,238	86,877
Accrued pension and severance costs	9,141	9,300
Other long-term liabilities	3,365	3,721
<b>Total long-term liabilities</b>	<b>98,744</b>	<b>99,898</b>
<b>Total liabilities</b>	<b>291,463</b>	<b>299,065</b>
<b>EQUITY</b>		
Shareholders' equity:		
Common stock	87,257	87,257
Capital surplus	119,487	119,487
Retained earnings	(44,498)	(45,096)
Treasury stock	(11,050)	(11,049)
<b>Total shareholders' equity</b>	<b>151,196</b>	<b>150,599</b>
Valuation and translation adjustments:		
Unrealized gain on available-for-sale securities	2,017	4,897
Deferred gain on derivatives under hedge accounting	78	-
Foreign currency translation adjustments	(72,559)	(66,390)
Pension adjustments recognized by foreign consolidated subsidiaries	(1,838)	(1,946)
<b>Total valuation and translation adjustments</b>	<b>(72,302)</b>	<b>(63,439)</b>
Minority interests	3,629	3,494
<b>Total equity</b>	<b>82,523</b>	<b>90,654</b>
<b>Total liabilities and equity</b>	<b>¥373,986</b>	<b>¥389,719</b>

**(2) CONSOLIDATED STATEMENTS OF OPERATIONS**

	(In millions of yen)	
	Three months ended June 30	
	2009	2010
Net sales	¥95,757	¥109,848
Cost of sales	86,351	85,143
Gross profit	9,406	24,705
Selling, general and administrative expenses	18,162	22,337
Operating income (loss)	(8,756)	2,368
Non-operating income:		
Interest income	173	74
Dividends income	213	134
Foreign exchange income	381	274
Others	126	242
Total non-operating income	893	724
Non-operating expenses:		
Interest expenses	765	888
Others	313	519
Total non-operating expenses	1,078	1,407
Ordinary income (loss)	(8,941)	1,685
Extraordinary income:		
Gain on sales of noncurrent assets	5,954	121
Gain on sales of investment securities	-	642
Others	8	2
Total extraordinary income	5,962	765
Extraordinary loss:		
Loss on sales and disposal of noncurrent assets	-	242
Loss on valuation of investment securities	347	-
Restructuring costs	638	-
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	359
Others	57	2
Total extraordinary loss	1,042	603
Income (loss) before income taxes and minority interests	(4,021)	1,847
Income taxes—current	670	1,395
Income taxes—deferred	(524)	(347)
Total income taxes	146	1,048
Income before minority interests	-	799
Minority interests in income (loss)	(68)	201
Net income (loss)	¥ (4,099)	¥ 598

**(3) CONSOLIDATED STATEMENT OF CASH FLOWS**

	(In millions of yen)	
	Three months ended June 30	
	2009	2010
I. Cash flows from operating activities:		
Income (loss) before income taxes and minority interests	¥ (4,021)	¥ 1,847
Depreciation and amortization	10,487	8,162
Increase (decrease) in accrued pension and severance costs	(2,758)	120
Interest and dividends income	(386)	(208)
Interest expenses	765	888
Loss (gain) on sales and disposal of noncurrent assets	(5,899)	121
Decrease (increase) in trade receivables	(1,071)	4,476
Decrease (increase) in inventories	8,784	(8,487)
Increase in trade payables	8,137	5,651
Decrease in accrued expenses	(10,122)	(3,434)
Other, net	(8,794)	863
Subtotal	(4,878)	9,999
Interest and dividends income received	326	191
Interest expenses paid	(772)	(827)
Income taxes paid	(2,085)	(3,108)
Net cash provided by (used in) operating activities	(7,409)	6,255
II. Cash flows from investing activities:		
Purchase of noncurrent assets	(5,890)	(5,125)
Proceeds from sales of noncurrent assets	9,045	3,036
Proceeds from sales of investment securities	181	1,488
Other, net	6	(78)
Net cash provided by (used in) investing activities	3,342	(679)
III. Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	643	(2,696)
Repayment of long-term debt	(605)	(638)
Other, net	(37)	(151)
Net cash provided by (used in) financing activities	1	(3,485)
Effect of exchange rate changes on cash and cash equivalents	289	(2,987)
Net decrease in cash and cash equivalents	(3,777)	(896)
Cash and cash equivalents, beginning of period	63,746	84,142
Cash and cash equivalents, end of period	¥ 59,969	¥ 83,246

**(4) SEGMENT INFORMATION**

&lt;Net Sales by Segment&gt;

(In millions of yen)

	Three months ended June 30					
	2009		2010		% to prior year	
	Amount	% to total	Amount	% to total		
Domestic	¥24,630	25.7%	¥ 26,256	23.9%	106.6%	
Overseas	29,605	30.9	36,442	33.2	123.1	
Car Electronics	54,235	56.6	62,698	57.1	115.6	
Domestic	8,108	8.5	14,858	13.5	183.3	
Overseas	22,058	23.0	20,199	18.4	91.6	
Home Electronics	30,166	31.5	35,057	31.9	116.2	
Domestic	7,923	8.3	7,812	7.1	98.6	
Overseas	3,433	3.6	4,281	3.9	124.7	
Others	11,356	11.9	12,093	11.0	106.5	
Domestic	40,661	42.5	48,926	44.5	120.3	
Overseas	55,096	57.5	60,922	55.5	110.6	
<b>Total</b>	<b>¥95,757</b>	<b>100.0%</b>	<b>¥109,848</b>	<b>100.0%</b>	<b>114.7%</b>	

&lt;Business Segments&gt;

(In millions of yen)

Three months ended June 30, 2009	Car Electronics	Home Electronics	Others	Total	Corporate/ Eliminations	Consolidated
Net sales:						
Unaffiliated customers	¥54,235	¥30,166	¥11,356	¥95,757	-	¥95,757
Inter-segment	385	185	3,567	4,137	¥(4,137)	-
Total	54,620	30,351	14,923	99,894	(4,137)	95,757
Operating income (loss)	¥ (8,693)	¥ 972	¥ (1,567)	¥ (9,288)	¥ 532	¥ (8,756)

(In millions of yen)

Three months ended June 30, 2010	Car Electronics	Home Electronics	Others	Total	Corporate/ Eliminations	Consolidated
Net sales:						
Unaffiliated customers	¥62,698	¥35,057	¥12,093	¥109,848	-	¥109,848
Inter-segment	261	76	2,078	2,415	¥(2,415)	-
Total	62,959	35,133	14,171	112,263	(2,415)	109,848
Operating income	¥ 1,987	¥ 6	¥ 94	¥ 2,087	¥ 281	¥ 2,368

Notes:

1. The Company'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:
    - audio systems, audio components, DJ equipment, equipment for cable-TV systems, Blu-ray Disc players, Blu-ray Disc recorders, Blu-ray Disc drives, DVD players, DVD drives and AV accessories
  - Others:
    - factory automation systems, speaker units, electronics devices and parts, organic light-emitting diode displays, telephones, business-use AV systems, map software and licensing of patents related to laser optical disc technologies
2. Effective from the first quarter of fiscal 2011, the Company applied Accounting Standards Board of Japan (the "ASBJ") Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations," both issued on March 31, 2008. As a result of this adoption, for the period under review operating income, ordinary income and income before income taxes and minority interests decreased by ¥2 million, ¥2 million and ¥361 million, respectively.