

News Release

For Immediate Release
February 12, 2013

Pioneer Announces Business Results for 3Q Fiscal 2013

Pioneer Corporation today announced its consolidated third-quarter and nine-month business results for the periods ended December 31, 2012.

Consolidated Financial Highlights

(In millions of yen except per share information)

	Three months ended December 31			Nine months ended December 31		
	2012	2011	Percent change	2012	2011	Percent change
Net sales	¥104,511	¥101,829	+2.6%	¥329,088	¥315,558	+4.3%
Operating income (loss)	(1,770)	(1,707)	–	1,383	5,295	–73.9
Ordinary income (loss)	(2,850)	(2,650)	–	(2,117)	2,421	–
Net loss	¥ (2,256)	¥ (8,078)	–%	¥ (9,756)	¥ (6,573)	–%
Net loss per share	¥(7.03)	¥(25.16)		¥(30.39)	¥(20.47)	

Consolidated Business Results

For the third quarter of fiscal 2013, the three months ended December 31, 2012, consolidated net sales rose 2.6% year on year, to ¥104,511 million. Despite a significant decline in sales of optical disc drive-related products, growth in OEM sales of car navigation systems and consumer-market sales of car audio products, coupled with the positive effect of the Japanese yen's depreciation resulted in an overall increase in net sales.

The operating loss grew to ¥1,770 million, from a ¥1,707 million loss for the third quarter of fiscal 2012 which had included the negative impact of the flooding in Thailand. The loss for the period under review reflected a decline in gross profit resulting from decreased sales of optical disc drive-related products, despite an increase in gross profit in line with higher sales of car audio products for the consumer market and of car navigation systems for the OEM market. On the other hand, the net loss was ¥2,256 million, compared with a net loss of ¥8,078 million for the third quarter of fiscal 2012. This reflected the absence of the ¥3,791 million extraordinary loss associated with the introduction of a defined contribution pension plan recorded in the year-earlier period,

For further information, please contact:

Investor Relations Division
Pioneer Corporation, Japan
Phone: +81-44-580-3211 / Fax: +81-44-580-4064
E-mail: pioneer_ir@post.pioneer.co.jp
IR Website: <http://pioneer.jp/ir-e/>

and a ¥1,100 million gain on reversal of loss on impairment of investment securities recorded in the third quarter of fiscal 2013.

During the third quarter of fiscal 2013, the average value of the Japanese yen declined 4.6% against the U.S. dollar, and was almost unchanged against the euro year on year.

Car Electronics sales grew 17.5% year on year, to ¥68,611 million. Car navigation system sales rose on growth in OEM sales in Japan and North America, and despite a decline in consumer-market sales, primarily in Japan, reflecting weak market conditions. Car audio product sales rose, with growth in consumer-market products, primarily in Europe, more than offsetting a decline in OEM sales in Japan and China. OEM sales accounted for 52% of total Car Electronics sales, compared with 49% a year earlier.

By geographic region, sales in Japan increased 2.9%, to ¥30,537 million, and overseas sales grew 32.5%, to ¥38,074 million.

The segment recorded operating income of ¥604 million, compared with an operating loss of ¥2,251 million for the third quarter of fiscal 2012, mainly due to increased sales and an improved gross profit margin.

Home Electronics sales declined 25.5% year on year, to ¥24,831 million. Although sales of DJ equipment and AV systems grew, sales of optical disc drive-related products declined substantially, primarily for AV use, reflecting a weak Japanese market.

By geographic region, sales in Japan declined 57.1%, to ¥6,895 million, while overseas sales rose 3.9%, to ¥17,936 million.

The segment recorded an operating loss of ¥1,673 million, compared with operating income of ¥224 million for the third quarter of fiscal 2012. Although gross profit margin improved, this loss reflected a decline in gross profit resulting from decreased sales of optical disc drive-related products and cable-TV set-top boxes.

