Pioneer

PIONEER CORPORATION
1-1, Shin-ogura, Saiwai-ku, Kawasaki-shi
Kanagawa 212-0031, Japan

News Release

For Immediate Release
May 13, 2010

Pioneer Announces Business Results for Fiscal 2010

Pioneer Corporation today announced its consolidated and non-consolidated business results for the year ended March 31, 2010.

Consolidated Financial Highlights

(In millions of yen except per share information)

	Year ended March 31		
	2010	2009	% to prior year
Net sales	¥438,998	¥ 558,837	78.6%
Operating income (loss)	(17,514)	(54,529)	–
Ordinary income (loss)	(24,740)	(54,420)	–
Net loss	¥ (58,276)	¥(130,529)	–%
Net loss per share	¥(272.70)	¥(636.68)	

In fiscal 2010, consolidated net sales decreased 21.4% year on year to ¥438,998 million (US$4,720.4 million). This was mainly the result of decreased sales of plasma displays, from which business Pioneer withdrew in fiscal 2010, and lower sales of car electronics products and DVD drives, as well as the impact of the Japanese yen's appreciation. This was despite increased sales of Blu-ray Disc-related products.

Operating loss was ¥17,514 million (US$188.3 million) in fiscal 2010, improving from ¥54,529 million in fiscal 2009. This change primarily reflected lower selling, general and administrative (SG&A) expenses and improvement in the gross profit margin, owing to benefits from restructuring, despite the drop in net sales. On a semi-annual basis, the operating loss was ¥22,760 million in the first half, and operating income was ¥5,246 million in the second half. Pioneer thus restored operating profitability in the second half of the fiscal year. The net loss improved from ¥130,529 million in fiscal 2009 to ¥58,276 million (US$626.6 million) in fiscal 2010. In addition to improved operating results, the smaller net loss reflected decreases in the loss on valuation of investment securities and in income taxes.

For further information, please contact:
Investor Relations Department, Corporate Communications Division
Pioneer Corporation, Japan
Phone: +81-44-580-1004 / Fax: +81-44-580-4064
E-mail: pioneer_ir@post.pioneer.co.jp
IR Website: http://pioneer.jp/ir-e/

During fiscal 2010, the average value of the Japanese yen appreciated 8.3% and 9.4% against the U.S. dollar and euro, respectively, compared with the previous fiscal year.

Car Electronics sales decreased 14.5% year on year to ¥249,331 million (US$2,681.0 million) because of lower sales of both car navigation systems and car audio products. In car navigation systems, overall sales declined due to decreased consumer-market sales in Japan, Europe and North America, and reduced OEM sales mainly in Japan and North America. In car audio products, consumer-market sales decreased mainly because of lower overseas sales. Meanwhile, OEM sales rose due to higher sales in Japan and China. Total OEM sales in this business segment accounted for approximately 44% of Car Electronics sales, compared with approximately 41% in the previous fiscal year.

In terms of geographic sales, sales in Japan decreased 8.5% to ¥104,350 million (US$1,120.0 million), while overseas sales decreased 18.4% to ¥144,981 million (US$1,558.9 million).

This segment recorded an operating loss of ¥7,274 million (US$78.2 million), improving from ¥12,337 million in the previous fiscal year. This change was due to reduced fixed costs and improvement in the gross profit margin, owing to benefits from restructuring, despite decreased sales.

Home Electronics sales decreased 36.3% year on year to ¥133,329 million (US$1,433.6 million), mainly due to lower sales of plasma displays and DVD drives, despite higher sales of Blu-ray Disc-related products as an optical disc joint venture commenced operations.

In terms of geographic sales, sales in Japan increased 29.3% to ¥40,096 million (US$431.1 million), while overseas sales declined 47.7% to ¥93,233 million (US$1,002.5 million).

This segment recorded an operating loss of ¥9,138 million (US$98.3 million), improving from ¥38,622 million in fiscal 2009. The smaller operating loss reflected reduced fixed costs, owing to benefits from restructuring, and the recording of lump-sum income from patents related to plasma displays, despite the drop in sales.

In the **Others** segment, sales decreased 2.7% year on year to ¥56,338 million (US$605.8 million), due to lower sales of factory automation systems and speaker units for cellular phones. This was despite increased royalty revenue from patents related to optical disc technologies, as well as higher sales of electronics devices and parts, and business-use AV systems.

