

# News Release

**For Immediate Release  
November 9, 2011**

## **Pioneer Announces Business Results for 2Q Fiscal 2012**

Pioneer Corporation today announced its consolidated second-quarter and six-month business results for the period ended September 30, 2011.

### **Consolidated Financial Highlights**

(In millions of yen except per share information)

	<b>Three months</b> ended September 30			<b>Six months</b> ended September 30		
	2011	2010	Percent change	2011	2010	Percent change
Net sales	¥115,602	¥116,833	-1.1%	¥213,729	¥226,681	-5.7%
Operating income	5,050	4,301	+17.4	7,002	6,669	+5.0
Ordinary income	3,424	3,769	-9.2	5,071	5,454	-7.0
Net income	¥ 1,212	¥ 7,056	-82.8%	¥ 1,505	¥ 7,654	-80.3%
Net income per share	¥3.77	¥21.98		¥4.69	¥23.84	

### **Consolidated Business Results**

For the second quarter of fiscal 2012, the three months ended September 30, 2011, consolidated net sales declined 1.1% from the second quarter of fiscal 2011, to ¥115,602 million. Although car navigation systems showed strong sales in Japan, the Japanese yen's appreciation against the U.S. dollar, combined with lower sales of optical disc drive-related products and a decline in car audio sales, mainly at the OEM business as a result of the Great East Japan Earthquake, resulted in an overall decline.

Although gross profit decreased as a result of a decrease in net sales, Pioneer recorded a 17.4% increase in operating income from the second quarter of fiscal 2011, to ¥5,050 million, thanks to reductions in selling, general and administrative (SG&A) expenses. Net income declined 82.8%, to ¥1,212 million. Net income in the second quarter of fiscal 2011 included a gain on the sale of the Company's former Head Office and other assets.

During the second quarter of fiscal 2012, the average value of the Japanese yen appreciated 10.3% against the U.S. dollar, and was almost unchanged against the euro, compared with the second quarter of fiscal 2011.

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**Car Electronics** sales increased 10.8% year on year, to ¥70,805 million, despite the negative impact of the Japanese yen's appreciation. In car navigation systems, consumer-market sales rose, due to very strong sales in Japan. OEM sales grew as well, because of an increase in dealer option sales in Japan. In car audio products, consumer-market sales declined overall despite an increase in Europe. This drop in sales reflected a decline in Central and South America due to a delay in the introduction of new models as a result of the earthquake. OEM sales also declined, on lower sales in China and North America, from lower OEM orders owing to the earthquake. OEM sales accounted for 42% of total Car Electronics sales, compared with 45% in the second quarter of fiscal 2011.

By geographic region, sales in Japan increased 32.2%, to ¥36,591 million, while overseas sales declined 5.6%, to ¥34,214 million.

Operating income in this segment declined 1.9% due to an increase in SG&A expenses, combined with the effects of the earthquake, while gross profit rose, in line with an increase in sales, to ¥3,613 million.

**Home Electronics** sales declined 17.5% year on year, to ¥33,520 million. Although sales of AV systems rose, the decline reflected a drop in sales of optical disc drive-related products. This drop was the result of a decrease in sales of these products for PCs, in addition to the slowing down of the special demand for these products for AV equipment associated with the shift to digital terrestrial broadcasting in Japan in July 2011.

By geographic region, sales in Japan declined 13.0%, to ¥16,997 million, and overseas sales declined 21.7%, to ¥16,523 million.

Operating income in this segment grew 2.3 times compared with the second quarter of fiscal 2011, to ¥1,619 million, as reductions in SG&A expenses more than offset the decline in sales.

In the **Others** segment, sales declined 8.2% year on year, to ¥11,277 million, mainly from lower sales of electronic devices and parts and of speaker units for cellular phones, which more than offset higher sales of factory automation systems.

By geographic region, sales in Japan declined 7.9%, to ¥7,112 million, and overseas sales declined 8.6%, to ¥4,165 million.