In the **Others** segment, sales rose 9.5% year on year, to ¥11,069 million, from the commencement of subcontracted electronic manufacturing services (EMS) at our joint venture in Brazil during fiscal 2013 and increased sales of factory automation systems, despite lower sales of electronic devices and parts, and telephones.

By geographic region, sales in Japan grew 1.3%, to ¥7,371 million, and overseas sales increased 30.5%, to ¥3,698 million.

The segment recorded an operating loss of ¥761 million, compared with a loss of ¥189 million for the third quarter of fiscal 2012, primarily from a decline in gross profit margin, despite an increase in sales.

For the nine months ended December 31, 2012, consolidated net sales rose 4.3% year on year, to ¥329,088 million, with higher sales of car navigation systems for the OEM market and car audio products more than offsetting a substantial decline in sales of optical disc drive-related products and the negative impact of the Japanese yen's appreciation.

Despite higher sales, operating income declined 73.9% year on year, to ¥1,383 million, on a weaker gross profit margin and an increase in selling, general and administrative (SG&A) expenses. The net loss grew to ¥9,756 million, compared with a ¥6,573 million net loss in the corresponding period of fiscal 2012, with the decline in operating income and the recording of a ¥4,730 million loss on impairment of investment

securities more than offsetting the absence of the ¥3,920 million extraordinary loss associated with the introduction of a defined contribution pension plan recorded in the year-earlier period.

During the nine months ended December 31, 2012, the average value of the Japanese yen declined 1.2% against the U.S. dollar, and appreciated 8.3% against the euro year on year.

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

Consolidated Financial Position

Total assets as of December 31, 2012 were ¥312,216 million, a decrease of ¥9,796 million from March 31, 2012. Although inventories grew, this decrease reflected declines in cash and deposits, trade receivables, and investment securities. Inventories grew ¥21,469 million, to ¥88,340 million, as a result of a build-up of inventories, especially for consumer-market car electronics products reflecting weak markets, and the Japanese yen's depreciation. On the other hand, cash and deposits decreased ¥15,997 million, to ¥29,956 million. Trade receivables decreased ¥13,304 million, to ¥63,969 million, reflecting lower sales for the third quarter of fiscal 2013 compared with sales in the fourth quarter of fiscal 2012. Investment securities decreased ¥3,415 million, to ¥6,203 million, on a decline in the market value of equity holdings.

Total liabilities were ¥227,166 million, a ¥5,809 million decrease from March 31, 2012. Although borrowings grew ¥7,238 million, this was primarily because of an ¥11,994 million decrease in trade payables, reflecting lower purchasing amounts for the third quarter of fiscal 2013 compared with the fourth quarter of the previous fiscal year.

Total equity was ¥85,050 million, a decrease of ¥3,987 million from March 31, 2012. Although the Japanese yen's depreciation resulted in a ¥4,044 million increase in foreign currency translation adjustments, the recording of a ¥9,756 million net loss for the nine months ended December 31, 2012 resulted in an overall decline.

Cash Flows

During the nine months ended December 31, 2012, operating activities used net cash in the amount of ¥1,629 million, compared with ¥2,541 million of net cash provided in the year-earlier period. Despite an increase of ¥11,121 million in reduction in trade receivables, an ¥8,652 million increase in reduction of trade payables and a larger increase in inventories, of ¥6,201 million, resulted in an overall decline.

Investing activities used net cash in the amount of ¥24,048 million, a ¥10,115 million increase from the year-earlier period. This was mainly because of a ¥7,683 million increase in outlays for the purchase of noncurrent assets, including investments in Thai plants to assist in the recovery following the flooding.

Financing activities provided net cash in the amount of ¥8,657 million, a ¥2,870 million increase from the year-earlier period, primarily as a result of a ¥2,955 million increase in proceeds from sale and lease-back transactions.

Foreign currency translation adjustments on cash and cash equivalents were a positive ¥578 million, compared with a negative ¥1,542 million in the nine months ended December 31, 2011.

As a result, cash and cash equivalents as of December 31, 2012 totaled ¥29,511 million, a ¥16,442 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 November 6, 2012, as shown below.

