Pioneer

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News Release

For Immediate Release
August 7, 2012

Pioneer Announces Business Results for 1Q Fiscal 2013

Pioneer Corporation today announced its consolidated first-quarter business results for the period ended June 30, 2012.

Consolidated Financial Highlights

(In millions of yen except per share information)

	Three months ended June 30		
	2012	2011	Percent change
Net sales	¥111,430	¥98,127	+13.6%
Operating income	599	1,952	–69.3
Ordinary income (loss)	(976)	1,647	–
Net income (loss)	¥ (2,761)	¥ 293	–%
Net income (loss) per share	¥(8.60)	¥0.91	

Consolidated Business Results

For the first quarter of fiscal 2013, the three months ended June 30, 2012, consolidated net sales rose 13.6% year on year, to ¥111,430 million. This was mainly the result of large increases in OEM sales of car navigation systems and car audio products, which more than offset lower sales of optical disc drive-related products and the negative impact of the Japanese yen's appreciation.

Pioneer recorded operating income of ¥599 million, which was 69.3% lower than that in the first quarter of fiscal 2012. Despite the increase in sales, this decline was the result of a lower gross profit margin and an increase in selling, general and administrative (SG&A) expenses. A net loss of ¥2,761 million was posted, compared with net income of ¥293 million in the year-earlier period, mainly as a result of the decline in operating income combined with a downturn from a foreign exchange gain to a foreign exchange loss.

During the first quarter of fiscal 2013, the average value of the Japanese yen appreciated 1.9% against the U.S. dollar, and 14.1% against the euro year on year.

Car Electronics sales rose 41.0% year on year, to ¥81,042 million. Car navigation system sales rose on strong OEM sales in Japan and North America in spite of a decline

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in consumer-market sales, primarily in Japan, in the absence of the year-earlier period's special demand associated with the shift to digital terrestrial broadcasting. Consumer-market car audio sales rose on growth in Japan and North America, which more than offset a decline in Europe reflecting the yen's appreciation. OEM sales of car audio products rose as well, both in Japan and overseas, on a rebound from the year-earlier decline in orders caused by the Great East Japan Earthquake. OEM sales accounted for 53% of total Car Electronics sales, up from 31% a year earlier.

By geographic region, sales in Japan increased 51.1% to ¥40,972 million, and overseas sales grew 31.9% to ¥40,070 million.

The segment's operating income rose 2.7 times, to ¥4,972 million, with higher sales more than offsetting the effect of a lower gross profit margin and an increase in SG&A expenses.

Home Electronics sales declined 29.8% year on year, to ¥21,347 million. Sales of AV receivers grew, mainly in North America and Europe. However, sales of optical disc drive-related products declined substantially in the absence of the special demand associated with the shift to digital terrestrial broadcasting in Japan, as mentioned above.

By geographic region, sales in Japan declined 43.7% to ¥8,698 million, and overseas sales were 15.5% lower at ¥12,649 million.

The segment's operating income fell to a ¥2,780 million loss, from a ¥362 million profit in the corresponding period of the previous fiscal year, reflecting a decline in gross profit and a lower gross profit margin resulting from the decrease in sales, combined with an increase in SG&A expenses.

In the **Others** segment, despite increased sales of map software, sales declined 11.6% year on year, to ¥9,041 million, from lower sales of factory automation systems and electronic devices and parts.

By geographic region, sales in Japan rose 5.3% to ¥6,214 million, while overseas sales declined 34.6% to ¥2,827 million.

The segment's operating loss grew to ¥1,156 million, from a ¥516 million loss in the corresponding period of the previous fiscal year, mainly from a decline in gross profit and a lower gross profit margin resulting from the decrease in sales, as well as expenses for the establishment of new businesses.

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

Consolidated Financial Position

Total assets as of June 30, 2012 were ¥300,751 million, a decrease of ¥21,261 million from March 31, 2012, reflecting decreases in cash and deposits, trade receivables and investment securities, and despite an increase in inventories. Inventories grew ¥8,160 million, to ¥75,031 million, mainly from increased production of Car Electronics products associated with new product launches. Cash and deposits decreased ¥14,051 million, to ¥31,902 million. Trade receivables decreased ¥11,347 million, to ¥65,926 million, reflecting lower sales compared with the fourth quarter of the previous fiscal year and the yen's appreciation. Investment securities decreased ¥2,470 million, to ¥7,148 million, mainly from a decline in the market value of equity holdings.

