

# News Release

**For Immediate Release  
May 12, 2014**

## **Pioneer Announces Business Results for Fiscal 2014**

Pioneer Corporation today announced its consolidated business results for fiscal 2014, the year ended March 31, 2014.

### **Consolidated Financial Highlights**

	(In millions of yen except per share information)		
	Year ended March 31		
	2014	2013	Percent change
Net sales	¥498,051	¥451,841	+10.2%
Operating income	11,169	5,997	+86.2
Ordinary income	5,111	812	+529.4
Net income (loss)	¥ 531	¥ (19,552)	-%
Net income (loss) per share	¥1.49	¥(60.90)	

### **Consolidated Business Results**

In fiscal 2014, consolidated net sales grew 10.2% year on year, to ¥498,051 million. Although sales of optical disc drive-related products declined, the positive effect of the Japanese yen's depreciation, combined with increased sales of Car Electronics, and of OEM products in particular, resulted in an overall increase in net sales.

Operating income rose 86.2% year on year, to ¥11,169 million, from the effects of restructuring, combined with growth in net sales, despite an increase in selling, general and administrative (SG&A) expenses and a deterioration in the cost of sales ratio, reflecting the negative effect of foreign exchange rate movements. Net income of ¥531 million was recorded, compared with the previous fiscal year's ¥19,552 million net loss, reflecting the increase in operating income, combined with the absence of the previous fiscal year's ¥6,242 million of restructuring costs and ¥5,040 million loss on impairment of investment securities recorded as an extraordinary loss, and reversal of deferred tax assets.

During fiscal 2014, the average value of the Japanese yen declined 17.1% against the U.S. dollar and 20.3% against the euro, compared with the previous fiscal year.

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**Car Electronics** sales grew 11.4% year on year, to ¥348,075 million. Sales of car navigation systems rose on increased OEM sales, primarily in Japan and Central and South America, and despite a decline in consumer-market sales from weak sales in Japan during the first half of the fiscal year. Sales of car audio products increased, with growth in both OEM sales, primarily in China and North America, and in consumer-market sales, mainly in Europe, North America, and Central and South America. OEM sales accounted for 54% of total Car Electronics sales, compared with 51% in the previous fiscal year.

By geographic region, sales in Japan grew 4.3%, to ¥151,248 million, and overseas sales rose 17.4%, to ¥196,827 million.

The segment's operating income rose 27.0%, to ¥12,431 million, owing to higher sales, and despite a deterioration in the cost of sales ratio and an increase in SG&A expenses, reflecting the negative effect of foreign exchange rate movements.

**Home Electronics** sales rose 12.6% year on year, to ¥108,026 million. Although sales of optical disc drive-related products declined, the positive effect of the Japanese yen's depreciation, combined with increased sales of DJ equipment and cable-TV set-top boxes, resulted in an overall increase.

By geographic region, sales in Japan grew 6.2%, to ¥32,396 million, and overseas sales rose 15.6%, to ¥75,630 million.

The segment recorded operating income of ¥91 million, compared with an operating loss of ¥2,798 million in fiscal 2013, from an improved cost of sales ratio resulting from the effects of restructuring and cost reductions, and increased sales, primarily of high-margin DJ equipment, and despite an increase in SG&A expenses due to the negative impact of foreign exchange rate movements.

In the **Others** segment, sales declined 3.2% year on year, to ¥41,950 million, on lower sales of factory automation systems, and despite increased sales of electronic devices and parts.

By geographic region, sales in Japan were roughly flat with the previous fiscal year at ¥26,360 million, and overseas sales declined 8.7%, to ¥15,590 million.

The segment's operating loss narrowed to ¥888 million, from ¥937 million in fiscal 2013, from an improved cost of sales ratio reflecting the effects of restructuring, and despite an increase in SG&A expenses resulting from investment in 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 March 31, 2014, were ¥327,913 million, an increase of ¥16,588 million from March 31, 2013, from increases in cash and deposits, trade receivables, and intangible assets, which more than offset decreases in inventories and property, plant and equipment. Inventories decreased ¥6,095 million, to ¥70,371 million, with reductions in inventory stock more than offsetting the effect of the Japanese yen's depreciation. Property, plant and equipment decreased ¥4,173 million, to ¥60,829

million, mainly from restrained capital expenditures. On the other hand, cash and deposits increased ¥13,338 million, to ¥35,397 million, as a result of the capital increase through third-party allotments implemented during the first quarter of fiscal 2014. Trade receivables increased ¥6,582 million, to ¥85,560 million, reflecting the increase in net sales and the effect of the Japanese yen's depreciation. Intangible assets grew ¥3,347 million, to ¥40,057 million, as a result of new purchases of software to be installed in products.

