

# News Release

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***For Immediate Release  
April 28, 2009***

## **Pioneer Announces Medium-Term Management Plan**

TOKYO — Pioneer Corporation has announced that at a meeting of its Board of Directors held today, the Company passed a resolution on a medium-term management plan. Details are as follows.

### **I. Restructuring Measures**

Pioneer is currently implementing restructuring centered on business portfolio realignment. Other restructuring priorities are to streamline the business framework of the entire Pioneer Group, and improve the Company's financial position.

#### **1. Business Portfolio Realignment**

In the Home Electronics business, Pioneer will completely withdraw from the display business after ending plasma TV sales during fiscal 2010, the year ending March 31, 2010. Accordingly, the Company is currently closing production facilities and reviewing organizations and personnel levels at related divisions. In the optical disc business, Pioneer will form a joint venture with Sharp Corporation with the aim of restoring this business to profitability by taking advantage of the strengths of both companies. We are currently discussing the details of the joint venture, which we plan to establish by October 1, 2009.

Going forward, Pioneer will develop the Home Electronics business centered on home audio/video (AV) products, DJ equipment and cable TV set-top boxes.

Pioneer will position the Car Electronics business, with its outstanding technological expertise, product lineup and brand power, as a core business. In this business, we will work to build stronger operations that can stay on top of changes in the operating environment. Meanwhile, through strategic alliance with other companies, the Company will strive to actively create new markets and business domains in a timely and cost effective manner.

Specifically, Pioneer has agreed with Mitsubishi Electric Corporation to jointly develop hardware and software for use in car navigation systems and car AV products. The two companies have mutually used certain car navigation software technologies since

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#### ***For further information, please contact:***

Investor Relations Department, Corporate Communications Division  
Pioneer Corporation, Tokyo  
Phone: +81-3-3495-6773 / Fax: +81-3-3495-4301  
E-mail: [pioneer\\_ir@post.pioneer.co.jp](mailto:pioneer_ir@post.pioneer.co.jp)  
IR Website: <http://pioneer.jp/ir-e/>

2002. This new agreement was the result of discussions on the possibilities for further cooperation in technological development related to car navigation systems and car AV products.

Pioneer will also strive to expand business in China. On April 23, Pioneer signed a basic agreement with Shanghai Automotive Industry Corporation (Group) to establish a joint venture specializing in the development and sale of intelligent transport systems and provision of related services as well as in the development and sales of car AV products and car navigation systems.

## **2. Streamlining the Business Framework of the Entire Pioneer Group**

Pioneer is working to streamline organizations to match the new business scale after business portfolio realignment.

We plan to consolidate our current network of 30 production companies around the world by closing nine companies and downsizing the operations of six companies. Regarding our sales structures in Japan, we will combine sales divisions with five sales subsidiaries in the Car Electronics business. Meanwhile, in the Home Electronics business, we will proceed with restructuring, while combining sales divisions, including those at subsidiaries, into a sales subsidiary. Overseas, we plan to overhaul organizations and structures in Europe, North America, Asia and other regions. Furthermore, we will reorganize operations with the aim of optimizing the efficiency of Headquarters and back office functions. This will involve integrating Pioneer's domestic network of five operating bases into two locations at Kawasaki and Kawagoe. As for R&D, we will select and focus on R&D themes that match the realigned business portfolio.

Through this business framework streamlining, we plan to reduce group-wide personnel by around 5,800 regular employees and about 4,000 temporary and contract employees, compared with our workforce as of December 31, 2008.

As announced separately today, the number of directors/executive officers will be reduced from 25 to 19 after the annual general meeting of shareholders to be held in June 2009.

## **3. Improving the Company's Financial Position**

At present, Pioneer is working hard to improve its financial position. Given that it is projecting business restructuring expenses of ¥47 billion in fiscal 2010, the Company believes it must generate cash and boost equity capital.

Through its own continuing efforts, Pioneer will work to generate cash mainly by reducing inventories and accelerating trade receivables collections, curbing capital expenditures, cutting directors'/executive officers' remuneration and employees' salaries, and selling idle assets.

Meanwhile, Pioneer has received additional loans from its main banks, and expects to

maintain good relationships with them going forward.

In regard to boosting equity capital, the Board of Directors resolved today to raise ¥2.5 billion through a third-party allotment of shares to Honda Motor Co., Ltd., as announced separately today. In addition, Pioneer continues to examine other possible financial partnerships. Details will be announced once they have been determined.

Pioneer believes that it will need to raise around ¥40 billion in order to promptly and steadily implement its medium-term management plan. For fiscal 2010, Pioneer is forecasting business restructuring expenses of ¥47 billion, mainly for personnel reduction. Combined with the cost savings from restructuring under way since fiscal 2009, total fixed cost reductions are projected at ¥50 billion in fiscal 2010 and ¥85 billion in fiscal 2011, respectively, compared with fiscal 2009.

Note: The above figures do not include the impact of the joint venture that is currently being discussed with Sharp Corporation.