In terms of geographic sales, sales in Japan were ¥37,674 million (US$405.1 million), remaining mostly unchanged from fiscal 2009, while overseas sales decreased 8.5% to ¥18,664 million (US$200.7 million).

This segment recorded operating income of ¥689 million (US$7.4 million) in fiscal 2010, compared with an operating loss of ¥3,377 million in fiscal 2009, chiefly due to reduced fixed costs, owing to benefits from restructuring, as well as to increased royalty revenue from patents.

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

Consolidated Financial Position

Total assets as of March 31, 2010 were ¥389,719 million (US$4,190.5 million), a decrease of ¥39,374 million from March 31, 2009, reflecting decreases in inventories as well as in property, plant and equipment and intangible assets. Inventories declined ¥29,836 million from March 31, 2009 to ¥55,050 million (US$591.9 million) as of March 31, 2010, reflecting reduced inventories in the plasma displays, from which business we withdrew, as well as in the Car Electronics. Property, plant and equipment decreased ¥22,103 million from March 31, 2009 to ¥90,064 million (US$968.4 million) as of March 31, 2010, as we curtailed capital expenditures. Intangible assets were ¥31,303 million (US$336.6 million) as of March 31, 2010, a decrease of ¥13,495 million from March 31, 2009, mainly due to curbs on new software acquisitions and to the sale of patents.

Total liabilities as of March 31, 2010 were ¥299,065 million (US$3,215.8 million), a decrease of ¥18,180 million from March 31, 2009. This mainly reflected a decrease of ¥15,182 million in borrowings, as well as a decrease of ¥10,950 million in accrued expenses mainly due to special retirement benefits paid. These decreases were partly offset by an increase of ¥16,896 million in trade payables reflecting increased production.

Total equity as of March 31, 2010 was ¥90,654 million (US$974.8 million), a decrease of ¥21,194 million from March 31, 2009. This chiefly reflected a net loss of ¥58,276 million, despite a combined increase of ¥34,866 million in common stock and capital surplus as a result of increases in capital.

Cash Flows

During fiscal 2010, net cash provided by operating activities was ¥7,956 million (US$85.5 million). The main factors providing cash were non-cash expenses, namely depreciation and amortization of ¥39,303 million (US$422.6 million) and a decrease in inventories of ¥29,342 million (US$315.5 million), as well as an increase in trade payables of ¥17,056 million (US$183.4 million). These were partly offset by a loss before income taxes and minority interests of ¥49,530 million (US$532.6 million), a decrease in accrued expenses of ¥10,715 million (US$115.2 million), and an increase in trade receivables of ¥9,959 million (US$107.1 million).

Net cash used in investing activities was ¥8,432 million (US$90.7 million). This principally reflected the payment of ¥23,802 million (US$255.9 million) for purchases of noncurrent assets mainly in the Car Electronics business, despite proceeds of ¥15,536 million (US$167.1 million) from sales of noncurrent assets such as patents and of ¥6,448 million (US$69.3 million) from sales of investment securities.

Financing activities provided net cash of ¥21,846 million (US$234.9 million), principally reflecting proceeds of ¥34,732 million (US$373.5 million) from issuance of common stock through an international offering and third-party allotments, despite ¥14,774 million (US$158.9 million) used for payment of debt.

Consequently, cash and cash equivalents as of March 31, 2010 were ¥84,142 million (US$904.8 million), an increase of ¥20,396 million from March 31, 2009.

Business Forecasts for Fiscal 2011

Consolidated business forecasts for fiscal 2011, the year ending March 31, 2011, are as follows:

(In millions of yen)

	First half			Full year		
	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 fiscal 2011, Pioneer is forecasting consolidated net sales of ¥480.0 billion, an increase of 9.3% year on year. In the Home Electronics business, this forecast mainly reflects increased sales from an optical disc joint venture, as well as a boost in sales from an expanded lineup of audio products, despite reduced sales due to the withdrawal from the display business. In the Car Electronics business, the forecast mainly reflects higher sales in newly emerging markets, and increased OEM sales volume in line with improving auto market conditions.

