

News Release

For Immediate Release
May 13, 2008

Pioneer Announces Business Results for Fiscal 2008

TOKYO — Pioneer Corporation today announced its business results on consolidated and non-consolidated bases for fiscal 2008, ended March 31, 2008.

Consolidated Financial Highlights

(In millions of yen except per share information)

	Year ended March 31		
	2008	2007	% to prior year
Operating revenue	¥774,477	¥797,102	97.2%
Operating income	10,907	12,487	87.3
Income (loss) from continuing operations before income taxes	3,434	(7,717)	—
Loss from continuing operations	(17,992)	(9,536)	—
Income from discontinued operations, net of tax	—	2,775	—
Net loss	¥ (17,992)	¥ (6,761)	—%
Net loss per share:			
Basic	¥(98.23)	¥(38.76)	
Diluted	¥(98.23)	¥(38.76)	

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

In fiscal 2008, the year ended March 31, 2008, consolidated operating revenue decreased 2.8% year on year to ¥774,477 million (US\$7,744.8 million). This decrease mainly reflected a drop in sales of plasma displays and DVD recorders, despite higher sales of DVD drives, Blu-ray Disc-related devices, car audio products and car navigation systems.

Operating income decreased 12.7% year on year to ¥10,907 million (US\$109.1 million), chiefly due to a larger loss in the plasma display business, despite higher earnings in the Car Electronics business. The net loss was ¥17,992 million (US\$179.9 million), compared with a net loss of ¥6,761 million in the previous fiscal year. This was due mainly to impairment losses of ¥23,293 million (US\$232.9 million) primarily on plasma display production facilities, and higher income taxes following an evaluation of deferred tax assets, despite a gain on sale of all land and buildings at the Tokorozawa Plant and some at the Omori Plant.

During fiscal 2008, the average value of the Japanese yen appreciated 2.4% against the U.S. dollar and depreciated 7.1% against the euro, compared with the previous fiscal year.

Car Electronics sales increased 4.5% year on year to ¥373,883 million (US\$3,738.8 million) due to higher sales of both car navigation systems and car audio products. In car navigation systems, consumer-market sales were mostly the same as in the previous fiscal year, while OEM sales increased in North America. In car audio products, consumer-market sales increased in Central and South America, but decreased in North America due to market contraction, while OEM sales rose in Japan, China and North America. Total OEM sales in this segment accounted for approximately 39% of Car Electronics sales in fiscal 2008, compared with approximately 36% in fiscal 2007.

In terms of geographic sales, sales in Japan were ¥126,362 million (US\$1,263.6 million), largely unchanged from fiscal 2007, while overseas sales increased 6.9% year on year to ¥247,521 million (US\$2,475.2 million).

Operating income in this segment rose 18.3% to ¥26,154 million (US\$261.5 million). This principally reflected lower selling expenses for consumer-market products, such as advertising and sales promotion expenses, despite higher development expenses in the OEM business.

Home Electronics sales decreased 8.8% year on year to ¥329,530 million (US\$3,295.3 million). Plasma display sales declined due to a drop in sales volume mainly in North America and Europe. Plasma display sales accounted for approximately 40% of Home Electronics sales, compared with approximately 49% in the previous fiscal year. Sales of DVD drives and Blu-ray Disc-related devices rose, while sales of DVD recorders fell.

In terms of geographic sales, sales in Japan declined 21.4% to ¥46,285 million (US\$462.9 million), and overseas sales decreased 6.4% to ¥283,245 million (US\$2,832.5 million).

The operating loss in this segment was ¥17,968 million (US\$179.7 million), compared with an operating loss of ¥15,814 million in the previous fiscal year. This was mainly attributable to the larger loss in the plasma display business due to falling sales, despite a smaller loss in DVD recorders reflecting a reduction in development expenses.

In **Patent Licensing**, royalty revenue decreased 57.1% year on year to ¥1,999 million (US\$20.0 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 59.5% to ¥1,591 million (US\$15.9 million), in line with the decrease in royalty revenue.