	(In millions of yen)				
	Revised forecasts (A)	Previous forecasts (B)	Amount change (A – B)	Percent change (A–B / B)	Results for fiscal 2012
Net sales	¥457,000	¥466,000	¥ (9,000)	–1.9%	¥436,753
Operating income	10,000	15,000	(5,000)	–33.3	12,514
Ordinary income	5,000	11,000	(6,000)	–54.5	9,863
Net income (loss)	¥ (4,000)	¥ 1,000	¥ (5,000)	–	¥ 3,670

The above downward revisions to the previous forecasts reflect stagnation in car navigation sales in the consumer market for Car Electronics and a downward revision of the sales targets for home AV products in Home Electronics.

For the revised forecasts, the yen–U.S. dollar exchange rate assumption for the fourth quarter of fiscal 2013 is ¥90, a depreciation of ¥13 from the previous assumption, while the yen–euro exchange rate assumption is ¥120, a depreciation of ¥20 from the previous assumption.

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 nine months ended December 31, 2012.

(1) CONSOLIDATED BALANCE SHEETS

	(In millions of yen)	
	March 31, 2012	December 31, 2012
<u>ASSETS</u>		
Current assets:		
Cash and deposits	¥ 45,953	¥ 29,956
Trade receivables	77,273	63,969
Merchandise and finished goods	31,616	49,774
Work in process	12,599	12,422
Raw materials and supplies	22,656	26,144
Deferred tax assets	7,874	7,324
Other current assets	16,085	12,415
Allowance for doubtful receivables	(1,160)	(1,252)
Total current assets	212,896	200,752
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures	63,851	65,648
Machinery, vehicles, tools, furniture and fixtures	144,668	146,656
Others	25,890	30,660
Accumulated depreciation	(172,309)	(179,558)
Net property, plant and equipment	62,100	63,406
Intangible assets:		
Goodwill	648	615
Software	26,713	30,496
Others	1,494	1,336
Total intangible assets	28,855	32,447
Investments and other assets:		
Investment securities	9,618	6,203
Deferred tax assets	5,902	6,852
Others	2,581	2,566
Allowance for doubtful accounts	(26)	(26)
Total investments and other assets	18,075	15,595
Total noncurrent assets	109,030	111,448
Deferred assets	86	16
Total assets	¥ 322,012	¥ 312,216

	(In millions of yen)	
	March 31, 2012	December 31, 2012
<u>LIABILITIES</u>		
Current liabilities:		
Trade payables	¥ 73,276	¥ 61,282
Short-term borrowings	9,052	17,472
Current portion of long-term debt	70,459	66,277
Income taxes payable	5,503	1,505
Accrued expenses	33,787	30,990
Warranty reserve	2,561	2,674
Other current liabilities	14,532	17,967
Total current liabilities	209,170	198,167
Long-term liabilities:		
Long-term debt	10,000	13,000
Accrued pension and severance costs	10,771	11,823
Other long-term liabilities	3,034	4,176
Total long-term liabilities	23,805	28,999
Total liabilities	232,975	227,166
<u>EQUITY</u>		
Shareholders' equity:		
Common stock	87,257	87,257
Capital surplus	119,487	51,541
Retained earnings	(31,076)	27,114
Treasury stock	(11,050)	(11,050)
Total shareholders' equity	164,618	154,862
Accumulated other comprehensive loss:		
Unrealized gain (loss) on available-for-sale securities	(1,064)	580
Deferred gain (loss) on derivatives under hedge accounting	(105)	28
Foreign currency translation adjustments	(77,140)	(73,096)
Pension adjustments recognized by foreign consolidated subsidiaries	(2,196)	(2,258)
Total accumulated other comprehensive loss	(80,505)	(74,746)
Minority interests	4,924	4,934
Total equity	89,037	85,050
Total liabilities and equity	¥322,012	¥312,216

(2) CONSOLIDATED STATEMENTS OF OPERATIONS — Nine months ended December 31

(In millions of yen)