Pioneer expects to restore operating profitability in fiscal 2011. The Company is forecasting operating income of ¥17.0 billion, an improvement of ¥34.5 billion from an operating loss in the previous fiscal year. This improvement reflects a reduction in fixed costs of approximately ¥20.0 billion year on year, mainly owing to benefits from restructuring, as well as the positive impact of increased sales, cost-cutting initiatives and other factors. In addition, Pioneer is projecting ordinary income of ¥12.5 billion and net income of ¥11.0 billion.

We are assuming an average U.S. dollar-yen exchange rate of ¥90 and a euro-yen exchange rate of ¥120 for the aforementioned consolidated business forecasts for fiscal 2011.

Dividends

Pioneer positions its dividend policy as one of its highest management priorities. On the basis of maintaining stable dividends, the Company's policy is to set appropriate dividend payments in light of its financial position, consolidated business results, and other factors.

In fiscal 2010, Pioneer recorded a consolidated net loss of ¥58,562 million. Consequently, Pioneer deeply regrets that it has decided to pay no year-end dividend for fiscal 2010, as in fiscal 2009. Accordingly, no dividends will be paid for the year ended March 31, 2010.

Basic Management Policies and Issues to Be Addressed

Pioneer seeks to create new value for customers by offering innovative, high-quality, and high value-added electronics products, with the aim of realizing the Pioneer Group's philosophy of "Move the Heart and Touch the Soul" with more people around the world.

In fiscal 2010, Pioneer implemented business restructuring measures centered on business portfolio realignment and cost reduction, in order to shift to a lean operating structure. At the same time, we strengthened our financial position by raising funds through the issuance of new shares. Looking ahead, while striving to enhance profitability in existing businesses through the aforementioned measures, Pioneer will promote the following key initiatives in its growth strategy.

First, to tackle the challenge of additional drastic cost reductions, we will continue to reduce costs across all business categories, including the Car and the Home Electronics businesses. In every process from planning to production and sales, by promoting the standardization and sharing of parts, components and modules, and through the use of OEM and other suppliers, we will expand our product line to include low-end products. Additionally, in collaboration with Mitsubishi Electric Corporation, we will drastically reduce software development costs through joint development of shared car navigation system platforms, with the aim of further enhancing our competitiveness.

Our second and third initiatives are to strengthen our alliance strategy and expand our businesses in emerging markets, respectively. In the Car Electronics business, we established a joint venture (JV) in October 2009 with Shanghai Automotive Industry Corporation (Group), a major Chinese automaker and commenced its business. Going forward, we aim to further expand our business in China by focusing on expanding business with core customers like Toyota Motor Corporation and Honda Motor Co., Ltd., as well as with the Shanghai Automotive Industry Corporation (Group). Another priority is to establish an "Intelligent Transport System (ITS)" tailored to road and traffic conditions in China, as ITS becomes increasingly important to Chinese consumers.

In the Home Electronics business, Pioneer concluded a strategic alliance agreement in November 2009 with Suning Appliance Co., Ltd., a major Chinese home electronics mass retailer. Through this alliance, Pioneer will drive further business expansion in the Chinese market utilizing Suning Appliance's strong sales channels and infrastructure, as well as unique marketing expertise and other resources.

Our fourth initiative is to establish new business models in the Car Electronics business. While taking full advantage of our proprietary probe (real-time vehicle driving) information, Pioneer will work to develop new businesses that provide information services and peripheral equipment for communications-oriented car navigation systems, targeting the expanding smartphone market. Through new businesses, Pioneer will propose new automotive life services to consumers.

Our last initiative is to actively develop new businesses. We are focusing on accelerating the commercialization of newly developed technologies. In February 2010, Pioneer concluded a business alliance agreement concerning organic light emitting diode (OLED) lighting with Mitsubishi Chemical Corporation. OLED is expected to become a highly efficient next-generation lighting source that could replace conventional lighting. Pioneer will supply OLED lighting panels to Mitsubishi Chemical which plans to begin sales of OLED lighting in 2011. At the same time, both companies will pursue joint research on OLED lighting panels with printable emitting materials and examine the commercial feasibility of this technology.

Going forward, Pioneer will restore operating profitability in fiscal 2011 and make every effort to implement the foregoing initiatives to drive future growth.

Material Events Regarding Going Concern Assumption

Pioneer's financial position remained under strain in fiscal 2010, as in fiscal 2009, due to a sharp drop in net sales and large losses. However, Pioneer's business condition has improved substantially, highlighted by its return to profitability at the operating income level in the second half of fiscal 2010, as a result of implementing drastic restructuring.