In the **Others** segment, sales decreased 5.5% year on year to ¥69,065 million (US\$690.7 million). This mainly reflected lower sales of factory automation (FA) systems and business-use AV systems.

In terms of geographic sales, sales in Japan decreased 11.3% to ¥42,996 million (US\$430.0 million), while overseas sales increased 5.8% to ¥26,069 million (US\$260.7 million).

Operating income in this segment was ¥161 million (US\$1.6 million), down 93.4% year on year. This was mainly attributable to lower profitability in FA systems and business-use AV systems due to lower sales.

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

Cash Flows

During fiscal 2008, operating activities provided net cash of ¥22,032 million (US\$220.3 million). This was due mainly to adjustments for non-cash expenses, such as depreciation and amortization of ¥33,309 million (US\$333.1 million), impairment losses of ¥23,293 million (US\$232.9 million) on property, plant and equipment, and deferred taxes of ¥13,277 million (US\$132.8 million). These outweighed the following factors reducing cash: a net loss of ¥17,992 million (US\$179.9 million), a decrease in other accrued liabilities of ¥12,337 million (US\$123.4 million) and a gain on sale and disposal of fixed assets of ¥11,742 million (US\$117.4 million), for which we received most of the cash proceeds in fiscal 2007. Investing activities used net cash of ¥72,373 million (US\$723.7 million). This reflected capital expenditures of ¥41,989 million (US\$419.9 million), mainly related to the Car Electronics business and the newly established Kawasaki Plant, as well as ¥19,750 million (US\$197.5 million) for the purchase of Sharp Corporation shares as part of a business and capital alliance with Sharp. Additionally, cash of ¥14,732 million (US\$147.3 million) was used for the purchase of shares of consolidated subsidiaries, mainly for making Tohoku Pioneer Corporation a wholly owned subsidiary. Financing activities provided net cash of ¥35,932 million (US\$359.3 million), mainly through proceeds of ¥41,358 million (US\$413.6 million) from a third-party allotment of newly issued Pioneer shares to Sharp.

Consequently, cash and cash equivalents at March 31, 2008 were ¥81,180 million (US\$811.8 million), a decrease of ¥20,640 million from March 31, 2007.

The alliance with Sharp provided net cash of ¥21,608 million (US\$216.1 million), after offsetting the aforementioned purchase of Sharp shares against the above proceeds from the third-party allotment of newly issued Pioneer shares to Sharp.

Dividends

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

Based on this dividend policy, Pioneer has decided to pay a year-end dividend of ¥2.5 (US\$0.03) per share of common stock for fiscal 2008, a decrease of ¥2.5 from that for the previous fiscal year. The decision to reduce the year-end dividend mainly reflects the Company's large losses for fiscal 2008 on both non-consolidated and consolidated bases. This year-end dividend is subject to approval by the ordinary general meeting of shareholders to be held in June 2008. The total annual dividend for fiscal 2008, including the interim dividend, will be ¥7.5 per share.

Business Forecasts for Fiscal 2009

Consolidated business forecasts for fiscal 2009, the year ending March 31, 2009, are as follows:

	First half			Full year		
	Projections for fiscal 2009	Results for fiscal 2008	Percent changes	Projections for fiscal 2009	Results for fiscal 2008	Percent changes
Operating revenue	¥350,000	¥383,161	-8.7%	¥780,000	¥774,477	+0.7%
Operating income (loss)	(15,000)	2,262	—	7,000	10,907	-35.8
Income (loss) before income taxes	(15,000)	17,645	—	(7,500)	3,434	—
Net income (loss)	¥(18,000)	¥ 9,936	—%	¥(19,000)	¥(17,992)	—%

For fiscal 2009, Pioneer is forecasting operating revenue of ¥780,000 million on a full-year basis, largely on a par with fiscal 2008. This mainly reflects projected sales increases in the Car Electronics business, particularly for car navigation systems in the Japanese consumer market and car audio products primarily in Central and South America, as well as projected sales decreases in the Home Electronics business, chiefly for plasma displays.

For the full year, we are forecasting a 35.8% year-on-year decrease in operating income to ¥7,000 million. This forecast mainly reflects projected higher development expenses in the Car Electronics business. However, Pioneer expects to see profitability in the display business of the Home Electronics business improve from the second half as a result of restructuring measures.