	Nine months ended December 31	
	2011	2012
Net sales	¥315,558	¥329,088
Cost of sales	247,056	262,005
Gross profit	68,502	67,083
Selling, general and administrative expenses	63,207	65,700
Operating income	5,295	1,383
Non-operating income:		
Interest income	239	106
Dividend income	207	123
Exchange gain	155	—
Others	312	378
Total non-operating income	913	607
Non-operating expenses:		
Interest expense	2,311	1,925
Exchange loss	—	298
Others	1,476	1,884
Total non-operating expenses	3,787	4,107
Ordinary income (loss)	2,421	(2,117)
Extraordinary income:		
Gain on sale of property, plant and equipment	98	111
Gain on sale of investment securities	1	136
Gain on sale of investments in subsidiaries	455	—
Insurance income for disaster	—	35
Total extraordinary income	554	282
Extraordinary loss:		
Loss on sale and disposal of property, plant and equipment	774	90
Loss on impairment of investment securities	32	4,730
Impairment loss	502	45
Loss on disaster	399	490
Loss on transition to defined contribution pension plan	3,920	—
Others	19	262
Total extraordinary loss	5,646	5,617
Loss before income taxes and minority interests	(2,671)	(7,452)
Income taxes:		
Current	3,012	2,739
Deferred	299	(21)
Total income taxes	3,311	2,718
Loss before minority interests	(5,982)	(10,170)
Minority interests	591	(414)
Net loss	¥ (6,573)	¥ (9,756)

(3) CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS — Nine months ended December 31

(In millions of yen)

	Nine months ended December 31	
	2011	2012
Loss before minority interests	¥ (5,982)	¥(10,170)
Other comprehensive income (loss):		
Unrealized gain (loss) on available-for-sale securities	(1,786)	1,644
Deferred gain on derivatives under hedge accounting	141	133
Foreign currency translation adjustments	(6,384)	4,162
Portion of other comprehensive gain (loss) of associates	(71)	9
Pension adjustments recognized by foreign subsidiaries	114	(62)
Total other comprehensive income (loss)	(7,986)	5,886
Comprehensive loss	¥(13,968)	¥ (4,284)
Comprehensive income (loss) attributable to:		
Shareholders of the parent company	¥(14,493)	¥ (3,997)
Minority interests	¥ 525	¥ (287)

(4) CONSOLIDATED STATEMENTS OF OPERATIONS — Three months ended December 31

(In millions of yen)

	Three months ended December 31	
	2011	2012
Net sales	¥101,829	¥104,511
Cost of sales	81,991	83,496
Gross profit	19,838	21,015
Selling, general and administrative expenses	21,545	22,785
Operating loss	(1,707)	(1,770)
Non-operating income:		
Interest income	80	41
Dividend income	62	14
Others	110	147
Total non-operating income	252	202
Non-operating expenses:		
Interest expense	669	671
Exchange loss	78	174
Others	448	437
Total non-operating expenses	1,195	1,282
Ordinary loss	(2,650)	(2,850)
Extraordinary income:		
Gain on reversal of loss on impairment of investment securities	–	1,100
Gain on sale of property, plant and equipment	49	11
Gain on sale of investment securities	1	1
Total extraordinary income	50	1,112
Extraordinary loss:		
Loss on sale and disposal of property, plant and equipment	98	33
Loss on transition to defined contribution pension plan	3,791	–
Others	403	3
Total extraordinary loss	4,292	36
Loss before income taxes and minority interests	(6,892)	(1,774)
Income taxes:		
Current	477	343
Deferred	543	276
Total income taxes	1,020	619
Loss before minority interests	(7,912)	(2,393)
Minority interests	166	(137)
Net loss	¥ (8,078)	¥ (2,256)