## **II. Medium-Term Management Plan**

Regarding medium-term consolidated forecasts, Pioneer is projecting an operating loss and net loss for fiscal 2010 in connection with the implementation of aforementioned restructuring measures and other factors. However, Pioneer expects to complete restructuring during fiscal 2010, and in fiscal 2011 on beyond plans to restore operating profitability in both the Car Electronics and Home Electronics businesses and move back into the black in terms of consolidated net income.

Consolidated business forecasts through fiscal 2012 are as follows:

	(In millions of yen)			
	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012
Operating revenue	¥ 558,000	¥420,000	¥(410,000)	¥460,000
Operating income (loss)	(55,000)	(33,000)	15,000	22,000
Net income (loss)	¥(129,000)	¥ (83,000)	¥ 8,000	¥ 16,000

Note: The above figures do not include the impact of the joint venture that is currently being discussed with Sharp Corporation.

We are assuming an average yen-U.S. dollar exchange rate of ¥90 and an average yen-euro exchange rate of ¥115 for forecasts for fiscal 2010 onward.

Pioneer expects net assets to decrease in fiscal 2010 due to restructuring. From fiscal 2011, however, net assets are projected to increase as earnings improve. Concurrently, the Company will work to reduce net interest-bearing debt.

Pioneer is considering plans to raise roughly ¥40 billion to meet anticipated funding needs for business restructuring expenses and the redemption of convertible bonds in fiscal 2010 and fiscal 2011.

In terms of cash flows, in fiscal 2010 Pioneer expects operating activities to use net cash of ¥16 billion, mainly based on the expectation of a net loss, despite a projected decrease in inventories. Investing activities are also projected to use net cash of ¥9 billion, despite the anticipated sales of fixed assets. Free cash flows are forecast at a negative ¥24 billion. From fiscal 2011, Pioneer expects operating cash flows to improve and free cash flows to be more than ¥20 billion, based on the projected earnings improvement.

For fiscal 2009, Pioneer is forecasting inventories of ¥85 billion and an inventory turnover rate of 76 days as of March 31, 2009. Pioneer subsequently expects inventories of ¥51 billion and an inventory turnover rate of 37 days as of March 31, 2012, mainly based on efforts to shorten production lead-times and boost sales as well as the impact of withdrawing from certain businesses. Meanwhile, Pioneer is forecasting capital expenditures of ¥46 billion in fiscal 2009, mainly because the Company recorded investments in software for sale due to the adoption of Japanese GAAP. Capital expenditures are projected at ¥25 billion for fiscal 2010, based on reduced overall investments in step with the downsizing of operations. From fiscal 2011 onward, capital expenditures are projected to increase as Pioneer makes investments designed to spur business expansion, particularly in the Car Electronics business. Consequently, capital expenditures of ¥32 billion are anticipated in fiscal 2012.

## **1. Car Electronics Business Strategies**

Pioneer expects lower Car Electronics operating revenue in fiscal 2010, mainly due to the impact of the global recession and weak auto sales. However, Pioneer is targeting operating revenue of ¥311 billion and operating income of ¥15 billion in fiscal 2012. Total OEM sales are expected to account for a higher percentage of Car Electronics operating revenue in fiscal 2012, at approximately 45%.

Looking at the growth scenario for the Car Electronics business, in fiscal 2010, Pioneer plans to implement drastic restructuring to build a highly efficient, lean operating structure that can quickly respond to changes in the business environment. Under this streamlined structure, we will boost our earnings in existing business domains while laying the groundwork for future business expansion when the market recovers. Over the medium term, we aim to expand the Car Electronics business by focusing on products and markets that will retain high growth potential going forward. Over the long term, we plan to expand business domains in new fields like the environment and car safety and reliability, while continuing to develop the conventional car entertainment field. In these ways, we aim to be a leading company in the car electronics fields.

In the consumer-market business, we will launch affordably priced models in the overseas car navigation and car AV product markets, where future growth is expected. We are also looking to actively expand business in growth markets, particularly in newly emerging economies, centering on our car AV products. In Japan, we aim to stimulate new demand by establishing a telematics business.

In the OEM business, we will bolster ties with longstanding major clients Toyota Motor Corporation and Honda Motor Co., Ltd., as well as fulfil our duties as a supplier and meet the expectations of automakers. By harnessing proposal capabilities honed in the consumer-market business, we will work to expand the assembly line product and dealer-option businesses with an emphasis on car navigation systems. Efforts will also be focused on newly emerging markets, which promise high levels of growth. Especially in China, we will strive to expand business centered on our longstanding major Japanese clients, as well as through the joint venture with Shanghai Automotive Industry Corporation (Group).

In initiatives to develop new growth businesses, Pioneer will bolster environmental initiatives that address the need for more energy-efficient, compact and light products. Strengthening our hand in new media and content such as Blu-ray Discs and networking capabilities are also important.