Total liabilities were ¥219,974 million, a decrease of ¥13,001 million from March 31, 2012. This resulted from a ¥3,893 million decrease in accrued expenses, in addition to a ¥7,337 million decrease in trade payables from lower purchasing amounts compared with the fourth quarter of the previous fiscal year and the yen's appreciation.

Total equity was ¥80,777 million, a decrease of ¥8,260 million from March 31, 2012. This was primarily because of a ¥3,833 million decrease in foreign currency translation adjustments reflecting the yen's appreciation, the recording of a ¥2,761 million net loss, and a ¥2,197 million increase in unrealized loss on available-for-sale securities from a decline in the market value of equity holdings.

Cash Flows

During the first quarter of fiscal 2013, operating activities used net cash in the amount of ¥3,159 million, which was ¥4,000 million less than the net cash used in the year-earlier period. This was primarily because of an increase of ¥6,169 million in decrease in trade receivables, and despite a loss before income taxes and minority interests of ¥1,424 million, in comparison with income of ¥1,895 million in the first quarter of fiscal 2012.

Investing activities used net cash in the amount of ¥9,686 million, a ¥5,091 million increase from the first quarter of fiscal 2012. This was mainly because of a ¥4,405 million increase in outlays for the purchase of noncurrent assets.

Financing activities used net cash in the amount of ¥511 million, which was ¥214 million less than the net cash used in the year-earlier period.

Foreign currency translation adjustments on cash and cash equivalents were a negative ¥1,385 million, compared with a negative ¥349 million in the first quarter of fiscal 2012.

As a result, cash and cash equivalents as of June 30, 2012, totaled ¥31,212 million, a ¥14,741 million decrease from March 31, 2012.

Business Forecasts for Fiscal 2013

Consolidated business forecasts for fiscal 2013, ending March 31, 2013, have been revised from those announced on May 10, 2012, as shown below.

[First Half of Fiscal 2013]

(In millions of yen)

	Revised forecasts (A)	Previous forecasts (B)	Amount change (A – B)	Percent change (A–B / B)	First-half results for fiscal 2012
Net sales	¥230,000	¥245,500	¥(15,500)	–6.3%	¥213,729
Operating income	6,000	7,500	(1,500)	–20.0	7,002
Ordinary income	4,000	5,500	(1,500)	–27.3	5,071
Net income	¥ 1,000	¥ 2,500	¥ (1,500)	–60.0%	¥ 1,505

[Full Year of Fiscal 2013]

(In millions of yen)

	Revised forecasts (A)	Previous forecasts (B)	Amount change (A – B)	Percent change (A–B / B)	Full-year results for fiscal 2012
Net sales	¥500,000	¥525,000	¥(25,000)	–4.8%	¥436,753
Operating income	20,000	24,000	(4,000)	–16.7	12,514
Ordinary income	16,000	20,000	(4,000)	–20.0	9,863
Net income	¥ 8,500	¥ 10,000	¥ (1,500)	–15.0%	¥ 3,670

We have revised our business forecasts for the first half of fiscal 2013 and full year as per above, to reflect the euro's further depreciation and the fact that sales of optical disc drive-related products are seen falling significantly short of plan.

For the revised forecasts, the yen–U.S. dollar exchange rate assumption is ¥77, an appreciation of ¥3 from the previous assumption, while the yen–euro exchange rate assumption is ¥95, an appreciation of ¥10 from the previous assumption.

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 ended June 30, 2012.

(1) CONSOLIDATED BALANCE SHEETS

(In millions of yen)

	March 31, 2012	June 30, 2012
ASSETS		
Current assets:		
Cash and deposits	¥ 45,953	¥ 31,902
Trade receivables	77,273	65,926
Merchandise and finished goods	31,616	38,682
Work in process	12,599	14,247
Raw materials and supplies	22,656	22,102
Deferred tax assets	7,874	7,378
Other current assets	16,085	15,340
Allowance for doubtful receivables	(1,160)	(1,169)
Total current assets	212,896	194,408
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures	63,851	63,298
Machinery, vehicles, tools, furniture and fixtures	144,668	144,445
Others	25,890	24,721
Accumulated depreciation	(172,309)	(170,436)
Net property, plant and equipment	62,100	62,028
Intangible assets:		
Goodwill	648	637
Software	26,713	26,810
Others	1,494	1,383
Total intangible assets	28,855	28,830
Investments and other assets:		
Investment securities	9,618	7,148
Deferred tax assets	5,902	5,750
Others	2,581	2,550
Allowance for doubtful accounts	(26)	(26)
Total investments and other assets	18,075	15,422
Total noncurrent assets	109,030	106,280
Deferred assets	86	63
Total assets	¥ 322,012	¥ 300,751

