

News Release

For Immediate Release
November 12, 2013

Pioneer Announces Business Results for 2Q Fiscal 2014

Pioneer Corporation today announced its consolidated second-quarter and six-month business results for the period ended September 30, 2013.

Consolidated Financial Highlights

(In millions of yen except per share information)

	Three months			Six months		
	ended September 30			ended September 30		
	2013	2012	Percent change	2013	2012	Percent change
Net sales	¥127,073	¥113,147	+12.3%	¥236,330	¥224,577	+5.2%
Operating income	8,137	2,554	+218.6	569	3,153	-82.0
Ordinary income (loss)	7,198	1,709	+321.2	(1,953)	733	-
Net income (loss)	¥ 5,125	¥ (4,739)	-%	¥ (4,951)	¥ (7,500)	-%
Net income (loss) per share	¥13.96	¥(14.76)		¥(14.35)	¥(23.36)	

Consolidated Business Results

For the second quarter of fiscal 2014, the three months ended September 30, 2013, consolidated net sales rose 12.3% year on year, to ¥127,073 million, due to increased sales in both the Car Electronics and Home Electronics businesses, reflecting the Japanese yen's depreciation.

Pioneer's operating income for the quarter rose 3.2 times year on year, to ¥8,137 million, reflecting an improved cost of sales ratio from the effects of restructuring and cost reductions, and increased sales, despite an increase in selling, general and administrative (SG&A) expenses mainly caused by foreign exchange factors. Net income turned around to a net profit of ¥5,125 million, from a net loss of ¥4,739 million in the second quarter of fiscal 2013, reflecting the increase in operating income and the absence of the ¥5,830 million loss on impairment of investment securities recorded as an extraordinary loss in the same period a year earlier.

During the second quarter of fiscal 2014, the average value of the Japanese yen declined 20.5% against the U.S. dollar, and 24.9% against the euro year on year.

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Car Electronics sales grew 13.5% year on year, to ¥88,452 million. Car navigation system sales rose on an increase in OEM sales, primarily in Japan, and despite a decrease in consumer-market sales in Japan, reflecting weak market conditions. Car audio product sales rose overall. Despite a sales decline in Japan, the Japanese yen's depreciation contributed to growth in sales of both consumer-market products and OEM products in each overseas region. OEM sales accounted for 53% of total Car Electronics sales, compared with 51% a year earlier.

By geographic region, sales in Japan rose 1.7%, to ¥38,284 million, and overseas sales grew 24.6%, to ¥50,168 million.

The segment recorded a 94.2% increase in operating income year on year, to ¥6,025 million, the result of an improved cost of sales ratio from the effects of restructuring and cost reductions, and increased sales, despite an increase in SG&A expenses mainly caused by foreign exchange factors.

Home Electronics sales grew 26.2% year on year, to ¥28,845 million. Although sales of optical disc drive-related products for PCs declined, the positive effect of the Japanese yen's depreciation, combined with increased sales of DJ equipment, resulted in an overall increase.

By geographic region, sales in Japan grew 16.3%, to ¥7,409 million, and overseas sales rose 30.0%, to ¥21,436 million.

Operating income turned around to a ¥2,486 million profit, compared with an operating loss of ¥250 million for the second quarter of fiscal 2013, from the positive effect of foreign exchange rates, increased sales of high-margin DJ equipment, and an improved cost of sales ratio resulting from restructuring and cost reductions.

In the **Others** segment, sales declined 21.1% year on year, to ¥9,776 million, from lower sales of factory automation systems, and despite increased sales of electronic devices and parts.

By geographic region, sales in Japan were roughly flat year on year at ¥6,108 million, while overseas sales declined 42.1%, to ¥3,668 million.

Operating income declined 92.4% year on year to ¥35 million, due to a decline in sales and a higher cost of sales ratio, and despite a reduction in SG&A expenses.

For the first half of fiscal 2014, the six months ended September 30, 2013, consolidated net sales rose 5.2% year on year, to ¥236,330 million, with the Japanese yen's depreciation more than offsetting lower sales of consumer-market car navigation systems and optical disc drive-related products.

Although net sales increased, Pioneer recorded an 82.0% decline in operating income from the first half of fiscal 2013, to ¥569 million. This decrease was the result of the significant operating loss recorded in the first quarter of fiscal 2014. Despite this decline in operating income, in the absence of the ¥5,830 million loss on impairment of investment securities recorded in the same period a year earlier, the net loss was reduced to ¥4,951 million from a net loss of ¥7,500 million a year earlier.