Total liabilities as of March 31, 2014, were ¥250,097 million, an increase of ¥20,348 million from March 31, 2013. Although borrowings decreased ¥8,764 million and the provision for restructuring costs decreased ¥6,211 million, changes in accounting standards in Japan resulted in an increase of ¥21,432 million in liabilities related to retirement benefits (accrued pension and severance costs in fiscal 2013), and an increase in purchasing amounts led to a ¥12,884 million increase in trade payables.

Total equity as of March 31, 2014, was ¥77,816 million, marking a ¥3,760 million decrease from March 31, 2013. 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 ¥6,572 million increase in foreign currency translation adjustments, but changes in accounting standards in Japan resulted in a decrease of ¥20,504 million in cumulative adjustments to retirement benefits (pension adjustments recognized by foreign consolidated subsidiaries in fiscal 2013).

### **Cash Flows**

During fiscal 2014, operating activities provided net cash in the amount of ¥34,242 million, a ¥33,063 million increase from fiscal 2013. Although trade receivables increased ¥8,648 million in fiscal 2014, compared with a ¥3,611 million decrease in fiscal 2013, trade payables increased ¥11,278 million, compared with an ¥18,714 million decrease in fiscal 2013, and inventories turned around to a ¥9,773 million decrease, compared with the previous fiscal year's increase of ¥1,352 million.

Investing activities used net cash in the amount of ¥21,862 million, a ¥13,377 million decrease from fiscal 2013. This was mainly because of a ¥8,912 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.

Financing activities used net cash in the amount of ¥887 million, compared with ¥7,018 million of net cash provided in fiscal 2013. This change reflected a ¥9,589 million net outlay for borrowings, compared with ¥5,482 million provided in the previous fiscal year, which more than offset a capital increase of ¥8,643 million through third-party allotments.

Foreign currency translation adjustments on cash and cash equivalents were a positive ¥1,444 million, a ¥612 million decrease from the previous fiscal year end.

As a result, cash and cash equivalents as of March 31, 2014, totaled ¥33,904 million, a ¥12,937 million increase from March 31, 2013.

## **Business Forecasts for Fiscal 2015**

Consolidated business forecasts for fiscal 2015, the year ending March 31, 2015, are as follows:

(In millions of yen)

	<b>First half</b>			<b>Full year</b>		
	Forecasts for fiscal 2015	Results for fiscal 2014	Percent change	Forecasts for fiscal 2015	Results for fiscal 2014	Percent change
Net sales	¥243,000	¥236,330	+2.8%	¥515,000	¥498,051	+3.4%
Operating income	3,000	569	+427.2	12,500	11,169	+11.9
Ordinary income (loss)	500	(1,953)	-	7,500	5,111	+46.7
Net income (loss)	¥ (1,500)	¥ (4,951)	-%	¥ 2,000	¥ 531	+276.6%

For fiscal 2015, Pioneer forecasts year-on-year growth in sales and profit.

In this projection, Pioneer forecasts consolidated net sales to increase. In Car Electronics, growth is expected both for consumer-market and OEM sales, and in Home Electronics, sales are also expected to increase centering on DJ equipment and cable-TV set-top boxes.

Operating income, ordinary income, and net income are also expected to grow, mainly because of the increase in net sales and an improvement in the cost of sales ratio.

Pioneer is assuming an average U.S. dollar-yen exchange rate of ¥100 and an average euro-yen exchange rate of ¥135 for the aforementioned consolidated business forecasts for fiscal 2015.