**(5) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) — Three months ended
December 31**

	(In millions of yen)	
	Three months ended December 31	
	2011	2012
Loss before minority interests	¥(7,912)	¥(2,393)
Other comprehensive income (loss):		
Unrealized gain on available-for-sale securities	126	201
Deferred gain on derivatives under hedge accounting	7	24
Foreign currency translation adjustments	857	8,645
Portion of other comprehensive loss of associates	(63)	(19)
Pension adjustments recognized by foreign subsidiaries	(12)	(222)
Total other comprehensive income	915	8,629
Comprehensive income (loss)	¥(6,997)	¥ 6,236
Comprehensive income (loss) attributable to:		
Shareholders of the parent company	¥(7,224)	¥ 5,982
Minority interests	¥ 227	¥ 254

(6) CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions of yen)

	Nine months ended December 31	
	2011	2012
Cash flows from operating activities:		
Loss before income taxes and minority interests	¥ (2,671)	¥ (7,452)
Depreciation and amortization	18,324	18,758
Impairment loss	502	45
Increase in accrued pension and severance costs	4,298	870
Interest and dividend income	(446)	(229)
Interest expense	2,311	1,925
Loss (gain) on sale and disposal of noncurrent assets	676	(21)
Loss on impairment of investment securities	32	4,730
Decrease in trade receivables	3,895	15,016
Increase in inventories	(12,297)	(18,498)
Decrease in trade payables	(3,977)	(12,629)
Decrease in accrued expenses	(3,181)	(6,526)
Other—net	18	8,371
Subtotal	7,484	4,360
Interest and dividend income	446	229
Interest expense paid	(2,273)	(1,872)
Income taxes paid	(3,116)	(4,346)
Net cash provided by (used in) operating activities	2,541	(1,629)
Cash flows from investing activities:		
Increase in time deposits	(419)	(396)
Purchase of noncurrent assets	(16,434)	(24,117)
Proceeds from sale of noncurrent assets	2,416	314
Other—net	504	151
Net cash used in investing activities	(13,933)	(24,048)
Cash flows from financing activities:		
Net increase in short-term borrowings	1,781	7,928
Proceeds from long-term debt	35,328	44,664
Repayment of long-term debt	(31,539)	(45,846)
Proceeds from sale and lease-back transactions	458	3,413
Other—net	(241)	(1,502)
Net cash provided by financing activities	5,787	8,657
Foreign currency translation adjustments on cash and cash equivalents	(1,542)	578
Net decrease in cash and cash equivalents	(7,147)	(16,442)
Cash and cash equivalents, beginning of period	47,566	45,953
Cash and cash equivalents, end of period	¥ 40,419	¥ 29,511

(7) SEGMENT INFORMATION

<Net Sales by Segment>

(In millions of yen)

	Nine months ended December 31				
	2011		2012		Percent change
	Amount	Ratio	Amount	Ratio	
Car Electronics:					
Japan	¥ 93,377	29.6%	¥109,159	33.2%	+16.9%
Overseas	93,312	29.6	118,399	35.9	+26.9
Total	186,689	59.2	227,558	69.1	+21.9
Home Electronics:					
Japan	48,509	15.4	21,961	6.7	-54.7
Overseas	48,750	15.4	47,072	14.3	-3.4
Total	97,259	30.8	69,033	21.0	-29.0
Others:					
Japan	20,289	6.4	19,635	5.9	-3.2
Overseas	11,321	3.6	12,862	4.0	+13.6
Total	31,610	10.0	32,497	9.9	+2.8
Consolidated:					
Japan	162,175	51.4	150,755	45.8	-7.0
Overseas	153,383	48.6	178,333	54.2	+16.3
Total	¥315,558	100.0%	¥329,088	100.0%	+4.3%

(In millions of yen)

	Three months ended December 31				
	2011		2012		Percent change
	Amount	Ratio	Amount	Ratio	
Car Electronics:					
Japan	¥ 29,676	29.1%	¥ 30,537	29.2%	+2.9%
Overseas	28,730	28.3	38,074	36.4	+32.5
Total	58,406	57.4	68,611	65.6	+17.5
Home Electronics:					
Japan	16,057	15.8	6,895	6.6	-57.1
Overseas	17,256	16.9	17,936	17.2	+3.9
Total	33,313	32.7	24,831	23.8	-25.5
Others:					
Japan	7,276	7.2	7,371	7.1	+1.3
Overseas	2,834	2.7	3,698	3.5	+30.5
Total	10,110	9.9	11,069	10.6	+9.5
Consolidated:					
Japan	53,009	52.1	44,803	42.9	-15.5
Overseas	48,820	47.9	59,708	57.1	+22.3
Total	¥101,829	100.0%	¥104,511	100.0%	+2.6%