During the first half of fiscal 2014, the average value of the Japanese yen declined 19.7% against the U.S. dollar, and 22.6% 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 September 30, 2013, were ¥330,403 million, an increase of ¥19,078 million from March 31, 2013. Although property, plant and equipment and inventories decreased, this increase reflected growth in cash and deposits, trade receivables, intangible assets, and investment securities. Property, plant and equipment decreased ¥2,094 million, to ¥62,908 million, as a result of restrained capital expenditures. Inventories decreased ¥883 million, to ¥75,583 million, with inventory reductions more than offsetting the effect of the Japanese yen's depreciation. Cash and deposits increased ¥11,503 million, to ¥33,562 million, as a result of the capital increase through third-party allotments implemented during the first quarter of fiscal 2014. Trade receivables increased ¥4,564 million, to ¥83,542 million, reflecting higher sales for the second quarter of fiscal 2014 compared with sales in the fourth quarter of fiscal 2013. Intangible assets grew ¥1,844 million, to ¥38,554 million, from new purchases of software to be installed in products. Investment securities increased ¥1,430 million, to ¥7,921 million, on an increase in the market value of equity holdings.

Total liabilities were ¥241,756 million, a ¥12,007 million increase from March 31, 2013. Although the provision for restructuring costs decreased ¥6,211 million and borrowings decreased ¥2,339 million, trade payables grew ¥21,672 million reflecting an increase in purchasing amounts.

Total equity was ¥88,647 million, an increase of ¥7,071 million from March 31, 2013. Despite the recording of a ¥4,951 million net loss for the first half, the capital increase through third-party allotments increased common stock and the capital surplus by ¥4,475 million each, and the Japanese yen's depreciation resulted in a ¥2,799 million increase in foreign currency translation adjustments.

Cash Flows

During the first half of fiscal 2014, operating activities provided net cash in the amount of ¥16,455 million, a ¥15,185 million increase from the first half of fiscal 2013. This reflected turnarounds in trade payables, from an ¥8,071 million decrease in the year-earlier period to a ¥20,982 million increase, and in inventories, from an ¥11,827 million increase to a ¥2,117 million decrease, despite a turnaround in trade receivables, from a ¥5,873 million decrease to a ¥3,465 million increase.

Investing activities used net cash in the amount of ¥12,327 million, a ¥6,013 million decrease from the year-earlier period. This was mainly because of a ¥4,729 million decrease in outlays for the purchase of noncurrent assets, in the absence of year-earlier investments to assist in the recovery of plants in Thailand.

With the capital increase through third-party allotments, financing activities provided net cash in the amount of ¥7,034 million, a ¥3,505 million increase year on year, despite a ¥2,804 million net outlay for borrowings compared with ¥2,312 million provided in the year-earlier period.

Foreign currency translation adjustments on cash and cash equivalents were a positive ¥526 million, compared with a negative ¥1,523 million in the year-earlier period.

As a result, cash and cash equivalents as of September 30, 2013, totaled ¥32,655 million, an ¥11,688 million increase from March 31, 2013.

Business Forecasts for Fiscal 2014

Consolidated business forecasts for fiscal 2014, ending March 31, 2013, have not been changed from those announced on August 6, 2013.

	(In millions of yen)		
	Forecasts for fiscal 2014	Results for fiscal 2013	Percent change
Net sales	¥505,000	¥451,841	+11.8%
Operating income	10,000	5,997	+66.8
Ordinary income	5,000	812	+515.8
Net income (loss)	¥ 500	¥ (19,552)	-%

The yen–U.S. dollar exchange rate assumption for the second half of fiscal 2014 remains unchanged at ¥95, while the yen–euro exchange rate assumption is ¥130, a depreciation of ¥5 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 six months ended September 30, 2013.

(1) CONSOLIDATED BALANCE SHEETS

(In millions of yen)

	March 31, 2013	September 30, 2013
ASSETS		
Current assets:		
Cash and deposits	¥ 22,059	¥ 33,562
Trade receivables	78,978	83,542
Merchandise and finished goods	40,032	38,828
Work in process	11,447	12,286
Raw materials and supplies	24,987	24,469
Deferred tax assets	4,925	5,123
Other current assets	14,559	16,669
Allowance for doubtful receivables	(1,734)	(1,650)
Total current assets	195,253	212,829
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures	67,680	67,615
Machinery, vehicles, tools, furniture and fixtures	146,881	144,643
Lease assets	9,333	12,595
Others	21,344	20,568
Accumulated depreciation	(180,236)	(182,513)
Net property, plant and equipment	65,002	62,908
Intangible assets:		
Goodwill	606	584
Software	34,898	36,921
Others	1,206	1,049
Total intangible assets	36,710	38,554
Investments and other assets:		
Investment securities	6,491	7,921
Deferred tax assets	5,728	5,878
Others	2,351	2,248
Allowance for doubtful accounts	(210)	(206)
Total investments and other assets	14,360	15,841
Total noncurrent assets	116,072	117,303
Deferred assets	-	271
Total assets	¥ 311,325	¥ 330,403

