PIONEER CORPORATION
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News Release

For Immediate Release
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Pioneer Announces Business Results for 1Q Fiscal 2015

Pioneer Corporation today announced its consolidated first-quarter business results for the period ended June 30, 2014.

Consolidated Financial Highlights

(In millions of yen except per share information)

	Three months ended June 30		
	2014	2013	Percent change
Net sales	¥113,334	¥109,257	+3.7%
Operating income (loss)	265	(7,568)	–
Ordinary loss	(279)	(9,151)	–
Net loss	¥ (2,089)	¥ (10,076)	–%
Net loss per share	¥(5.69)	¥(31.23)	

Consolidated Business Results

For the first quarter of fiscal 2015, the three months ended June 30, 2014, consolidated net sales increased 3.7% year on year, to ¥113,334 million, primarily from increased consumer-market sales of Car Electronics and a positive effect from the Japanese yen's depreciation.

Operating income was ¥265 million, compared with an operating loss of ¥7,568 million for the first quarter of fiscal 2014, from an improved cost of sales ratio and lower selling, general and administrative (SG&A) expenses. The net loss was reduced to ¥2,089 million, compared with a net loss of ¥10,076 million for the first quarter of fiscal 2014, mainly because of the improvement in operating income.

During the first quarter of fiscal 2015, the average value of the Japanese yen declined 3.3% against the U.S. dollar year on year, to ¥102.16=1 U.S. dollar, and 7.9% against the euro, to ¥140.07=1 euro.

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Car Electronics sales grew 4.2% year on year, to ¥82,427 million. Car navigation system sales increased. Consumer-market sales rose on increased sales in Japan and overseas. OEM sales increased as well, with growth in overseas sales, primarily in China, more than offsetting a decline in sales in Japan. Car audio product sales also grew. Consumer-market sales rose on increased sales, primarily in North America and Central and South America, and despite lower sales in Europe. OEM sales increased as well, with growth in Southeast Asia and China more than offsetting declines in North America and Japan. OEM sales accounted for 56% of total Car Electronics sales, compared with 58% a year earlier.

By geographic region, sales in Japan declined 2.1%, to ¥33,622 million, and overseas sales grew 9.1%, to ¥48,805 million.

The segment recorded operating income of ¥1,994 million, compared with an operating loss of ¥3,077 million for the first quarter of fiscal 2014, from an improved cost of sales ratio and lower SG&A expenses, combined with higher sales.

Home Electronics sales increased 1.0% year on year, to ¥21,266 million. Although sales of home AV products declined, sales of optical disc drive-related products, DJ equipment and equipment for cable-TV systems grew. Segment sales also benefited from the positive effect of the Japanese yen's depreciation.

By geographic region, sales in Japan rose 15.5%, to ¥8,022 million, while overseas sales declined 6.1%, to ¥13,244 million.

The segment's operating loss contracted to ¥1,373 million, compared with an operating loss of ¥3,510 million for the first quarter of fiscal 2014, from an improved cost of sales ratio and lower SG&A expenses.

In the **Others** segment, sales rose 5.8% year on year, to ¥9,641 million, primarily from increased sales of electronic devices and parts, and despite lower sales of factory automation systems.

By geographic region, sales in Japan increased 12.7%, to ¥5,716 million, while overseas sales declined 2.9%, to ¥3,925 million.

The segment's operating loss was reduced to ¥229 million, compared with an operating loss of ¥999 million for the first quarter of fiscal 2014, from a reduction in SG&A expenses and an improved cost of sales ratio.

Notes: 1. Operating income (loss) in each business segment represents operating income (loss) before elimination of intersegment transactions.
2. In the first quarter of fiscal 2015, telephones were reclassified from the Others segment to the Home Electronics segment. Accordingly, figures for the first quarter of fiscal 2014 have been reclassified to conform with the presentation used in the first quarter of fiscal 2015.