Operating income declined 83.1%, to ¥143 million, owing to lower sales and a weaker gross profit margin, despite a reduction in SG&A expenses.

For the first half of fiscal 2012, the six months ended September 30, 2011, consolidated net sales declined 5.7% year on year, to ¥213,729 million. Although sales of car navigation systems were strong in Japan, the Japanese yen's appreciation against the U.S. dollar, combined with a decline in car audio sales, mainly at the OEM business as a result of the Great East Japan Earthquake, and lower sales of optical disc drive-related products, resulted in an overall decline.

Although net sales decreased, Pioneer recorded a 5.0% increase in operating income, to ¥7,002 million, thanks to an improvement in gross profit margin and reductions in SG&A expenses. However, net income declined 80.3%, to ¥1,505 million. Net income in the first half of fiscal 2011 included a gain on the sale of the Company's former Head Office and other assets.

During the first half of fiscal 2012, the average value of the Japanese yen appreciated 11.4% against the U.S. dollar, and was almost unchanged against the euro,

compared with the first half of fiscal 2011.

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

### **Consolidated Financial Position**

Total assets as of September 30, 2011 were ¥306,645 million, a decrease of ¥3,067 million from March 31, 2011. This decrease mainly reflected decreases in property, plant and equipment, trade receivables and investment securities, despite increases in cash and deposits and inventories. Cash and deposits grew ¥6,756 million, to ¥54,322 million. Inventories increased ¥4,474 million, to ¥64,090 million, reflecting inventory buildups based on third-quarter sales targets. Property, plant and equipment decreased ¥5,599 million, to ¥61,805 million, as a result of factors including restrained capital expenditures and sales of idle assets. The ¥4,395 million decrease in trade receivables, to ¥60,852 million, was primarily from the effect of unfavorable foreign exchange rate movements. Investment securities decreased ¥1,932 million, to ¥10,201 million, due to declines in the market value of equity holdings.

Total liabilities as of September 30, 2011 were ¥225,125 million, a ¥3,867 million increase from March 31, 2011, primarily reflecting a ¥6,558 million increase in borrowings as a result of the new term loan agreement with banks to facilitate flexibility in financing by securing cash on hand, as well as to utilize the funds for our business growth.

Total equity was ¥81,520 million, a decrease of ¥6,934 million from March 31, 2011, despite the recording of ¥1,505 million in net income. The decrease resulted from a ¥7,122 million reduction in foreign currency translation adjustments due to the Japanese yen's appreciation, as well as a ¥1,912 million decrease in unrealized gain on available-for-sale securities, mainly because of a decline in the market value of equity holdings.

### **Cash Flows**

During the first half of fiscal 2012, operating activities provided net cash of ¥11,055 million. The main items generating cash were a ¥12,235 million addback of non-cash expenses for depreciation and amortization and a ¥4,408 million increase in trade payables, which more than offset an ¥8,573 increase in inventories. Investing activities used net cash of ¥10,104 million, mainly for new purchases of noncurrent assets. Financing activities provided ¥6,518 million of net cash, primarily from an increase in borrowings. In addition, cash and cash equivalents denominated in foreign currencies declined ¥1,809 million when converted to Japanese yen, mainly reflecting the yen's appreciation against the U.S. dollar.

As a result, cash and cash equivalents as of September 30, 2011 totaled ¥53,226 million, marking a ¥5,660 million increase from March 31, 2011.

### **Business Forecasts for Fiscal 2012**

Our two production facilities in Thailand have been inundated by the recent flooding in the country. Although we are currently assessing the impact of the flooding, it is difficult to reasonably estimate such impact on our consolidated business forecasts at this time. Therefore, our full-year business forecasts for fiscal 2012 are not determined. We plan to disclose the forecasts when we announce our new medium-term plan on November 29,

2011.

**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; (ix) conditions in which we are able to continuously procure key parts essential to our manufacturing operations; and (x) 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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Attached are consolidated financial statements for the three months and the six months ended September 30, 2011.