	(In millions of yen)	
	March 31, 2013	September 30, 2013
<u>LIABILITIES</u>		
Current liabilities:		
Trade payables	¥ 58,773	¥ 80,445
Short-term borrowings	20,535	21,796
Current portion of long-term debt	62,677	72,077
Accrued income taxes	2,617	2,691
Accrued expenses	28,431	26,790
Warranty reserve	2,678	2,169
Provision for restructuring costs	6,211	-
Other current liabilities	17,328	16,956
Total current liabilities	199,250	222,924
Long-term liabilities:		
Long-term debt	13,000	-
Accrued pension and severance costs	13,153	13,824
Other long-term liabilities	4,346	5,008
Total long-term liabilities	30,499	18,832
Total liabilities	229,749	241,756
<u>EQUITY</u>		
Shareholders' equity:		
Common stock	87,257	91,732
Capital surplus	51,541	56,016
Retained earnings	17,318	12,367
Treasury stock	(11,050)	(11,050)
Total shareholders' equity	145,066	149,065
Accumulated other comprehensive loss:		
Unrealized gain on available-for-sale securities	695	1,642
Deferred loss on derivatives under hedge accounting	(34)	(271)
Foreign currency translation adjustments	(66,260)	(63,461)
Pension adjustments recognized by foreign consolidated subsidiaries	(3,063)	(3,245)
Total accumulated other comprehensive loss	(68,662)	(65,335)
Minority interests	5,172	4,917
Total equity	81,576	88,647
Total liabilities and equity	¥311,325	¥330,403

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

(In millions of yen)

	Six months ended September 30	
	2012	2013
Net sales	¥224,577	¥236,330
Cost of sales	178,509	191,905
Gross profit	46,068	44,425
Selling, general and administrative expenses	42,915	43,856
Operating income	3,153	569
Non-operating income:		
Interest income	65	74
Dividend income	109	67
Others	231	266
Total non-operating income	405	407
Non-operating expenses:		
Interest expenses	1,254	1,330
Exchange loss	124	684
Others	1,447	915
Total non-operating expenses	2,825	2,929
Ordinary income (loss)	733	(1,953)
Extraordinary income:		
Gain on sale of property, plant and equipment	100	100
Gain on sale of investment securities	135	–
Insurance income for disaster	35	66
Total extraordinary income	270	166
Extraordinary loss:		
Restructuring costs	–	885
Loss on sale and disposal of property, plant and equipment	57	177
Loss on impairment of investment securities	5,830	–
Others	794	4
Total extraordinary loss	6,681	1,066
Loss before income taxes and minority interests	(5,678)	(2,853)
Income taxes:		
Current	2,396	2,240
Deferred	(297)	(204)
Total income taxes	2,099	2,444
Loss before minority interests	(7,777)	(5,297)
Minority interests	(277)	(346)
Net loss	¥ (7,500)	¥ (4,951)

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

(In millions of yen)

	Six months ended September 30	
	2012	2013
Loss before minority interests	¥ (7,777)	¥(5,297)
Other comprehensive income (loss):		
Unrealized gain on available-for-sale securities	1,443	947
Deferred gain (loss) on derivatives under hedge accounting	109	(237)
Foreign currency translation adjustments	(4,483)	2,687
Portion of other comprehensive gain of associates	28	207
Pension adjustments recognized by foreign subsidiaries	160	(182)
Total other comprehensive income (loss)	(2,743)	3,422
Comprehensive loss	¥(10,520)	¥(1,875)
Comprehensive loss attributable to:		
Shareholders of the parent company	¥ (9,979)	¥(1,624)
Minority interests	¥ (541)	¥ (251)

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

(In millions of yen)