## **Basic Management Policies**

As its basic management policies, Pioneer aims to create new markets and cultures with products and services borne from innovative ideas and cutting-edge technologies that embody our 2015 Vision of “Spread the smiles. Feel the vibes. Share the passion. Pioneer engages you anytime, anywhere,” and to continue to realize our Group Philosophy of “Move the Heart and Touch the Soul.”

## **Issues to Be Addressed**

Currently, Pioneer’s operating environment for its Car Electronics business is presenting structural issues related to its earnings model. This stems from the growth of the OEM business as the percentage of new cars sold with factory-installed car navigation systems rises, and demand for products tailored to a car’s interior design increases. The Home Electronics business is still not able to establish stable profitability, mainly due to changes in the ways consumers enjoy music and video and from the growing use of cloud-based technologies, despite the structural reforms implemented in the home AV and optical disc businesses in fiscal 2014.

In response to this operating environment, the Car Electronics business will continue to strengthen its management base through enhanced earnings strength, and provide customers with new value by introducing innovations to its business model.

In terms of enhancing earnings strength, we will shift to the implementation phase of various process innovations we have been pursuing to date. Specifically, we will expand the scope of application for modular design, a design process that uses combinations of standardized, common parts to create a variety of products with greater efficiency. This will work to reduce development and other costs, and to shorten development and production lead times, which will allow us to swiftly respond to increasingly diverse customer needs. With these measures, we aim to reduce manufacturing costs and to increase sales.

To provide new value, we will work to expand the Car Electronics business further by strengthening the smartphone-linked car navigation business and by leveraging the synergies between “hardware & software and information services.” In Japan, we will focus on the cloud-based information services business that we launched at the end of last year with NTT DOCOMO, INC. We also aim to roll out information services globally. Further, we will promote our joint development with Mitsubishi Electric Corporation to advance car navigation systems as next-generation automotive equipment.

In Home Electronics, we will focus on our DJ equipment business, which boasts prominent brand strength and earnings strength, to maintain a stable profit. In terms of new businesses, we will concentrate management resources in the OLED lighting business and the medical and healthcare-related business, and leverage our alliances with strategic partners as an efficient way to cultivate these businesses.

Through these initiatives, we will make every effort to enhance our earnings strength in fiscal 2015.

**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 year ended March 31, 2014.

**(1) CONSOLIDATED BALANCE SHEETS**

(In millions of yen)

March 31

	2013	2014
<b>ASSETS</b>		
Current assets:		
Cash and deposits	¥ 22,059	¥ 35,397
Trade receivables	78,978	85,560
Merchandise and finished goods	40,032	34,778
Work in process	11,447	11,279
Raw materials and supplies	24,987	24,314
Deferred tax assets	4,925	4,542
Other current assets	14,559	16,990
Allowance for doubtful receivables	(1,734)	(1,448)
<b>Total current assets</b>	<b>195,253</b>	<b>211,412</b>
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures	67,680	68,419
Accumulated depreciation	(43,330)	(44,851)
Net	24,350	23,568
Machinery and vehicles	65,627	65,230
Accumulated depreciation	(56,615)	(56,624)
Net	9,012	8,606
Land	20,526	18,143
Leased assets	9,333	12,668
Accumulated depreciation	(5,222)	(7,883)
Net	4,111	4,785
Construction in progress	818	434
Others	81,254	78,677
Accumulated depreciation	(75,069)	(73,384)
Net	6,185	5,293
<b>Net property, plant and equipment</b>	<b>65,002</b>	<b>60,829</b>
Intangible assets:		
Goodwill	606	564
Software	34,898	38,295
Others	1,206	1,198
<b>Total intangible assets</b>	<b>36,710</b>	<b>40,057</b>
Investments and other assets:		
Investment securities	6,491	7,229
Deferred tax assets	5,728	5,697
Others	2,351	2,580
Allowance for doubtful accounts	(210)	(111)
<b>Total investments and other assets</b>	<b>14,360</b>	<b>15,395</b>
<b>Total noncurrent assets</b>	<b>116,072</b>	<b>116,281</b>
Deferred assets:		
Stock issuance cost	—	220
<b>Total deferred assets</b>	<b>—</b>	<b>220</b>
<b>Total assets</b>	<b>¥311,325</b>	<b>¥327,913</b>

(In millions of yen)