Furthermore, business restructuring expenses of ¥15,000 million are planned for the second half. Consequently, Pioneer is forecasting a loss before income taxes of ¥7,500 million and a net loss of ¥19,000 million.

We are assuming average yen-U.S. dollar and yen-euro exchange rates of ¥105 and ¥155, respectively.

Cautionary Statement with Respect to Forward-Looking Statements

Statements made in this release with respect to our current plans, estimates, strategies and beliefs, and other statements that are not historical facts are forward-looking statements about our future performance. These statements are based on management's assumptions and beliefs in

light of the information currently available to it. We caution that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, and therefore you should not place undue reliance on them. It is not our obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. We disclaim any such obligation. Risks and uncertainties that might affect us include, but are not limited to, (i) general economic conditions in our markets, particularly levels of consumer spending; (ii) exchange rates, particularly between the yen and the U.S. dollar, euro, and other currencies in which we make significant sales or in which our assets and liabilities are denominated; (iii) our ability to continue to design and develop and win acceptance of our products and services, which are offered in highly competitive markets characterized by continual new product introductions, rapid developments in technology, severe price competition and subjective and changing consumer preferences; (iv) our ability to successfully implement our business strategies; (v) our ability to compete, as well as develop and implement successful sales and distribution strategies, in light of technological developments in and affecting our businesses; (vi) our continued ability to devote sufficient resources to research and development, and capital expenditure; (vii) our ability to continuously enhance our brand image; (viii) the success of our joint ventures and alliances; (ix) the success of our business restructuring plans; and (x) the outcome of contingencies.

Basic Management Policies and Medium-term Management Strategies

Pioneer positions customer satisfaction at the core of management. We seek to offer innovative, high-quality, and value-added electronics products that create new value for customers, aiming to 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.

Looking at medium-term management strategies, Pioneer will make a group-wide effort to expand its Car Electronics business and improve earnings in the Home Electronics business, with the aim of improving its operating results and generating stable earnings.

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, Pioneer has endeavoured to increase production capacity at overseas sites. Through these initiatives, Pioneer aims to maintain an operating margin of around 6% in the Car Electronics business over the medium term.

In the Home Electronics business, Pioneer will work to improve profitability in the display business by implementing sweeping restructuring measures, while growing its audio/video product business, which mainly involves Blu-ray Disc players, and its professional sound & visual (Pro SV) business, which involves DJ equipment. In this way, Pioneer aims to restore profitability in the Home Electronics business as a whole in fiscal 2010.

Through the business alliance with Sharp Corporation, 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.

Through the aforementioned initiatives, the Company aims to achieve medium-term management targets of consolidated operating revenue of ¥900 billion and operating income of ¥37 billion in fiscal 2011, the year ending March 31, 2011.

Issues to Be Addressed

The overall economic outlook is for continuing increases in materials prices, including crude oil prices, growing uncertainty over a possible downturn in consumer spending in developed countries stemming from recent financial instability in the U.S., as well as exchange rate volatility. Meanwhile, Pioneer faces extremely challenging business conditions due to fiercer competition involving its core products.

In the Car Electronics business, specifically car navigation systems for the consumer market in Japan, Pioneer will launch models with telematics functions employing mobile phones and the Internet. 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 value not offered by portable navigation devices. For instance, Pioneer is developing in-dash car navigation systems with built-in audio/video functions that feature connectivity with peripheral electronics and innovative device operability.

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 the consumer markets in Japan, North America and Europe by actively responding to rapid market expansion in the BRICs nations. Concurrently, we plan to maintain profitability by shifting our center of gravity from models equipped with CD players to those with higher value-added DVD players. We will also vigorously offer new value propositions by responding to a variety of media and networks. In these ways, we aim to maintain our market share.

On the development front, Pioneer will work to boost efficiency by implementing reforms of increasingly complex software development processes and by embracing 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.

In the Home Electronics business, Pioneer is focusing on improving profitability by growing sales of Blu-ray Disc-related products, as well as by restructuring its display business.