Since fiscal 2009, the Company's business performance and financial position had triggered breaches of financial covenants under a loan agreement with a number of lender financial institutions. However, on March 29, 2010, Pioneer signed a new loan agreement (by method of syndication) with multiple financial institutions for a total loan amount of ¥89.4 billion. With this loan agreement, the breaches of financial covenants were resolved. Pioneer was also able to secure stable funding with the assistance of its lender banks.

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, based on progress with the sale of assets that have a low degree of relevance to its main businesses. This includes the signing on March 30, 2010 of an agreement to sell the land and buildings of the Company's former head office in Meguro, Tokyo.

Furthermore, as a means of procuring growth funds, Pioneer raised ¥34.9 billion by issuing new shares in March 2010 through an international offering and third-party allotments. Consequently, Pioneer's financial position has improved substantially.

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.

Proposed Changes in Management

<Effective June 25, 2010>

(1) Candidates for directors to be newly elected at the ordinary general meeting of shareholders:

- Mr. Kunio Kawashiri, currently Executive Officer, will become Director.
- Mr. Masahiro Tanizeki, President and Representative Director of Toyotsu Syscom Corporation, will be elected as Outside Director.

(2) Change in Representative Director:

Mr. Mikio Ono, currently Managing Director, will be elected as Managing Director and Representative Director.

(3) Directors who will retire:

- Mr. Akira Haeno, currently Senior Managing Director and Representative Director.
- Mr. Shunichi Sato, currently Outside Director.

(4) Candidate for Corporate Auditor to be newly elected at the ordinary general meeting of shareholders:

Mr. Toshiyuki Ito, currently Senior Executive Officer of Pioneer Corporation, and Chairman & Managing Director of Pioneer Europe NV. He will be elected as full time Corporate Auditor.

(5) Change in status of Corporate Auditor:
Mr. Michiyoshi Ogawa, currently full time Corporate Auditor, will become Corporate Auditor.

(6) Substitute Auditor in case of a vacancy who will retire:
Mr. Takashi Miyazawa, currently Substitute Auditor in case of a vacancy.

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 the Japanese yen, for convenience only, at the rate of ¥93=US$1.00, the approximate rate prevailing on March 31, 2010.

Attachments:
I. Consolidated financial statements for the year ended March 31, 2010
II. Non-consolidated financial statements for the year ended March 31, 2010

I. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2010

(1) CONSOLIDATED BALANCE SHEETS

(In millions of yen)

	March 31	
	2009	2010
ASSETS		
Current assets:		
Cash and deposits	¥ 63,745	¥ 90,245
Trade receivables	60,989	70,800
Merchandise and finished goods	45,169	25,218
Work in process	14,699	10,211
Raw materials and supplies	25,018	19,621
Deferred tax assets	7,097	5,808
Other current assets	17,420	13,845
Allowance for doubtful receivables	(2,035)	(1,875)
Total current assets	232,102	233,873
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures	102,285	92,245
Accumulated depreciation	(57,112)	(54,241)
Net	45,173	38,004
Machinery, equipment and vehicles	82,080	89,196
Accumulated depreciation	(59,844)	(73,127)
Net	22,236	16,069
Land	33,705	29,062
Construction in progress	373	333
Others	94,513	79,201
Accumulated depreciation	(83,833)	(72,605)
Net	10,680	6,596
Total property, plant and equipment	112,167	90,064
Intangible assets:		
Goodwill	1,420	1,343
Software	39,215	28,357
Others	4,163	1,603
Total intangible assets	44,798	31,303
Investments and other assets:		
Investment securities	18,972	17,020
Deferred tax assets	12,484	9,389
Others	8,470	7,762
Allowance for doubtful accounts	(7)	(10)
Total investments and other assets	39,919	34,161
Total noncurrent assets	196,884	155,528
Deferred assets:		
Stock issuance cost	107	318
Total deferred assets	107	318
Total assets	¥429,093	¥389,719

(In millions of yen)