March 31

	2013	2014
<b>LIABILITIES</b>		
Current liabilities:		
Trade payables	¥ 58,773	¥ 71,657
Short-term borrowings	20,535	22,178
Current portion of long-term debt	62,677	65,270
Accrued income taxes	2,617	2,817
Accrued expenses	28,431	28,973
Warranty reserve	2,678	2,290
Provision for restructuring costs	6,211	—
Other current liabilities	17,328	18,631
<b>Total current liabilities</b>	<b>199,250</b>	<b>211,816</b>
Long-term liabilities:		
Long-term debt	13,000	—
Accrued pension and severance costs	13,153	—
Liabilities related to retirement benefits	—	34,585
Other long-term liabilities	4,346	3,696
<b>Total long-term liabilities</b>	<b>30,499</b>	<b>38,281</b>
<b>Total liabilities</b>	<b>229,749</b>	<b>250,097</b>
<b>EQUITY</b>		
Shareholders' equity:		
Common stock	87,257	91,732
Capital surplus	51,541	56,016
Retained earnings	17,318	17,849
Treasury stock	(11,050)	(11,051)
<b>Total shareholders' equity</b>	<b>145,066</b>	<b>154,546</b>
Accumulated other comprehensive loss:		
Unrealized gain on available-for-sale securities	695	1,168
Deferred loss on derivatives under hedge accounting	(34)	—
Foreign currency translation adjustments	(66,260)	(59,688)
Pension adjustments recognized by foreign consolidated subsidiaries	(3,063)	—
Adjustments to retirement benefits	—	(23,567)
<b>Total accumulated other comprehensive loss</b>	<b>(68,662)</b>	<b>(82,087)</b>
Minority interests	5,172	5,357
<b>Total equity</b>	<b>81,576</b>	<b>77,816</b>
<b>Total liabilities and equity</b>	<b>¥311,325</b>	<b>¥327,913</b>

**(2) CONSOLIDATED STATEMENTS OF OPERATIONS**

(In millions of yen)

	Year ended March 31	
	2013	2014
Net sales	¥451,841	¥498,051
Cost of sales	359,847	396,705
Gross profit	91,994	101,346
Selling, general and administrative expenses	85,997	90,177
Operating income	5,997	11,169
Non-operating income:		
Interest income	153	164
Dividend income	132	117
Equity in earnings of affiliated companies	125	–
Others	513	453
Total non-operating income	923	734
Non-operating expenses:		
Interest expense	2,587	2,672
Exchange loss	1,090	1,990
Borrowing cost	455	395
Equity in losses of affiliated companies	–	190
Others	1,976	1,545
Total non-operating expenses	6,108	6,792
Ordinary income	812	5,111
Extraordinary income:		
Gain on sale of property, plant and equipment	179	1,588
Gain on sale of investment securities	254	3
Insurance income for disaster	291	630
Total extraordinary income	724	2,221
Extraordinary loss:		
Loss on sale and disposal of property, plant and equipment	182	260
Loss on impairment of investment securities	5,040	–
Impairment loss	61	14
Loss on disaster	490	–
Restructuring costs	6,242	1,311
Others	322	82
Total extraordinary loss	12,337	1,667
Income (loss) before income taxes and minority interests	(10,801)	5,665
Income taxes:		
Current	4,495	3,750
Deferred	4,758	1,409
Total income taxes	9,253	5,159
Income (loss) before minority interests	(20,054)	506
Minority interests	(502)	(25)
Net income (loss)	¥ (19,552)	¥ 531



**(3) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

(In millions of yen)

	Year ended March 31	
	2013	2014
Income (loss) before minority interests	¥ (20,054)	¥ 506
Other comprehensive income (loss):		
Unrealized gain on available-for-sale securities	1,759	473
Deferred gain on derivatives under hedge accounting	71	34
Foreign currency translation adjustments	11,172	6,546
Portion of other comprehensive gain of associates	167	283
Pension adjustments recognized by foreign subsidiaries	(867)	(269)
Total other comprehensive income	12,302	7,067
Comprehensive income (loss)	¥ (7,752)	¥7,573
Comprehensive income (loss) attributable to:		
Shareholders of the parent company	¥ (7,709)	¥7,341
Minority interests	¥ (43)	¥ 232