In the display business, Pioneer reached a basic agreement with Matsushita Electric Industrial Co., Ltd. in April 2008 on procuring plasma display panels from this company from the summer of 2009. This follows Pioneer's decision to terminate in-house plasma display panel production after panel production is completed for models scheduled for release in 2008. Pioneer's proprietary technologies will be adopted by Matsushita as part of the process of supplying plasma display panels to Pioneer. The two companies plan to cooperate on developing panels befitting Pioneer's commitment to high picture quality and premium-grade products.

Pioneer plans to convert certain panel production facility to a final display assembly center, and a product distribution and inspection center for the Japanese market. The Company also plans to redeploy some production and development personnel to growth businesses in other fields.

Furthermore, Pioneer plans to successively roll out Sharp-supplied LCD TVs

starting in Europe in August 2008. Going forward, Pioneer plans to develop LCD TVs that combine its proprietary technologies with sophisticated LCD panels to be supplied by Sharp, for an expanding number of regions.

These restructuring measures in the display business began in fiscal 2009, and are expected to have a significant beneficial effect on profitability from fiscal 2010.

With regards to Blu-ray Disc-related products, Pioneer will strive to launch products in a timely manner to boost sales. In particular, we will conduct businesses focused on Blu-ray Disc players and Blu-ray Disc drives for PCs, both of which are expected to find growing markets.

In the speaker business, Pioneer is working to raise efficiency and expand business by concentrating speaker development and production for a broad range of products at Tohoku Pioneer Corporation, which became a wholly owned subsidiary in October 2007. These products range from car speakers and home-use speakers, to speaker units for cellular phones, TVs and other products.

Proposed Changes in Management (Previously Announced on March 31, 2008)

Pioneer has announced the following proposed changes in management, which are subject to approval by the ordinary general meeting of shareholders to be held on June 26, 2008.

(1) Candidates for directors to be newly elected:

- Mr. Susumu Kotani, currently Senior Executive Officer, and General Manager of Home Entertainment Business Group, will be elected as Managing Director.
- Mr. Masanori Koshoubu, currently Senior Executive Officer, and General Manager of Research & Development Group and General Manager of Technology Development Center, will be elected as Managing Director.

(2) Mr. Akira Haeno, currently Managing Director, will be promoted to Senior Managing Director and Representative Director.

(3) Mr. Shinji Yasuda, currently Managing Director, and in charge of Research & Development Group and Intellectual Property Division, will retire at the conclusion of the shareholder's meeting.

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

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The U.S. dollar amounts in this release represent translations of Japanese yen, for convenience only, at the rate of ¥100=US\$1.00, the approximate rate prevailing on March 31, 2008.

Attachments:

- I. Consolidated financial statements for the year ended March 31, 2008
- II. Non-consolidated financial statements for the year ended March 31, 2008

I. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008**(1) OPERATING REVENUE BY SEGMENT**

(In millions of yen)

	Year ended March 31				% to prior year
	2008		2007		
	Amount	% to total	Amount	% to total	
Domestic	¥126,362	16.3%	¥126,278	15.8%	100.1%
Overseas	247,521	32.0	231,531	29.1	106.9
Car Electronics	373,883	48.3	357,809	44.9	104.5
Domestic	46,285	6.0	58,856	7.4	78.6
Overseas	283,245	36.5	302,654	38.0	93.6
Home Electronics	329,530	42.5	361,510	45.4	91.2
Domestic	-	-	-	-	-
Overseas	1,999	0.3	4,661	0.6	42.9
Patent Licensing	1,999	0.3	4,661	0.6	42.9
Domestic	42,996	5.5	48,485	6.1	88.7
Overseas	26,069	3.4	24,637	3.0	105.8
Others	69,065	8.9	73,122	9.1	94.5
Domestic	215,643	27.8	233,619	29.3	92.3
Overseas	558,834	72.2	563,483	70.7	99.2
Total	¥774,477	100.0%	¥797,102	100.0%	97.2%

(2) CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions of yen)