**(1) CONSOLIDATED BALANCE SHEETS**

(In millions of yen)

	March 31, 2011	September 30, 2011
<b>ASSETS</b>		
Current assets:		
Cash and deposits	¥ 47,566	¥ 54,322
Trade receivables	65,247	60,852
Merchandise and finished goods	27,864	31,793
Work in process	11,522	11,668
Raw materials and supplies	20,230	20,629
Deferred tax assets	5,530	5,308
Other current assets	13,202	12,455
Allowance for doubtful receivables	(1,686)	(1,379)
<b>Total current assets</b>	<b>189,475</b>	<b>195,648</b>
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures	68,367	64,965
Machinery, vehicles, tools, furniture and fixtures	152,194	142,766
Others	27,942	25,762
Accumulated depreciation	(181,099)	(171,688)
<b>Total property, plant and equipment</b>	<b>67,404</b>	<b>61,805</b>
Intangible assets:		
Goodwill	690	668
Software	25,628	25,024
Others	1,916	1,635
<b>Total intangible assets</b>	<b>28,234</b>	<b>27,327</b>
Investments and other assets:		
Investment securities	12,133	10,201
Deferred tax assets	6,057	5,439
Others	6,269	6,133
Allowance for doubtful accounts	(41)	(41)
<b>Total investments and other assets</b>	<b>24,418</b>	<b>21,732</b>
<b>Total noncurrent assets</b>	<b>120,056</b>	<b>110,864</b>
Deferred assets	181	133
<b>Total assets</b>	<b>¥ 309,712</b>	<b>¥ 306,645</b>

	(In millions of yen)	
	March 31, 2011	September 30, 2011
<u>LIABILITIES</u>		
Current liabilities:		
Trade payables	¥ 60,008	¥ 60,843
Short-term borrowings	6,951	8,386
Current portion of long-term debt	35,035	50,676
Accrued income taxes	4,080	4,445
Accrued expenses	38,764	37,504
Warranty reserve	2,780	2,528
Other current liabilities	14,675	13,000
<b>Total current liabilities</b>	<b>162,293</b>	<b>177,382</b>
Long-term liabilities:		
Long-term debt	45,846	35,328
Accrued pension and severance costs	8,576	8,986
Other long-term liabilities	4,543	3,429
<b>Total long-term liabilities</b>	<b>58,965</b>	<b>47,743</b>
<b>Total liabilities</b>	<b>221,258</b>	<b>225,125</b>
<u>EQUITY</u>		
Shareholders' equity:		
Common stock	87,257	87,257
Capital surplus	119,487	119,487
Retained earnings	(34,746)	(33,241)
Treasury stock	(11,050)	(11,050)
<b>Total shareholders' equity</b>	<b>160,948</b>	<b>162,453</b>
Accumulated other comprehensive income (loss):		
Unrealized gain (loss) on available-for-sale securities	1,206	(706)
Deferred gain (loss) on derivatives under hedge accounting	(26)	108
Foreign currency translation adjustments	(75,693)	(82,815)
Pension adjustments recognized by foreign consolidated subsidiaries	(1,421)	(1,295)
<b>Total accumulated other comprehensive loss</b>	<b>(75,934)</b>	<b>(84,708)</b>
Minority interests	3,440	3,775
<b>Total equity</b>	<b>88,454</b>	<b>81,520</b>
<b>Total liabilities and equity</b>	<b>¥309,712</b>	<b>¥306,645</b>

**(2) CONSOLIDATED STATEMENTS OF INCOME – Six months ended September 30**

(In millions of yen)