	Three months ended September 30	
	2012	2013
Net sales	¥113,147	¥127,073
Cost of sales	91,084	98,860
Gross profit	22,063	28,213
Selling, general and administrative expenses	19,509	20,076
Operating income	2,554	8,137
Non-operating income:		
Interest income	22	43
Dividend income	47	49
Exchange gain	428	22
Others	182	155
Total non-operating income	679	269
Non-operating expenses:		
Interest expenses	620	661
Others	904	547
Total non-operating expenses	1,524	1,208
Ordinary income	1,709	7,198
Extraordinary income:		
Gain on sale of property, plant and equipment	28	2
Gain on sale of investment securities	135	–
Others	–	66
Total extraordinary income	163	68
Extraordinary loss:		
Restructuring costs	–	580
Loss on sale and disposal of property, plant and equipment	37	148
Loss on impairment of investment securities	5,830	–
Others	259	–
Total extraordinary loss	6,126	728
Income (loss) before income taxes and minority interests	(4,254)	6,538
Income taxes:		
Current	1,045	1,310
Deferred	(329)	289
Total income taxes	716	1,599
Income (loss) before minority interests	(4,970)	4,939
Minority interests	(231)	(186)
Net income (loss)	¥ (4,739)	¥ 5,125

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

	(In millions of yen)	
	Three months ended September 30	
	2012	2013
Income (loss) before minority interests	¥(4,970)	¥4,939
Other comprehensive income (loss):		
Unrealized gain (loss) on available-for-sale securities	3,640	(367)
Deferred loss on derivatives under hedge accounting	(257)	(238)
Foreign currency translation adjustments	(343)	(390)
Portion of other comprehensive gain (loss) of associates	(54)	42
Pension adjustments recognized by foreign subsidiaries	21	(35)
Total other comprehensive income (loss)	3,007	(988)
Comprehensive income (loss)	¥(1,963)	¥3,951
Comprehensive income (loss) attributable to:		
Shareholders of the parent company	¥(1,693)	¥ 4,180
Minority interests	¥ (270)	¥ (229)

(6) CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions of yen)

	Six months ended September 30	
	2012	2013
Cash flows from operating activities:		
Loss before income taxes and minority interests	¥ (5,678)	¥ (2,853)
Depreciation and amortization	12,240	12,513
Increase in accrued pension and severance costs	952	438
Decrease in provision for restructuring costs	–	(6,211)
Interest and dividends income	(174)	(141)
Interest expenses	1,254	1,330
Loss on impairment of investment securities	5,830	–
Decrease (increase) in trade receivables	5,873	(3,465)
Decrease (increase) in inventories	(11,827)	2,117
Increase (decrease) in trade payables	(8,071)	20,982
Increase (decrease) in accrued expenses	714	(1,375)
Other—net	4,545	(3,997)
Subtotal	5,658	19,338
Interest and dividends income received	174	141
Interest expenses paid	(1,267)	(1,337)
Income taxes paid	(3,295)	(1,687)
Net cash provided by operating activities	1,270	16,455
Cash flows from investing activities:		
Decrease (increase) in time deposits	(774)	248
Purchase of noncurrent assets	(17,977)	(13,248)
Proceeds from sales of noncurrent assets	245	738
Other—net	166	(65)
Net cash used in investing activities	(18,340)	(12,327)
Cash flows from financing activities:		
Net increase in short-term borrowings	6,494	796
Proceeds from long-term debt	41,664	34,464
Repayment of long-term debt	(45,846)	(38,064)
Proceeds from sale and lease-back transactions	2,418	1,969
Proceeds from issuance of new shares	–	8,643
Other—net	(1,201)	(774)
Net cash provided by financing activities	3,529	7,034
Foreign currency translation adjustments on cash and cash equivalents	(1,523)	526
Net decrease in cash and cash equivalents	(15,064)	(11,688)
Cash and cash equivalents, beginning of period	45,953	20,967
Cash and cash equivalents, end of period	¥ 30,889	¥ 32,655

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

On June 28, 2013, the Company issued new shares through third-party allotments to NTT DOCOMO, INC. and Mitsubishi Electric Corporation. As a consequence, common stock and capital surplus each increased by ¥4,475 million in the first quarter of fiscal 2014, resulting in common stock of ¥91,732 million and capital surplus of ¥56,016 million as of September 30, 2013.