**(4) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(In millions of yen)

	Year ended March 31	
	2013	2014
<b>SHAREHOLDERS' EQUITY</b>		
Common Stock:		
Balance, beginning of year	¥ 87,257	¥ 87,257
Changes of items in the year:		
Issuance of new shares	–	4,475
Total changes of items in the year	–	4,475
Balance, end of year	87,257	91,732
Capital Surplus:		
Balance, beginning of year	119,487	51,541
Changes of items in the year:		
Issuance of new shares	–	4,475
Transfer to retained earnings from capital surplus	(67,946)	–
Disposal of treasury stock	(0)	–
Total changes of items in the year	(67,946)	4,475
Balance, end of year	51,541	56,016
Retained Earnings:		
Balance, beginning of year	(31,076)	17,318
Changes of items in the year:		
Transfer to retained earnings from capital surplus	67,946	–
Net income (loss)	(19,552)	531
Total changes of items in the year	48,394	531
Balance, end of year	17,318	17,849
Treasury Stock:		
Balance, beginning of year	(11,050)	(11,050)
Changes of items in the year:		
Purchase of treasury stock	(0)	(1)
Disposal of treasury stock	0	–
Total changes of items in the year	(0)	(1)
Balance, end of year	(11,050)	(11,051)
Total Shareholders' Equity:		
Balance, beginning of year	164,618	145,066
Changes of items in the year:		
Issuance of new shares	–	8,950
Net income (loss)	(19,552)	531
Purchase of treasury stock	(0)	(1)
Disposal of treasury stock	0	–
Total changes of items in the year	(19,552)	9,480
Balance, end of year	¥145,066	¥154,546

(In millions of yen)

	Year ended March 31	
	2013	2014
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Unrealized Gain (Loss) on Available-for-sale Securities:		
Balance, beginning of year	¥ (1,064)	¥ 695
Changes of items in the year:		
Net changes of items other than shareholders' equity	1,759	473
Total changes of items in the year	1,759	473
Balance, end of year	695	1,168
Deferred Loss on Derivatives Under Hedge Accounting:		
Balance, beginning of year	(105)	(34)
Changes of items in the year:		
Net changes of items other than shareholders' equity	71	34
Total changes of items in the year	71	34
Balance, end of year	(34)	-
Foreign Currency Translation Adjustments:		
Balance, beginning of year	(77,140)	(66,260)
Changes of items in the year:		
Net changes of items other than shareholders' equity	10,880	6,572
Total changes of items in the year	10,880	6,572
Balance, end of year	(66,260)	(59,688)
Pension Adjustments Recognized by Foreign Consolidated Subsidiaries:		
Balance, beginning of year	(2,196)	(3,063)
Changes of items in the year:		
Net changes of items other than shareholders' equity	(867)	3,063
Total changes of items in the year	(867)	3,063
Balance, end of year	(3,063)	-
Adjustment to Retirement Benefits:		
Balance, beginning of year	-	-
Changes of items in the year:		
Net changes of items other than shareholders' equity	-	(23,567)
Total changes of items in the year	-	(23,567)
Balance, end of year	-	(23,567)
Total Accumulated Other Comprehensive Loss:		
Balance, beginning of year	(80,505)	(68,662)
Changes of items in the year:		
Net changes of items other than shareholders' equity	11,843	(13,425)
Total changes of items in the year	11,843	(13,425)
Balance, end of year	¥(68,662)	¥(82,087)

(In millions of yen)

	Year ended March 31	
	2013	2014
<u>MINORITY INTERESTS</u>		
Balance, beginning of year	¥ 4,924	¥ 5,172
Changes of items in the year:		
Net changes of items other than shareholders' equity	248	185
Total changes of items in the year	248	185
Balance, end of year	5,172	5,357
<u>TOTAL EQUITY</u>		
Balance, beginning of year	89,037	81,576
Changes of items in the year:		
Issuance of new shares	-	8,950
Net income (loss)	(19,552)	531
Purchase of treasury stock	(0)	(1)
Disposal of treasury stock	0	-
Net changes of items other than shareholders' equity	12,091	(13,240)
Total changes of items in the year	(7,461)	(3,760)
Balance, end of year	¥ 81,576	¥ 77,816