	March 31 2009	March 31 2010
LIABILITIES		
Current liabilities:		
Trade payables	¥ 40,798	¥ 57,694
Short-term borrowings	110,000	14,567
Current portion of long-term debt	2,664	2,553
Current portion of bonds	–	60,600
Accrued income taxes	4,153	5,016
Accrued expenses	50,763	39,813
Warranty reserve	4,222	3,504
Other current liabilities	19,820	15,420
Total current liabilities	232,420	199,167
Long-term liabilities:		
Bonds payable	60,600	–
Long-term debt	6,515	86,877
Accrued pension and severance costs	12,704	9,300
Other long-term liabilities	5,006	3,721
Total long-term liabilities	84,825	99,898
Total liabilities	317,245	299,065
EQUITY		
Shareholders' equity:		
Common stock	69,824	87,257
Capital surplus	102,054	119,487
Retained earnings	13,250	(45,096)
Treasury stock	(11,124)	(11,049)
Total shareholders' equity	174,004	150,599
Valuation and translation adjustments:		
Unrealized gain on available-for-sale securities	1,552	4,897
Deferred gain on derivatives under hedge accounting	42	–
Foreign currency translation adjustments	(63,549)	(66,390)
Pension adjustments recognized by foreign consolidated subsidiaries	(1,551)	(1,946)
Total valuation and translation adjustments	(63,506)	(63,439)
Minority interests	1,350	3,494
Total equity	111,848	90,654
Total liabilities and equity	¥429,093	¥389,719

(2) CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions of yen)

	Year ended March 31	
	2009	2010
Net sales	¥ 558,837	¥438,998
Cost of sales	477,965	366,165
Gross profit	80,872	72,833
Selling, general and administrative expenses	135,401	90,347
Operating loss	(54,529)	(17,514)
Non-operating income:		
Interest income	3,066	587
Dividends income	630	391
Subsidy income	–	490
Others	678	954
Total non-operating income	4,374	2,422
Non-operating expenses:		
Interest expenses	2,840	3,302
Foreign exchange losses	243	2,850
Borrowing cost	–	1,650
Equity in losses of affiliated companies	132	276
Others	1,050	1,570
Total non-operating expenses	4,265	9,648
Ordinary loss	(54,420)	(24,740)
Extraordinary income:		
Gain on sales of noncurrent assets	961	8,255
Gain on sales of investment securities	–	2,139
Others	155	537
Total extraordinary income	1,116	10,931
Extraordinary loss:		
Loss on sales and disposal of noncurrent assets	2,856	4,976
Impairment loss	4,132	7,932
Loss on valuation of investment securities	14,871	327
Restructuring costs	24,744	21,875
Others	32	611
Total extraordinary loss	46,635	35,721
Loss before income taxes and minority interests	(99,939)	(49,530)
Income taxes—current	4,805	4,715
Income taxes—deferred	25,620	3,729
Total income taxes	30,425	8,444
Minority interests in income	165	302
Net loss	¥(130,529)	¥ (58,276)

(3) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In millions of yen)

	Year ended March 31	
	2009	2010
SHAREHOLDERS' EQUITY		
Common Stock:		
Balance, beginning of year	¥ 69,824	¥ 69,824
Changes of items during the year:		
Issuance of new shares	–	17,433
Total changes of items during the year	–	17,433
Balance, end of year	69,824	87,257
Capital Surplus:		
Balance, beginning of year	102,054	102,054
Changes of items during the year:		
Issuance of new shares	–	17,433
Total changes of items during the year	–	17,433
Balance, end of year	102,054	119,487
Retained Earnings:		
Balance, beginning of year	144,370	13,250
Adjustment pursuant to FASB158	(75)	–
Changes of items during the year:		
Dividends from surplus	(513)	–
Net loss	(130,529)	(58,276)
Disposal of treasury stock	(3)	(70)
Total changes of items during the year	(131,045)	(58,346)
Balance, end of year	13,250	(45,096)
Treasury Stock:		
Balance, beginning of year	(11,124)	(11,124)
Changes of items during the year:		
Purchase of treasury stock	(4)	(0)
Disposal of treasury stock	4	75
Total changes of items during the year	–	75
Balance, end of year	(11,124)	(11,049)
Total Shareholders' Equity:		
Balance, beginning of year	305,124	174,004
Adjustment pursuant to FASB158	(75)	–
Changes of items during the year:		
Issuance of new shares	–	34,866
Dividends from surplus	(513)	–
Net loss	(130,529)	(58,276)
Purchase of treasury stock	(4)	(0)
Disposal of treasury stock	1	5
Total changes of items during the year	(131,045)	(23,405)
Balance, end of year	¥ 174,004	¥150,599