	Six months ended September 30	
	2010	2011
Net sales	¥226,681	¥213,729
Cost of sales	176,617	165,065
Gross profit	50,064	48,664
Selling, general and administrative expenses	43,395	41,662
Operating income	6,669	7,002
Non-operating income:		
Interest income	155	159
Dividend income	191	145
Exchange gain	974	233
Others	368	202
Total non-operating income	1,688	739
Non-operating expenses:		
Interest expense	1,824	1,642
Others	1,079	1,028
Total non-operating expenses	2,903	2,670
Ordinary income	5,454	5,071
Extraordinary income:		
Gain on sale of property, plant and equipment	5,391	49
Gain on sale of investment securities	642	–
Gain on sale of investments in subsidiaries	–	455
Others	150	–
Total extraordinary income	6,183	504
Extraordinary loss:		
Loss on sale and disposal of property, plant and equipment	718	676
Loss on impairment of property, plant and equipment	116	502
Loss on adjustment for changes of accounting standard for asset retirement obligations	359	–
Others	1	176
Total extraordinary loss	1,194	1,354
Income before income taxes and minority interests	10,443	4,221
Income taxes:		
Current	2,589	2,535
Deferred	(44)	(244)
Total income taxes	2,545	2,291
Income before minority interests	7,898	1,930
Minority interests	244	425
Net income	¥ 7,654	¥ 1,505

**(3) CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS – Six months ended September 30**

(In millions of yen)

	Six months ended September 30	
	2010	2011
Income before minority interests	¥ 7,898	¥ 1,930
Other comprehensive income (loss):		
Unrealized loss on available-for-sale securities	(3,944)	(1,912)
Deferred gain (loss) on derivatives under hedge accounting	(323)	134
Foreign currency translation adjustments	(9,682)	(7,241)
Portion of other comprehensive loss of associates	(31)	(8)
Pension adjustments recognized by foreign consolidated subsidiaries	159	126
Total other comprehensive loss	(13,821)	(8,901)
Comprehensive loss	¥ (5,923)	¥(6,971)
Comprehensive income (loss) attributable to:		
Shareholders of the parent company	¥ (6,022)	¥(7,269)
Minority interests	¥ 99	¥ 298



**(4) CONSOLIDATED STATEMENTS OF INCOME – Three months ended September 30**

(In millions of yen)

	Three months ended September 30	
	2010	2011
Net sales	¥116,833	¥115,602
Cost of sales	91,474	90,576
Gross profit	25,359	25,026
Selling, general and administrative expenses	21,058	19,976
Operating income	4,301	5,050
Non-operating income:		
Interest income	81	71
Dividend income	57	54
Exchange gain	700	–
Others	180	72
Total non-operating income	1,018	197
Non-operating expenses:		
Interest expense	936	796
Exchange loss	–	221
Borrowing cost	52	452
Others	562	354
Total non-operating expenses	1,550	1,823
Ordinary income	3,769	3,424
Extraordinary income:		
Gain on sale of property, plant and equipment	5,270	27
Others	149	6
Total extraordinary income	5,419	33
Extraordinary loss:		
Loss on sale and disposal of property, plant and equipment	476	544
Loss on impairment of property, plant and equipment	116	418
Others	–	169
Total extraordinary loss	592	1,131
Income before income taxes and minority interests	8,596	2,326
Income taxes:		
Current	1,194	1,572
Deferred	303	(393)
Total income taxes	1,497	1,179
Income before minority interests	7,099	1,147
Minority interests	43	(65)
Net income	¥ 7,056	¥ 1,212

**(5) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) – Three months ended  
September 30**

	(In millions of yen)	
	Three months ended September 30	
	2010	2011
Income before minority interests	¥ 7,099	¥ 1,147
Other comprehensive income (loss):		
Unrealized loss on available-for-sale securities	(1,064)	(861)
Deferred gain (loss) on derivatives under hedge accounting	(401)	345
Foreign currency translation adjustments	(3,429)	(5,398)
Portion of other comprehensive loss of associates	(49)	(38)
Pension adjustments recognized by foreign consolidated subsidiaries	51	83
Total other comprehensive loss	(4,892)	(5,869)
Comprehensive income (loss)	¥ 2,207	¥(4,722)
Comprehensive income (loss) attributable to:		
Shareholders of the parent company	¥ 2,243	¥(4,546)
Minority interests	¥ (36)	¥ (176)