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

(In millions of yen)

	Year ended March 31	
	2013	2014
Cash flows from operating activities:		
Income (loss) before income taxes and minority interests	¥(10,801)	¥ 5,665
Depreciation and amortization	25,413	24,883
Impairment loss	61	14
Increase in accrued pension and severance costs	1,845	–
Increase in liabilities related to retirement benefits	–	225
Increase (decrease) in provision for restructuring costs	6,211	(6,211)
Interest and dividend income	(285)	(281)
Interest expense	2,587	2,672
Insurance income for disaster	(291)	(630)
Loss (gain) on sale of noncurrent assets	3	(1,328)
Loss on impairment of investment securities	5,040	–
Gain on sale of investment securities	(253)	–
Decrease (increase) in trade receivables	3,611	(8,648)
Decrease (increase) in inventories	(1,352)	9,773
Increase (decrease) in trade payables	(18,714)	11,278
Increase (decrease) in accrued expenses	(9,807)	2,960
Other—net	3,627	(548)
Subtotal	6,895	39,824
Interest and dividend income received	285	279
Interest expense paid	(2,620)	(2,627)
Proceeds from insurance income for disaster	1,788	128
Income taxes paid	(5,169)	(3,362)
Net cash provided by operating activities	1,179	34,242
Cash flows from investing activities:		
Increase in time deposits	(991)	(305)
Purchase of noncurrent assets	(34,965)	(26,053)
Proceeds from sale of noncurrent assets	356	4,536
Other—net	361	(40)
Net cash used in investing activities	(35,239)	(21,862)
Cash flows from financing activities:		
Net increase in short-term borrowings	10,264	818
Proceeds from long-term debt	70,288	56,325
Repayment of long-term debt	(75,070)	(66,732)
Repayment of lease obligation	(2,168)	(1,924)
Proceeds from sale and lease-back transactions	3,413	2,030
Proceeds from issuance of new shares	–	8,643
Other—net	291	(47)
Net cash provided by (used in) financing activities	7,018	(887)
Foreign currency translation adjustments on cash and cash equivalents	2,056	1,444
Net increase (decrease) in cash and cash equivalents	(24,986)	12,937
Cash and cash equivalents, beginning of year	45,953	20,967
Cash and cash equivalents, end of year	¥ 20,967	¥ 33,904

**(6) CHANGES IN ACCOUNTING POLICY**

<Fiscal year ended March 31, 2014>

From the end of fiscal 2014, the Company has applied “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26 of May 17, 2012) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25 of May 17, 2012), except for paragraph 35 of the Standard and paragraph 67 of the Guidance. The Company changed its accounting method to record “liabilities related to retirement benefits” for the amount deducting plan assets from defined benefit obligations which included unrecognized actuarial gains and losses, unrecognized prior service costs, and unamortized net retirement benefit obligation at transition due to the revised accounting standard.

The Company also reflected the impact of the accounting change in “adjustments to retirement benefits” under accumulated other comprehensive loss at the end of fiscal 2014.

In addition, as the Company has applied the Standard, the Company included “pension adjustments recognized by foreign consolidated subsidiaries,” that recorded ¥(3,332) million at the end of fiscal 2014, in “adjustments to retirement benefits” in total accumulated other comprehensive loss at the end of fiscal 2014.

As a result, the Company recorded “liabilities related to retirement benefits” of ¥34,585 million at the end of fiscal 2014. In addition, accumulated other comprehensive loss decreased by ¥20,235 million.