(In millions of yen)

	Year ended March 31	
	2009	2010
VALUATION AND TRANSLATION ADJUSTMENTS		
Unrealized Gain on Available-for-Sale Securities:		
Balance, beginning of year	¥ 2,351	¥ 1,552
Changes of items during the year:		
Net changes of items other than shareholders' equity	(799)	3,345
Total changes of items during the year	(799)	3,345
Balance, end of year	1,552	4,897
Deferred Gain on Derivatives Under Hedge Accounting:		
Balance, beginning of year	51	42
Changes of items during the year:		
Net changes of items other than shareholders' equity	(9)	(42)
Total changes of items during the year	(9)	(42)
Balance, end of year	42	–
Foreign Currency Translation Adjustments:		
Balance, beginning of year	(49,699)	(63,549)
Changes of items during the year:		
Net changes of items other than shareholders' equity	(13,850)	(2,841)
Total changes of items during the year	(13,850)	(2,841)
Balance, end of year	(63,549)	(66,390)
Pension Adjustments Recognized by Foreign Consolidated Subsidiaries:		
Balance, beginning of year	166	(1,551)
Changes of items during the year:		
Net changes of items other than shareholders' equity	(1,717)	(395)
Total changes of items during the year	(1,717)	(395)
Balance, end of year	(1,551)	(1,946)
Total Valuation and Translation Adjustments:		
Balance, beginning of year	(47,131)	(63,506)
Changes of items during the year:		
Net changes of items other than shareholders' equity	(16,375)	67
Total changes of items during the year	(16,375)	67
Balance, end of year	(63,506)	(63,439)
MINORITY INTERESTS		
Balance, beginning of year	1,362	1,350
Changes of items during the year:		
Net changes of items other than shareholders' equity	(12)	2,144
Total changes of items during the year	(12)	2,144
Balance, end of year	¥ 1,350	¥ 3,494

(In millions of yen)

	Year ended March 31	
	2009	2010
TOTAL EQUITY		
Balance, beginning of year	¥259,355	¥111,848
Adjustment pursuant to FASB158	(75)	–
Changes of items during the year:		
Issuance of new shares	–	34,866
Dividends from surplus	(513)	–
Net loss	(130,529)	(58,276)
Purchase of treasury stock	(4)	(0)
Disposal of treasury stock	1	5
Net changes of items other than shareholders' equity	(16,387)	2,211
Total changes of items during the year	(147,432)	(21,194)
Balance, end of year	¥111,848	¥ 90,654

(4) CONSOLIDATED STATEMENT OF CASH FLOWS

(In millions of yen)

	Year ended March 31	
	2009	2010
Cash flows from operating activities:		
Loss before income taxes and minority interests	¥(99,939)	¥(49,530)
Depreciation and amortization	43,187	39,303
Impairment loss	4,132	7,932
Decrease in accrued pension and severance costs	–	(3,804)
Interest and dividends income	(3,696)	(978)
Interest expenses	2,840	3,302
Loss (gain) on sales and disposal of noncurrent assets	1,895	(3,279)
Loss on valuation of investment securities	14,871	327
Decrease (increase) in trade receivables	27,213	(9,959)
Decrease in inventories	8,500	29,342
Increase (decrease) in trade payables	(40,536)	17,056
Decrease in accrued expenses	(12,258)	(10,715)
Other, net	287	(3,331)
Subtotal	(53,504)	15,666
Interest and dividends income received	4,066	957
Interest expenses paid	(3,010)	(3,318)
Income taxes paid	(9,115)	(5,349)
Net cash provided by (used in) operating activities	(61,563)	7,956
Cash flows from investing activities:		
Increase in time deposits	–	(6,103)
Purchase of noncurrent assets	(45,849)	(23,802)
Proceeds from sales of noncurrent assets	1,846	15,536
Proceeds from sales of investment securities	161	6,448
Proceeds from cancellation return of insurance	5,515	–
Other, net	35	(511)
Net cash used in investing activities	(38,292)	(8,432)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	99,842	(95,028)
Proceeds from long-term debt	–	89,430
Repayment of long-term debt	(3,064)	(9,176)
Redemption of bonds	(10,000)	–
Dividends paid	(513)	–
Proceeds from issuance of common stock	–	34,732
Proceeds from stock issuance to minority shareholders	–	2,040
Other, net	(432)	(152)
Net cash provided by financing activities	85,833	21,846
Effect of exchange rate changes on cash and cash equivalents	(3,412)	(974)
Net increase (decrease) in cash and cash equivalents	(17,434)	20,396
Cash and cash equivalents, beginning of year	81,180	63,746
Cash and cash equivalents, end of year	¥ 63,746	¥ 84,142