Looking ahead, as the auto industry becomes increasingly conscious of global environmental issues and seeks to help create more comfortable, safer and reliable motorized societies, the integration of automobiles and automotive information terminals should proceed apace. In this context, Pioneer plans to develop car navigation systems into a “gateway” for the flow of information between automobiles and the outside world. Specifically, Pioneer will work to increase the sophistication of car navigation systems by developing systems that are linked to and operate together with vehicles, with the aim of helping to build safer and more reliable motorized societies. In the services domain, we will develop business-use services such as fleet operation and management services. In the information and content domain, our priority is to provide real-time content including “probe” information obtained from vehicles.

We will also work to expand business in the environmental domain. One initiative is to develop more energy efficient and lighter products in preparation for the electric vehicle era. These products will help to boost the energy efficiency and fuel economy of electric vehicles.

To expand its business domains in this manner, Pioneer will strive to bolster and drive growth in the Car Electronics business by honing unique technologies, while continuing to build closer business relationships with automakers and to deepen collaboration with business partners.

## **2. Home Electronics Business Strategies**

In the Home Electronics business, Pioneer will focus on three main fields: home AV products, DJ equipment and cable TV set-top boxes. Home Electronics operating revenue is projected to decrease in line with business portfolio realignment. Nonetheless, we are determined to turn the Home Electronics business around by capturing restructuring benefits. In fiscal 2012, we are targeting operating revenue of ¥73 billion and operating income of ¥3 billion.

Note: The above figures do not include the impact of the joint venture that is currently being discussed with Sharp Corporation.

In home AV products, we are positioning AV receivers, where we have an extensive product lineup covering high-end to middle-market price ranges, as core products. We will concentrate business resources on these products in a bid to boost sales. We expect the AV receiver market to remain of a certain size going forward. By redoubling our commitment to this field, we hope to establish Pioneer as a leading brand in the field and generate steady earnings. We will also create entirely new markets with audio products based on new concepts. Through collaboration with housing-related companies, we are also rolling out new built-in home audio systems that cater to living environments within the home. In this manner, we are bolstering the audio business, where Pioneer started out as a company. Our goal is to restore profitability by boosting sales of new-market products and by improving cost effectiveness by reducing fixed expenses.

Pioneer has established a dominant leading position in the DJ equipment industry. In this field, we seek to drive earnings growth by further stimulating and expanding the market through continuous product development that satisfies the demands of professional use. These efforts will build on our outstanding technological expertise and product planning capabilities, which have made Pioneer DJ equipment the de facto industry standard, and the trust we have achieved with professional DJs and nightclubs. In the existing DJ equipment business, Pioneer will strive to extend its product lines and capture more market share, as it steps up sales in Japan, North America, Europe as well as newly emerging markets. In addition, taking full advantage of our industry position and brand power we plan to advance into the entire market for nightclub facilities by introducing audio facilities/equipment and expanding video facilities/equipment. Through these steps, we aim to achieve further growth by expanding our business domains.

As to cable TV set-top boxes, where the Company conducts business in Japan, Pioneer commands a strong position with a 30% share of the domestic market. At present, we are working to encourage more cable TV stations to adopt our products, with the aim of increasing the number of such cable TV stations by 20 compared with fiscal 2009 to 140 in fiscal 2010. The cable set-top box market is seeing demand fuelled by digitalization, and demand for regular replacement of products in use at subscribers' homes can also be expected. Building on long-standing trust and our current market position, we seek to steadily expand business to generate stable earnings.

Pioneer currently faces extremely difficult circumstances. Undaunted, we are determined to do everything we can to see restructuring through and restore profitability. The continued understanding and support of all stakeholders will be vital to this end.

### **III. Revisions to Consolidated Business Forecasts**

Pioneer has revised its full-year consolidated business forecasts for fiscal 2009 (April 1, 2008 to March 31, 2009), which were announced on February 12, 2009. Details are as follows:

(In millions of yen)

	Revised forecasts for fiscal 2009 (A) *	Previous forecasts for fiscal 2009 (B) *	Changes (A - B)	Results for fiscal 2008 **
Operating revenue	¥ 558,000	¥ 560,000	¥ (2,000)	¥774,477
Operating income (loss)	(55,000)	(69,000)	14,000	10,907
Income (loss) before income taxes	(100,000)	(110,000)	10,000	3,434
Net income (loss)	¥(129,000)	¥(130,000)	¥ 1,000	¥ (17,992)

\* Based on Japanese GAAP

\*\* Based on U.S. GAAP

Operating revenue should be mostly the same as our previous forecast.

We have revised our operating loss forecast as shown above mainly because of lower-than-expected provisions for product inventory disposal costs accompanying the withdrawal from the display business. Consequently, we have revised our forecast for the loss before income taxes based on expectations of asset write-downs, and our net loss forecast due to income taxes following an evaluation of deferred tax assets.

#### **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 Japanese yen and the U.S. dollar, the euro, 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 highly rated products and services in extremely competitive markets, which are characterized by continual product launches, rapid technological development, intense price-based competition, subjective and changing consumer preferences and other factors; (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 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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