**(7) SEGMENT INFORMATION**

&lt;Net Sales by Segment&gt;

(In millions of yen)

	Year ended March 31				
	2013		2014		Percent change
	Amount	Ratio	Amount	Ratio	
Car Electronics:					
Japan	¥144,978	32.1%	¥151,248	30.4%	+4.3%
Overseas	167,590	37.1	196,827	39.5	+17.4
Total	312,568	69.2	348,075	69.9	+11.4
Home Electronics:					
Japan	30,501	6.8	32,396	6.5	+6.2
Overseas	65,424	14.4	75,630	15.2	+15.6
Total	95,925	21.2	108,026	21.7	+12.6
Others:					
Japan	26,264	5.7	26,360	5.3	+0.4
Overseas	17,084	3.9	15,590	3.1	-8.7
Total	43,348	9.6	41,950	8.4	-3.2
Consolidated:					
Japan	201,743	44.6	210,004	42.2	+4.1
Overseas	250,098	55.4	288,047	57.8	+15.2
Total	¥451,841	100.0%	¥498,051	100.0%	+10.2%

&lt;Segment Information&gt;

## 1. Overview of Segments

The segments of the Company are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic investigation to determine distribution of management resources and evaluate their business results.

The Company has its business divisions identified by products and services. Each business division plans its comprehensive domestic and overseas strategy for its products and services, and operates its business activities.

Therefore, the Company consists of its business divisions, identified by products and services, that are three segments of “Car Electronics,” “Home Electronics” and “Others.”

Principal products and services included in each segment are as follows;

Car Electronics:

car navigation systems, car stereos, car AV systems and car speakers

Home Electronics:

audio systems, audio components, DJ equipment, equipment for cable-TV systems, Blu-ray Disc players, Blu-ray Disc drives, DVD players, DVD drives and AV accessories

Others:

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

## 2. Sales, Income (Loss), Assets and Other Items

(In millions of yen)

Year ended March 31, 2013	Segment				Reconciliations *1	Consolidated *2
	Car Electronics	Home Electronics	Others	Total		
Sales:						
Sales to external customers	¥312,568	¥ 95,925	¥43,348	¥451,841	-	¥451,841
Intersegment sales	693	257	7,517	8,467	¥ (8,467)	-
Total sales	313,261	96,182	50,865	460,308	(8,467)	451,841
Segment income (loss)	9,786	(2,798)	(937)	6,051	(54)	5,997
Segment assets	92,593	23,195	22,109	137,897	173,428	311,325
Other items:						
Depreciation	17,985	3,161	2,565	23,711	1,702	25,413
Amortization of goodwill	-	-	-	-	42	42
Increase in property, plant and equipment and intangible assets	¥ 16,791	¥ 3,362	¥ 3,479	¥ 23,632	¥ 457	¥ 24,089

## Notes:

- (1) Reconciliations of ¥(54) million recorded for segment income (loss) include elimination of intersegment transactions of ¥2,614 million and corporate expenses of ¥(2,668) 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) Reconciliations recorded for segment assets of ¥173,428 million are corporate assets which are not allocated to any segment.
  - (3) Reconciliations recorded for increase in property, plant and equipment and intangible assets of ¥457 million are capital investments principally for software.
2. Adjustments are made to reconcile segment income (loss) to operating income presented in the accompanying consolidated statements of operations.



(In millions of yen)

Year ended March 31, 2014	Segment				Reconciliations *1	Consolidated *2
	Car Electronics	Home Electronics	Others	Total		
Sales:						
Sales to external customers	¥348,075	¥108,026	¥41,950	¥498,051	-	¥498,051
Intersegment sales	672	175	8,268	9,115	¥ (9,115)	-
Total sales	348,747	108,201	50,218	507,166	(9,115)	498,051
Segment income (loss)	12,431	91	(888)	11,634	(465)	11,169
Segment assets	88,114	20,039	20,919	129,072	198,841	327,913
Other items:						
Depreciation	18,790	2,116	2,336	23,242	1,641	24,883
Amortization of goodwill	-	-	-	-	42	42
Increase in property, plant and equipment and intangible assets	¥ 16,651	¥ 2,594	¥ 2,209	¥ 21,454	¥ 681	¥ 22,135

## Notes:

1. (1) Reconciliations of ¥(465) million recorded for segment income (loss) include elimination of intersegment transactions of ¥630 million and corporate expenses of ¥(1,095) 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) Reconciliations recorded for segment assets of ¥198,841 million are corporate assets which are not allocated to any segment.
- (3) Reconciliations recorded for increase in property, plant and equipment and intangible assets of ¥681 million are capital investments principally for software.
2. Adjustments are made to reconcile segment income (loss) to operating income presented in the accompanying consolidated statements of operations.