**(6) CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In millions of yen)

	Six months ended September 30	
	2010	2011
Cash flows from operating activities:		
Income before income taxes and minority interests	¥ 10,443	¥ 4,221
Depreciation and amortization	16,090	12,235
Impairment loss	116	502
Increase in accrued pension and severance costs	345	615
Interest and dividend income	(346)	(304)
Interest expense	1,824	1,642
Loss (gain) on sale and disposal of property, plant and equipment	(4,673)	627
Decrease in trade receivables	1,398	759
Increase in inventories	(9,187)	(8,573)
Increase in trade payables	8,254	4,408
Decrease in accrued expenses	(835)	(138)
Other, net	(2,849)	(1,165)
<b>Subtotal</b>	<b>20,580</b>	<b>14,829</b>
Interest and dividend income received	317	304
Interest expense paid	(1,815)	(1,640)
Income taxes paid	(3,821)	(2,438)
<b>Net cash provided by operating activities</b>	<b>15,261</b>	<b>11,055</b>
Cash flows from investing activities:		
Decrease (increase) in time deposits	14	(1,127)
Purchase of noncurrent assets	(11,079)	(10,683)
Proceeds from sale of noncurrent assets	10,429	1,190
Proceeds from sale of investment securities	1,488	-
Other, net	(715)	516
<b>Net cash provided by (used in) investing activities</b>	<b>137</b>	<b>(10,104)</b>
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	(2,696)	1,793
Proceeds from long-term debt	-	35,328
Repayment of long-term debt	(1,276)	(30,205)
Other, net	(169)	(398)
<b>Net cash provided by (used in) financing activities</b>	<b>(4,141)</b>	<b>6,518</b>
Foreign currency translation adjustments on cash and cash equivalents	(3,819)	(1,809)
<b>Net increase in cash and cash equivalents</b>	<b>7,438</b>	<b>5,660</b>
Cash and cash equivalents, beginning of period	84,142	47,566
<b>Cash and cash equivalents, end of period</b>	<b>¥ 91,580</b>	<b>¥ 53,226</b>

**(7) SEGMENT INFORMATION**

&lt;Net Sales by Segment&gt;

(In millions of yen)

	Six months ended September 30				
	2010		2011		Percent change
	Amount	Ratio	Amount	Ratio	
Car Electronics:					
Japan	¥ 53,927	23.8%	¥ 63,701	29.8%	+18.1%
Overseas	72,688	32.1	64,582	30.2	-11.2
Total	126,615	55.9	128,283	60.0	+1.3
Home Electronics:					
Japan	34,397	15.2	32,452	15.2	-5.7
Overseas	41,294	18.2	31,494	14.7	-23.7
Total	75,691	33.4	63,946	29.9	-15.5
Others:					
Japan	15,538	6.8	13,013	6.1	-16.3
Overseas	8,837	3.9	8,487	4.0	-4.0
Total	24,375	10.7	21,500	10.1	-11.8
Consolidated:					
Japan	103,862	45.8	109,166	51.1	+5.1
Overseas	122,819	54.2	104,563	48.9	-14.9
Total	¥226,681	100.0%	¥213,729	100.0%	-5.7%

(In millions of yen)

	Three months ended September 30				
	2010		2011		Percent change
	Amount	Ratio	Amount	Ratio	
Car Electronics:					
Japan	¥ 27,671	23.7%	¥ 36,591	31.7%	+32.2%
Overseas	36,246	31.0	34,214	29.5	-5.6
Total	63,917	54.7	70,805	61.2	+10.8
Home Electronics:					
Japan	19,539	16.7	16,997	14.7	-13.0
Overseas	21,095	18.1	16,523	14.3	-21.7
Total	40,634	34.8	33,520	29.0	-17.5
Others:					
Japan	7,726	6.6	7,112	6.1	-7.9
Overseas	4,556	3.9	4,165	3.7	-8.6
Total	12,282	10.5	11,277	9.8	-8.2
Consolidated:					
Japan	54,936	47.0	60,700	52.5	+10.5
Overseas	61,897	53.0	54,902	47.5	-11.3
Total	¥116,833	100.0%	¥115,602	100.0%	-1.1%