	Year ended March 31		
	2008	2007	% to prior year
Operating revenue:			
Net sales	¥772,478	¥792,441	97.5%
Royalty revenue	1,999	4,661	42.9
Total operating revenue	774,477	797,102	97.2
Operating costs and expenses:			
Cost of sales	601,875	614,444	98.0
Selling, general and administrative expenses	161,695	170,171	95.0
Total operating costs and expenses	763,570	784,615	97.3
Operating income	10,907	12,487	87.3
Other income (expenses):			
Interest income	6,508	5,873	110.8
Foreign exchange loss	(1,031)	(2,558)	40.3
Interest expense	(1,897)	(2,622)	72.3
Other—net	(11,053)	(20,897)	52.9
Total other expenses	(7,473)	(20,204)	37.0
Income (loss) from continuing operations before income taxes	3,434	(7,717)	-
Income taxes	21,256	1,758	-
Minority interest in earnings of subsidiaries	(306)	(404)	75.7
Equity in earnings of affiliated companies	136	343	39.7
Loss from continuing operations	(17,992)	(9,536)	-
Income from discontinued operations, net of tax	-	2,775	-
Net loss	¥ (17,992)	¥ (6,761)	-%

(3) CONSOLIDATED BALANCE SHEETS

(In millions of yen)

	March 31		
	2008	2007	Increase (Decrease)
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 81,180	¥101,820	¥(20,640)
Trade receivables, less allowance	93,068	117,875	(24,807)
Inventories	104,168	105,331	(1,163)
Other current assets	70,821	69,066	1,755
Total current assets	349,237	394,092	(44,855)
Investments and long-term receivables	36,397	27,219	9,178
Property, plant and equipment, less depreciation	122,752	146,475	(23,723)
Intangible assets	17,738	18,248	(510)
Other assets	49,992	49,440	552
Total assets	¥576,116	¥635,474	¥(59,358)
LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term borrowings and current portion of long-term debt	¥ 28,484	¥ 18,605	¥ 9,879
Trade payables	86,195	93,351	(7,156)
Other current liabilities	107,328	130,757	(23,429)
Total current liabilities	222,007	242,713	(20,706)
Long-term debt	72,041	86,015	(13,974)
Other long-term liabilities	33,311	24,341	8,970
Total liabilities	327,359	353,069	(25,710)
Minority interests	1,362	14,289	(12,927)
Shareholders' equity:			
Common stock	69,824	49,049	20,775
Capital surplus	103,578	82,983	20,595
Retained earnings	145,295	165,321	(20,026)
Accumulated other comprehensive loss	(60,178)	(16,784)	(43,394)
Treasury stock	(11,124)	(12,453)	1,329
Total shareholders' equity	247,395	268,116	(20,721)
Total liabilities, minority interests and shareholders' equity	¥576,116	¥635,474	¥(59,358)
Breakdown of accumulated other comprehensive loss:			
Pension liability adjustments	¥(12,279)	¥ (5,009)	¥ (7,270)
Net unrealized gains on securities	1,943	7,405	(5,462)
Foreign currency translation adjustments	(49,842)	(19,180)	(30,662)
Total accumulated other comprehensive loss	¥(60,178)	¥(16,784)	¥(43,394)

(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)
Acquisition and disposal 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 loss			(17,992)			(17,992)
Other comprehensive loss				(43,394)		(43,394)
Issuance of new shares	20,775	20,583				41,358
Value ascribed to stock options		12				12
Cash dividends (¥7.5 per share)			(1,385)			(1,385)
Acquisition and disposal of treasury stock, net			(347)		1,329	982
Balance at March 31, 2008	¥69,824	¥103,578	¥145,295	¥(60,178)	¥(11,124)	¥247,395

(5) CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions of yen)