(5) SEGMENT INFORMATION

＜Business Segments＞

(In millions of yen)

Year ended March 31, 2009	Car Electronics	Home Electronics	Others	Total	Corporate and Eliminations	Consolidated
Net sales:						
Unaffiliated customers	¥291,704	¥209,257	¥57,876	¥558,837	–	¥558,837
Inter-segment	1,797	556	27,304	29,657	¥(29,657)	–
Total	293,501	209,813	85,180	588,494	(29,657)	558,837
Operating loss	¥ (12,337)	¥ (38,622)	¥ (3,377)	¥ (54,336)	¥ (193)	¥ (54,529)

(In millions of yen)

Year ended March 31, 2010	Car Electronics	Home Electronics	Others	Total	Corporate and Eliminations	Consolidated
Net sales:						
Unaffiliated customers	¥249,331	¥133,329	¥56,338	¥438,998	–	¥438,998
Inter-segment	1,729	646	14,241	16,616	¥(16,616)	–
Total	251,060	133,975	70,579	455,614	(16,616)	438,998
Operating (income) loss	¥ (7,274)	¥ (9,138)	¥ 689	¥ (15,723)	¥ (1,791)	¥ (17,514)

Note: Business segments are determined according to type of products and similarity of sales markets.

＜Geographic Segments＞

(In millions of yen)

Year ended March 31, 2009	Japan	North America	Europe	Other Regions	Total	Corporate and Eliminations	Consolidated
Net sales:							
Unaffiliated customers	¥222,451	¥109,394	¥111,717	¥115,275	¥558,837	–	¥558,837
Inter-segment	216,656	4,046	375	170,288	391,365	¥(391,365)	–
Total	439,107	113,440	112,092	285,563	950,202	(391,365)	558,837
Operating income (loss)	¥ (60,693)	¥ (3,694)	¥ (4,920)	¥ 4,162	¥ (65,145)	¥ 10,616	¥ (54,529)

(In millions of yen)

Year ended March 31, 2010	Japan	North America	Europe	Other Regions	Total	Corporate and Eliminations	Consolidated
Net sales:							
Unaffiliated customers	¥214,588	¥72,028	¥60,208	¥ 92,174	¥438,998	–	¥438,998
Inter-segment	130,361	2,615	223	155,599	288,798	¥(288,798)	–
Total	344,949	74,643	60,431	247,773	727,796	(288,798)	438,998
Operating income (loss)	¥ (22,070)	¥ 2,797	¥ (718)	¥ 9,961	¥ (10,030)	¥ (7,484)	¥ (17,514)

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

Pioneer Corporation—Consolidated

<Net Sales by Overseas Geographic Market>

(In millions of yen)

Year ended March 31, 2009	North America	Europe	Other Regions	Total
Overseas net sales	¥109,894	¥112,693	¥153,772	¥376,359
Consolidated net sales				¥558,837
% to consolidated net sales	19.7%	20.2%	27.4%	67.3%

(In millions of yen)

Year ended March 31, 2010	North America	Europe	Other Regions	Total
Overseas net sales	¥72,669	¥60,972	¥123,237	¥256,878
Consolidated net sales				¥438,998
% to consolidated net sales	16.6%	13.9%	28.0%	58.5%

Note: Net sales by geographic market is based on the location of each unaffiliated customer.