## &lt;Sales and Income (Loss) by Segment&gt;

(In millions of yen)

Six months ended September 30, 2010	Segment			Total	Reconciliations * 1	Consolidated * 2
	Car Electronics	Home Electronics	Others			
Sales:						
Sales to external customers	¥126,615	¥75,691	¥24,375	¥226,681	-	¥226,681
Intersegment sales or transfers	609	210	3,817	4,636	¥(4,636)	-
Total sales	127,224	75,901	28,192	231,317	(4,636)	226,681
Segment income	¥ 5,671	¥ 720	¥ 941	¥ 7,332	¥ (663)	¥ 6,669

## Notes:

1. Reconciliations recorded for segment income include elimination of intersegment transactions of ¥39 million and corporate expenses of ¥(702) million that are not allocated to any segment. Corporate expenses principally consist of general and administrative expenses and R&D expenses which are not attributable to any segment.
2. Adjustments are made to reconcile segment income to operating income presented in the accompanying consolidated statements of income.

(In millions of yen)

Six months ended September 30, 2011	Segment			Total	Reconciliations * 1	Consolidated * 2
	Car Electronics	Home Electronics	Others			
Sales:						
Sales to external customers	¥128,283	¥63,946	¥21,500	¥213,729	-	¥213,729
Intersegment sales or transfers	442	149	3,222	3,813	¥(3,813)	-
Total sales	128,725	64,095	24,722	217,542	(3,813)	213,729
Segment income (loss)	¥ 5,466	¥ 1,981	¥ (373)	¥ 7,074	¥ (72)	¥ 7,002

## Notes:

1. Reconciliations recorded for segment income (loss) include elimination of intersegment transactions of ¥(48) million and corporate expenses of ¥(24) million that are not allocated to any segment. Corporate expenses principally consist of general and administrative expenses and R&D expenses which are not attributable to any segment.
2. Adjustments are made to reconcile segment income (loss) to operating income presented in the accompanying consolidated statements of income.

(In millions of yen)

Three months ended September 30, 2010	Segment				Reconciliations * 1	Consolidated * 2
	Car Electronics	Home Electronics	Others	Total		
Sales:						
Sales to external customers	¥63,917	¥40,634	¥12,282	¥116,833	-	¥116,833
Intersegment sales or transfers	348	134	1,739	2,221	¥(2,221)	-
Total sales	64,265	40,768	14,021	119,054	(2,221)	116,833
Segment income	¥ 3,684	¥ 714	¥ 847	¥ 5,245	¥ (944)	¥ 4,301

## Notes:

1. Reconciliations recorded for segment income include elimination of intersegment transactions of ¥90 million and corporate expenses of ¥(1,034) million that are not allocated to any segment. Corporate expenses principally consist of general and administrative expenses and R&D expenses which are not attributable to any segment.
2. Adjustments are made to reconcile segment income to operating income presented in the accompanying consolidated statements of income.

(In millions of yen)

Three months ended September 30, 2011	Segment				Reconciliations * 1	Consolidated * 2
	Car Electronics	Home Electronics	Others	Total		
Sales:						
Sales to external customers	¥70,805	¥33,520	¥11,277	¥115,602	-	¥115,602
Intersegment sales or transfers	232	84	1,514	1,830	¥(1,830)	-
Total sales	71,037	33,604	12,791	117,432	(1,830)	115,602
Segment income	¥ 3,613	¥ 1,619	¥ 143	¥ 5,375	¥ (325)	¥ 5,050

## Notes:

1. Reconciliations recorded for segment income include elimination of intersegment transactions of ¥(2) million and corporate expenses of ¥(323) million that are not allocated to any segment. Corporate expenses principally consist of general and administrative expenses and R&D expenses which are not attributable to any segment.
2. Adjustments are made to reconcile segment income to operating income presented in the accompanying consolidated statements of income.