<Sales and Income (Loss) by Segment>

(In millions of yen)

Nine months ended December 31, 2011	Segment				Reconciliations * 1	Consolidated * 2
	Car Electronics	Home Electronics	Others	Total		
Sales:						
Sales to external customers	¥186,689	¥97,259	¥31,610	¥315,558	—	¥315,558
Intersegment sales	645	213	5,457	6,315	¥(6,315)	—
Total sales	187,334	97,472	37,067	321,873	(6,315)	315,558
Segment income (loss)	¥ 3,215	¥ 2,205	¥ (562)	¥ 4,858	¥ 437	¥ 5,295

Notes:

1. Reconciliations of ¥437 million recorded for segment income (loss) include elimination of intersegment transactions of ¥(78) million and corporate expenses of ¥515 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)

Nine months ended December 31, 2012	Segment				Reconciliations * 1	Consolidated * 2
	Car Electronics	Home Electronics	Others	Total		
Sales:						
Sales to external customers	¥227,558	¥69,033	¥32,497	¥329,088	—	¥329,088
Intersegment sales	563	191	5,553	6,307	¥(6,307)	—
Total sales	228,121	69,224	38,050	335,395	(6,307)	329,088
Segment income (loss)	¥ 8,679	¥ (4,703)	¥ (1,459)	¥ 2,517	¥(1,134)	¥ 1,383

Notes:

1. Reconciliations of ¥(1,134) million recorded for segment income (loss) include elimination of intersegment transactions of ¥163 million and corporate expenses of ¥(1,297) 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 December 31, 2011	Segment				Reconciliations * 1	Consolidated * 2
	Car Electronics	Home Electronics	Others	Total		
Sales:						
Sales to external customers	¥58,406	¥33,313	¥10,110	¥101,829	—	¥101,829
Intersegment sales	203	64	2,235	2,502	¥(2,502)	—
Total sales	58,609	33,377	12,345	104,331	(2,502)	101,829
Segment income (loss)	¥ (2,251)	¥ 224	¥ (189)	¥ (2,216)	¥ 509	¥ (1,707)

Notes:

1. Reconciliations of ¥509 million recorded for segment income (loss) include elimination of intersegment transactions of ¥(30) million and corporate expenses of ¥539 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 loss presented in the accompanying consolidated statements of operations.

(In millions of yen)

Three months ended December 31, 2012	Segment				Reconciliations * 1	Consolidated * 2
	Car Electronics	Home Electronics	Others	Total		
Sales:						
Sales to external customers	¥68,611	¥24,831	¥11,069	¥104,511	—	¥104,511
Intersegment sales	173	55	1,817	2,045	¥(2,045)	—
Total sales	68,784	24,886	12,886	106,556	(2,045)	104,511
Segment income (loss)	¥ 604	¥ (1,673)	¥ (761)	¥ (1,830)	¥ 60	¥ (1,770)

Notes:

1. Reconciliations of ¥60 million recorded for segment income (loss) include elimination of intersegment transactions of ¥29 million and corporate expenses of ¥31 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 loss presented in the accompanying consolidated statements of operations.

(8) NOTE WITH RESPECT TO SIGNIFICANT CHANGES IN SHAREHOLDER'S EQUITY

On July 31, 2012, the Company reduced its capital surplus and retained earnings reserve, on non-consolidated basis, and appropriated its surplus, in accordance with the resolution at its Ordinary General Meeting of Shareholders held on June 27, 2012. On its consolidated balance sheets, capital surplus decreased by ¥67,946 million, while retained earnings increased by the same amount, accordingly.