	Year ended March 31	
	2008	2007
I. Cash flows from operating activities:		
Net loss	¥ (17,992)	¥ (6,761)
Depreciation and amortization	33,309	41,127
Deferred income taxes	13,277	(7,422)
Impairment losses of long-lived assets	23,293	22,711
Loss (gain) on sale and disposal of fixed assets, net	(11,742)	185
Decrease (increase) in trade receivables	18,869	(6,348)
Decrease (increase) in inventories	(6,986)	4,380
Decrease in trade payables	(358)	(11,841)
Decrease in other accrued liabilities	(12,337)	(12,444)
Other	(17,301)	(6,835)
Net cash provided by operating activities	22,032	16,752
II. Cash flows from investing activities:		
Payment for purchase of fixed assets	(41,989)	(41,932)
Payment for purchase of shares of consolidated subsidiaries	(14,732)	(485)
Payment for purchase of marketable equity securities	(19,843)	(2,478)
Proceeds from sale of discontinued operations	–	10,949
Other	4,191	17,478
Net cash used in investing activities	(72,373)	(16,468)
III. Cash flows from financing activities:		
Decrease in short-term borrowings and long-term debt	(980)	(17,012)
Dividends paid	(1,744)	(1,308)
Proceeds from issuance of new shares, net of issuance cost	41,358	–
Other	(2,702)	(3,353)
Net cash provided by (used in) financing activities	35,932	(21,673)
Effect of exchange rate changes on cash and cash equivalents	(6,231)	1,529
Net decrease in cash and cash equivalents	(20,640)	(19,860)
Cash and cash equivalents, beginning of year	101,820	121,680
Cash and cash equivalents, end of year	¥ 81,180	¥101,820
Free cash flows (I + II)	¥(50,341)	¥284

(6) SEGMENT INFORMATION

The following segment information is prepared pursuant to the regulations under the Financial Instruments and Exchange Law of Japan.

<Business Segments>

(In millions of yen)

	Year ended March 31					
	2008		2007		% to prior year	
	Operating Revenue	Operating Income	Operating Revenue	Operating Income	Operating Revenue	Operating Income
Car Electronics	¥375,885	¥ 26,154	¥359,802	¥ 22,116	104.5%	118.3%
Home Electronics	330,200	(17,968)	362,157	(15,814)	91.2	-
Patent Licensing	2,616	1,591	5,423	3,924	48.2	40.5
Others	102,001	161	107,576	2,453	94.8	6.6
Total	810,702	9,938	834,958	12,679	97.1	78.4
Corporate and Eliminations	(36,225)	969	(37,856)	(192)	-	-
Consolidated	¥774,477	¥ 10,907	¥797,102	¥ 12,487	97.2%	87.3%

<Geographic Segments>

(In millions of yen)

	Year ended March 31					
	2008		2007		% to prior year	
	Operating Revenue	Operating Income	Operating Revenue	Operating Income	Operating Revenue	Operating Income
Japan	¥ 630,396	¥ (6,375)	¥ 632,730	¥ (941)	99.6%	-%
North America	184,897	640	208,914	423	88.5	151.3
Europe	167,342	1,082	180,038	4,945	92.9	21.9
Other Regions	391,333	14,221	350,431	6,580	111.7	216.1
Total	1,373,968	9,568	1,372,113	11,007	100.1	86.9
Corporate and Eliminations	(599,491)	1,339	(575,011)	1,480	-	-
Consolidated	¥ 774,477	¥10,907	¥ 797,102	¥12,487	97.2%	87.3%

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)

	Year ended March 31					
	2008		2007		% to prior year	
	Amount	% to total	Amount	% to total		
Japan	¥215,643	27.8%	¥233,619	29.3%	92.3%	
North America	180,911	23.4	208,615	26.2	86.7	
Europe	169,146	21.8	186,637	23.4	90.6	
Other Regions	208,777	27.0	168,231	21.1	124.1	
Consolidated	¥774,477	100.0%	¥797,102	100.0%	97.2%	