(In millions of yen)

	March 31, 2012	June 30, 2012
LIABILITIES		
Current liabilities:		
Trade payables	¥ 73,276	¥ 65,939
Short-term borrowings	9,052	8,749
Current portion of long-term debt	70,459	69,877
Income taxes payable	5,503	4,311
Accrued expenses	33,787	29,894
Warranty reserve	2,561	2,485
Other current liabilities	14,532	14,846
Total current liabilities	209,170	196,101
Long-term liabilities:		
Long-term debt	10,000	10,000
Accrued pension and severance costs	10,771	11,215
Other long-term liabilities	3,034	2,658
Total long-term liabilities	23,805	23,873
Total liabilities	232,975	219,974
EQUITY		
Shareholders' equity:		
Common stock	87,257	87,257
Capital surplus	119,487	119,487
Retained earnings	(31,076)	(33,837)
Treasury stock	(11,050)	(11,050)
Total shareholders' equity	164,618	161,857
Accumulated other comprehensive loss:		
Unrealized gain (loss) on available-for-sale securities	(1,064)	(3,261)
Deferred gain (loss) on derivatives under hedge accounting	(105)	261
Foreign currency translation adjustments	(77,140)	(80,973)
Pension adjustments recognized by foreign consolidated subsidiaries	(2,196)	(2,057)
Total accumulated other comprehensive loss	(80,505)	(86,030)
Minority interests	4,924	4,950
Total equity	89,037	80,777
Total liabilities and equity	¥322,012	¥300,751

(2) CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions of yen)

	Three months ended June 30	
	2011	2012
Net sales	¥98,127	¥111,430
Cost of sales	74,489	87,425
Gross profit	23,638	24,005
Selling, general and administrative expenses	21,686	23,406
Operating income	1,952	599
Non-operating income:		
Interest income	88	43
Dividend income	91	62
Exchange gain	454	–
Subsidy income	64	60
Others	66	65
Total non-operating income	763	230
Non-operating expenses:		
Interest expenses	846	634
Exchange loss	–	552
Equity in losses of affiliated companies	33	254
Others	189	365
Total non-operating expenses	1,068	1,805
Ordinary income (loss)	1,647	(976)
Extraordinary income:		
Gain on sale of property, plant and equipment	22	72
Gain on sale of investments in subsidiaries	449	–
Insurance income for disaster	–	35
Total extraordinary income	471	107
Extraordinary loss:		
Loss on sale and disposal of property, plant and equipment	132	20
Impairment loss	84	45
Loss on disaster	–	490
Others	7	–
Total extraordinary loss	223	555
Income (loss) before income taxes and minority interests	1,895	(1,424)
Income taxes:		
Current	963	1,351
Deferred	149	32
Total income taxes	1,112	1,383
Income (loss) before minority interests	783	(2,807)
Minority interests	490	(46)
Net income (loss)	¥ 293	¥ (2,761)

(3) CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In millions of yen)

	Three months ended June 30	
	2011	2012
Income (loss) before minority interests	¥ 783	¥(2,807)
Other comprehensive loss:		
Unrealized loss on available-for-sale securities	(1,051)	(2,197)
Deferred gain (loss) on derivatives under hedge accounting	(211)	366
Foreign currency translation adjustments	(1,843)	(4,140)
Portion of other comprehensive loss of associates	30	82
Pension adjustments recognized by foreign subsidiaries	43	139
Total other comprehensive loss	(3,032)	(5,750)
Comprehensive loss	¥(2,249)	¥(8,557)

Comprehensive income (loss) attributable to:		
Shareholders of the parent company	¥(2,723)	¥(8,286)
Minority interests	¥ 474	¥ (271)

(4) CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions of yen)