(8) SEGMENT INFORMATION

<Net Sales by Segment>

(In millions of yen)

	Six months ended September 30				
	2012		2013		Percent change
	Amount	Ratio	Amount	Ratio	
Car Electronics:					
Japan	¥ 78,622	35.0%	¥ 72,636	30.7%	-7.6%
Overseas	80,325	35.8	94,904	40.2	+18.2
Total	158,947	70.8	167,540	70.9	+5.4
Home Electronics:					
Japan	15,066	6.7	13,666	5.8	-9.3
Overseas	29,136	13.0	35,547	15.0	+22.0
Total	44,202	19.7	49,213	20.8	+11.3
Others:					
Japan	12,264	5.5	11,865	5.0	-3.3
Overseas	9,164	4.0	7,712	3.3	-15.8
Total	21,428	9.5	19,577	8.3	-8.6
Consolidated:					
Japan	105,952	47.2	98,167	41.5	-7.3
Overseas	118,625	52.8	138,163	58.5	+16.5
Total	¥224,577	100.0%	¥236,330	100.0%	+5.2%

(In millions of yen)

	Three months ended September 30				
	2012		2013		Percent change
	Amount	Ratio	Amount	Ratio	
Car Electronics:					
Japan	¥ 37,650	33.3%	¥ 38,284	30.1%	+1.7%
Overseas	40,255	35.6	50,168	39.5	+24.6
Total	77,905	68.9	88,452	69.6	+13.5
Home Electronics:					
Japan	6,368	5.6	7,409	5.8	+16.3
Overseas	16,487	14.6	21,436	16.9	+30.0
Total	22,855	20.2	28,845	22.7	+26.2
Others:					
Japan	6,050	5.4	6,108	4.9	+1.0
Overseas	6,337	5.5	3,668	2.8	-42.1
Total	12,387	10.9	9,776	7.7	-21.1
Consolidated:					
Japan	50,068	44.3	51,801	40.8	+3.5
Overseas	63,079	55.7	75,272	59.2	+19.3
Total	¥113,147	100.0%	¥127,073	100.0%	+12.3%

<Sales and Income (Loss) by Segment>

(In millions of yen)

Six months ended September 30, 2012	Car Electronics	Home Electronics	Others	Total	Reconciliations * 1	Consolidated * 2
Sales:						
Sales to external customers	¥158,947	¥44,202	¥21,428	¥224,577	–	¥224,577
Intersegment sales	390	136	3,736	4,262	¥(4,262)	–
Total sales	159,337	44,338	25,164	228,839	(4,262)	224,577
Segment income (loss)	¥ 8,075	¥ (3,030)	¥ (698)	¥ 4,347	¥(1,194)	¥ 3,153

Notes:

1. Reconciliations of ¥(1,194) million recorded for segment income (loss) include elimination of intersegment transactions of ¥134 million and corporate expenses of ¥(1,328) 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)

Six months ended September 30, 2013	Car Electronics	Home Electronics	Others	Total	Reconciliations * 1	Consolidated * 2
Sales:						
Sales to external customers	¥167,540	¥49,213	¥19,577	¥236,330	–	¥236,330
Intersegment sales	438	88	3,968	4,494	¥(4,494)	–
Total sales	167,978	49,301	23,545	240,824	(4,494)	236,330
Segment income (loss)	¥ 2,948	¥ (1,024)	¥ (964)	¥ 960	¥ (391)	¥ 569

Notes:

1. Reconciliations of ¥(391) million recorded for segment income (loss) include elimination of intersegment transactions of ¥183 million and corporate expenses of ¥(574) 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 September 30, 2012	Car Electronics	Home Electronics	Others	Total	Reconciliations * 1	Consolidated * 2
Sales:						
Sales to external customers	¥77,905	¥22,855	¥12,387	¥113,147	-	¥113,147
Intersegment sales	199	68	1,903	2,170	¥(2,170)	-
Total sales	78,104	22,923	14,290	115,317	(2,170)	113,147
Segment income (loss)	¥ 3,103	¥ (250)	¥ 458	¥ 3,311	¥ (757)	¥ 2,554

Notes:

1. Reconciliations of ¥(757) million recorded for segment income (loss) include elimination of intersegment transactions of ¥90 million and corporate expenses of ¥(847) 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 September 30, 2013	Car Electronics	Home Electronics	Others	Total	Reconciliations * 1	Consolidated * 2
Sales:						
Sales to external customers	¥88,452	¥28,845	¥ 9,776	¥127,073	-	¥127,073
Intersegment sales	245	37	1,919	2,204	¥(2,204)	-
Total sales	88,700	28,882	11,695	129,277	(2,204)	127,073
Segment income	¥ 6,025	¥ 2,486	¥ 35	¥ 8,546	¥ (409)	¥ 8,137

Notes:

1. Reconciliations of ¥(409) million recorded for segment income include elimination of intersegment transactions of ¥89 million and corporate expenses of ¥(498) 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 to operating income presented in the accompanying consolidated statements of operations.