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 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 fiscal 2008, the Company sold all land and buildings at the Tokorozawa Plant and some at the Omori Plant. The gain on these sales of ¥11,891 million has been included in "Other—net" in the consolidated statements of operations.
6. From May 15, 2007 to June 19, 2007, the Company conducted a tender offer to make 67.1%-owned Tohoku Pioneer Corporation a wholly owned subsidiary. The Company acquired an additional 30.5% of Tohoku Pioneer's shares for ¥13,506 million through this tender offer. The Company then acquired the remaining 2.4% of Tohoku Pioneer's shares through a share exchange effective October 1, 2007, and Tohoku Pioneer accordingly became a wholly owned subsidiary of the Company.
7. On December 20, 2007, the Company issued 30,000,000 new shares of common stock (14.3% of post-allotment total issued shares) through a third-party allotment to Sharp Corporation for ¥41,550 million. On the same date, the Company also subscribed to 10,000,000 shares of Sharp's treasury stock (0.9% of Sharp's total issued shares) through a third-party allotment at a cost of ¥19,750 million.
8. 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, as of the beginning of fiscal 2008 the amount of ¥302 million has been recognized to the balance of "Retained earnings" upon the adoption of FIN 48.

II. NON-CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008**(1) CONDENSED STATEMENTS OF OPERATIONS**

	(In millions of yen)		
	Year ended March 31		
	2008	2007	% to prior year
Net sales	¥537,754	¥532,895	100.9%
Cost of sales	482,233	468,442	102.9
Selling, general and administrative expenses	78,145	81,730	95.6
Operating loss	(22,624)	(17,277)	-
Non-operating income—net	40,780	5,007	814.4
Ordinary income (loss)	18,156	(12,269)	-
Other expenses—net	(39,577)	(10,518)	-
Loss before income taxes	(21,421)	(22,788)	-
Income taxes	9,975	(501)	-
Net loss	¥ (31,396)	¥ (22,286)	-%

(2) CONDENSED BALANCE SHEETS

	March 31		(In millions of yen)
	2008	2007	Increase (Decrease)
ASSETS			
Current assets:			
Cash	¥ 19,297	¥ 30,367	¥(11,069)
Notes and accounts receivable—trade	44,299	50,462	(6,162)
Inventories	28,431	28,630	(198)
Other current assets	58,113	44,733	13,380
Total current assets	150,142	154,192	(4,050)
Fixed assets:			
Tangible	59,174	63,904	(4,729)
Intangible	37,099	31,348	5,751
Investments and others	203,886	190,518	13,367
Total fixed assets	300,161	285,770	14,390
Deferred assets	170	-	170
Total assets	¥450,474	¥439,963	¥ 10,510
LIABILITIES			
Current liabilities:			
Notes and accounts payable—trade	¥ 48,186	¥ 52,701	¥ (4,514)
Accrued expenses	50,325	55,787	(5,461)
Other current liabilities	52,406	63,050	(10,643)
Total current liabilities	150,919	171,538	(20,619)
Long-term liabilities	98,276	72,019	26,257
Total liabilities	249,196	243,558	5,637
NET ASSETS			
Shareholders' equity:			
Common stock	69,823	49,048	20,775
Capital surplus	102,053	81,314	20,738
Retained earnings	39,099	72,574	(33,475)
Treasury stock	(11,048)	(12,452)	1,404
Total shareholders' equity	199,928	190,485	9,442
Adjustments to valuation and translation:			
Net unrealized gains on securities	1,299	6,041	(4,742)
Deferred gains (losses) on hedges	51	(121)	172
Total adjustments to valuation and translation	1,350	5,920	(4,570)
Total net assets	201,278	196,405	4,872
Total liabilities and net assets	¥450,474	¥439,963	¥ 10,510

(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
Issuance of new shares	20,775	20,775			41,550
Dividends paid			(1,744)		(1,744)
Net loss			(31,396)		(31,396)
Acquisition and disposal of treasury stock, net		(36)	(334)	1,404	1,033
Net change in items other than shareholders' equity					-
Balance at March 31, 2008	¥69,823	¥102,053	¥ 39,099	¥(11,048)	¥199,928

	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
Issuance of new shares			-	41,550
Dividends paid			-	(1,744)
Net loss			-	(31,396)
Acquisition and disposal of treasury stock, net			-	1,033
Net change in items other than shareholders' equity	(4,742)	172	(4,570)	(4,570)
Balance at March 31, 2008	¥ 1,229	¥ 51	¥ 1,350	¥201,278

(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)
Acquisition and disposal 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)
Acquisition and disposal 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)	¥15,920	¥196,405