	Three months ended June 30	
	2011	2012
Cash flows from operating activities:		
Income (loss) before income taxes and minority interests	¥ 1,895	¥ (1,424)
Depreciation and amortization	6,225	6,018
Increase in accrued pension and severance costs	312	598
Interest and dividends income	(179)	(105)
Interest expenses	846	634
Loss (gain) on sales and disposal of noncurrent assets	110	(52)
Decrease in trade receivables	2,810	8,979
Increase in inventories	(8,673)	(11,161)
Decrease in trade payables	(1,526)	(3,854)
Decrease in accrued expenses	(4,961)	(3,162)
Other—net	(1,306)	3,494
Subtotal	(4,447)	(35)
Interest and dividends income received	179	105
Interest expenses paid	(781)	(622)
Income taxes paid	(2,110)	(2,607)
Net cash used in operating activities	(7,159)	(3,159)
Cash flows from investing activities:		
Increase in time deposits	(666)	(700)
Purchase of noncurrent assets	(4,719)	(9,124)
Proceeds from sales of noncurrent assets	805	117
Other—net	(15)	21
Net cash provided used in investing activities	(4,595)	(9,686)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	125	(3)
Repayment of long-term debt	(639)	(582)
Other—net	(211)	74
Net cash used in financing activities	(725)	(511)
Foreign currency translation adjustments on cash and cash equivalents	(349)	(1,385)
Net decrease in cash and cash equivalents	(12,828)	(14,741)
Cash and cash equivalents, beginning of period	47,566	45,953
Cash and cash equivalents, end of period	¥ 34,738	¥ 31,212

(5) SEGMENT INFORMATION

<Net Sales by Segment>

(In millions of yen)

	Three months ended June 30				
	2011		2012		Percent change
	Amount	Ratio	Amount	Ratio	
Car Electronics:					
Japan	¥27,110	27.6%	¥ 40,972	36.8%	+51.1%
Overseas	30,368	31.0	40,070	35.9	+31.9
Total	57,478	58.6	81,042	72.7	+41.0
Home Electronics:					
Japan	15,455	15.7	8,698	7.8	–43.7
Overseas	14,971	15.3	12,649	11.4	–15.5
Total	30,426	31.0	21,347	19.2	–29.8
Others:					
Japan	5,901	6.1	6,214	5.6	+5.3
Overseas	4,322	4.3	2,827	2.5	–34.6
Total	10,223	10.4	9,041	8.1	–11.6
Consolidated:					
Japan	48,466	49.4	55,884	50.2	+15.3
Overseas	49,661	50.6	55,546	49.8	+11.9
Total	¥98,127	100.0%	¥111,430	100.0%	+13.6%

<Sales and Income (Loss) by Segment>

(In millions of yen)

Three months ended June 30, 2011	Car Electronics	Home Electronics	Others	Total	Reconciliations *1	Consolidated *2
Sales:						
Sales to external customers	¥57,478	¥30,426	¥10,223	¥ 98,127	–	¥98,127
Intersegment sales	210	65	1,708	1,983	¥(1,983)	–
Total sales	57,688	30,491	11,931	100,110	(1,983)	98,127
Segment income (loss)	¥ 1,853	¥ 362	¥ (516)	¥ 1,699	¥ 253	¥ 1,952

Notes:

1. Reconciliations of ¥253 million recorded for segment income (loss) include elimination of intersegment transactions of ¥(46) million and corporate expenses of ¥299 million that are not allocated to any segment. Corporate expenses principally consist of allocation variance of general and administrative expenses, and 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 operations.

(In millions of yen)

Three months ended June 30, 2012	Car Electronics	Home Electronics	Others	Total	Reconciliations *1	Consolidated *2
Sales:						
Sales to external customers	¥81,042	¥21,347	¥ 9,041	¥111,430	–	¥111,430
Intersegment sales	191	68	1,833	2,092	¥(2,092)	–
Total sales	81,233	21,415	10,874	113,522	(2,092)	111,430
Segment income (loss)	¥ 4,972	¥ (2,780)	¥ (1,156)	¥ 1,036	¥ (437)	¥ 599

Notes:

1. Reconciliations of ¥(437) million recorded for segment income (loss) include elimination of intersegment transactions of ¥44 million and corporate expenses of ¥(481) million that are not allocated to any segment. Corporate expenses principally consist of allocation variance of general and administrative expenses, and 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 operations.