<Net Sales by Segment>

(In millions of yen)

	Year ended March 31				
	2009		2010		% to prior year
	Amount	% to total	Amount	% to total	
Domestic	¥113,985	20.4%	¥104,350	23.8%	91.5%
Overseas	177,719	31.8	144,981	33.0	81.6
Car Electronics	291,704	52.2	249,331	56.8	85.5
Domestic	31,010	5.5	40,096	9.1	129.3
Overseas	178,247	31.9	93,233	21.3	52.3
Home Electronics	209,257	37.4	133,329	30.4	63.7
Domestic	37,483	6.8	37,674	8.6	100.5
Overseas	20,393	3.6	18,664	4.2	91.5
Others	57,876	10.4	56,338	12.8	97.3
Domestic	182,478	32.7	182,120	41.5	99.8
Overseas	376,359	67.3	256,878	58.5	68.3
Total	¥558,837	100.0%	¥438,998	100.0%	78.6%

Notes:

1. Effective from fiscal 2010, “Net sales” has included “Other operating revenue” (Royalty revenue) because of its reduced importance to consolidated business results. Previously, “Net sales” and “Other operating revenue” composed “Operating revenue.” Figures for the previous year have been reclassified to conform to this presentation.
2. 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 recorders, DVD drives and plasma displays

   Others:

   factory automation systems, speaker units, electronics devices and parts, organic light-emitting diode displays, telephones, AV accessories, business-use AV systems and licensing of patents related to laser optical disc technologies

II. NON-CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2010

(1) CONDENSED BALANCE SHEETS

(In millions of yen)

	March 31	
	2009	2010
ASSETS		
Current assets:		
Cash and deposits	¥ 25,164	¥ 42,568
Trade receivables	24,424	31,118
Inventories	25,926	16,202
Other current assets	91,199	94,380
Total current assets	166,716	184,269
Noncurrent assets:		
Property, plant and equipment	51,075	44,338
Intangible	36,945	24,506
Investments and other assets	179,453	185,704
Total noncurrent assets	267,474	254,550
Deferred assets	106	317
Total assets	¥434,297	¥439,138
LIABILITIES		
Current liabilities:		
Trade payables	¥ 23,295	¥ 33,237
Short-term borrowings	137,640	65,195
Current portion of bonds	–	60,600
Accrued expenses	36,013	25,381
Other current liabilities	10,335	4,720
Total current liabilities	207,284	189,134
Long-term liabilities:		
Bonds payable	60,600	–
Long-term debt	–	76,644
Other long-term liabilities	59,096	63,967
Total long-term liabilities	119,696	140,611
Total liabilities	326,980	329,746
EQUITY		
Shareholders’ equity:		
Common stock	69,823	87,257
Capital surplus	102,053	119,487
Retained earnings	(54,803)	(91,269)
Treasury stock	(11,049)	(11,049)
Total shareholders’ equity	106,024	104,425
Valuation and translation adjustments	1,291	4,966
Total equity	107,316	109,391
Total liabilities and equity	¥434,297	¥439,138

(2) CONDENSED STATEMENTS OF OPERATIONS

(In millions of yen)

	Year ended March 31	
	2009	2010
Net sales	¥370,454	¥269,372
Cost of sales	358,852	255,591
Selling, general and administrative expenses	66,538	42,060
Operating loss	(54,937)	(28,279)
Non-operating income—net	18,609	3,026
Ordinary loss	(36,327)	(25,252)
Extraordinary loss—net	(44,278)	(10,496)
Loss before income taxes	(80,606)	(35,748)
Income taxes	12,781	716
Net loss	¥ (93,387)	¥ (36,465)

(3) CONDENSED STATEMENTS OF CHANGES IN EQUITY

(In millions of yen)

	Year ended March 31	
	2009	2010
Shareholders' Equity:		
Balance, beginning of year	¥199,928	¥106,024
Issuance of new shares	–	34,867
Dividends from surplus	(512)	–
Net loss	(93,387)	(36,465)
Purchase of treasury stock	(4)	(0)
Disposal of treasury stock	1	0
Balance, end of year	106,024	104,425
Valuation and Translation Adjustments:		
Balance, beginning of year	1,350	1,291
Net changes of items other than shareholders' equity	(58)	3,674
Balance, end of year	1,291	4,966
Total Equity:		
Balance, beginning of year	201,278	107,316
Issuance of new shares	–	34,867
Dividends from surplus	(512)	–
Net loss	(93,387)	(36,465)
Purchase of treasury stock	(4)	(0)
Disposal of treasury stock	1	0
Net changes of items other than shareholders' equity	(58)	3,674
Balance, end of year	¥107,316	¥109,391