Consolidated Financial Position

Total assets as of June 30, 2014 were ¥321,656 million, a decrease of ¥6,257 million from March 31, 2014. Although inventories increased, the decline in total assets reflected a decrease in trade receivables. Inventories grew ¥2,376 million, to ¥72,747 million, reflecting inventory buildups in Car Electronics and Home Electronics based on sales plans for the second quarter onward. Trade receivables decreased ¥9,283 million, to ¥76,277 million, reflecting lower sales for the first quarter of fiscal 2015 compared with sales in the fourth quarter of fiscal 2014.

Total liabilities were ¥245,632 million, a ¥4,465 million decrease from March 31, 2014. This was primarily the result of a ¥1,179 million decrease in liabilities related to retirement benefits, associated with changes in accounting standards, as well as a ¥1,109 million reduction in income taxes payable and an ¥889 million decrease in accrued expenses.

Total equity was ¥76,024 million, a decrease of ¥1,792 million from March 31, 2014, the result of recording a ¥2,089 million net loss for the quarter, and a ¥1,212 million decrease in foreign currency translation adjustments from the Japanese yen's appreciation since March 31, 2014.

Cash Flows

During the three months ended June 30, 2014, operating activities provided net cash in the amount of ¥5,013 million, a ¥6,144 million decrease from the year-earlier period. Despite a ¥9,388 million decrease in the loss before income taxes and minority interests and the absence of the year-earlier ¥6,211 million decrease in provision for restructuring costs, an ¥8,897 million decrease in the amount of increase in trade payables, an ¥837 million decrease in accrued expenses, compared with a year-earlier ¥7,263 million increase, and a ¥2,839 million additional increase in inventories resulted in an overall decrease.

Investing activities used net cash in the amount of ¥4,805 million, a ¥1,683 million decrease from the year-earlier period. This was mainly because of a ¥1,865 million decrease in outlays for the purchase of noncurrent assets.

Financing activities used net cash in the amount of ¥916 million, compared with ¥8,229 million of net cash provided in the year-earlier period, which reflected the ¥8,823 million provided from the capital increase through third-party allotments in the first quarter of fiscal 2014.

Foreign currency translation adjustments on cash and cash equivalents were a negative ¥266 million, compared with a positive ¥605 million in the year-earlier period.

As a result, cash and cash equivalents as of June 30, 2014, totaled ¥32,930 million, a ¥974 million decrease from March 31, 2014.

Business Forecasts for Fiscal 2015

Consolidated business forecasts for fiscal 2015, ending March 31, 2015, have not been changed from those announced on May 12, 2014.

(In millions of yen)

	First half			Full year		
	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 the above consolidated business forecasts, the yen–U.S. dollar and yen–euro exchange rate assumptions for the second quarter onward remain unchanged at ¥100 and ¥135, respectively.

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 ended June 30, 2014.

(1) CONSOLIDATED BALANCE SHEETS

(In millions of yen)

	March 31, 2014	June 30, 2014
ASSETS		
Current assets:		
Cash and deposits	¥ 35,397	¥ 34,317
Trade receivables	85,560	76,277
Finished products	34,778	37,971
Work in process	11,279	10,705
Raw materials and supplies	24,314	24,071
Deferred tax assets	4,542	4,431
Other current assets	16,990	20,107
Allowance for doubtful receivables	(1,448)	(1,308)
Total current assets	211,412	206,571
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures	68,419	68,057
Machinery, vehicles, tools, furniture and fixtures	143,907	142,997
Lease assets	12,668	12,924
Others	18,577	18,433
Accumulated depreciation	(182,742)	(182,391)
Net property, plant and equipment	60,829	60,020
Intangible assets:		
Goodwill	564	553
Software	17,058	18,026
Software in progress	21,237	20,283
Others	1,198	868
Total intangible assets	40,057	39,730
Investments and other assets:		
Investment securities	7,229	7,152
Deferred tax assets	5,697	5,469
Others	2,580	2,630
Allowance for doubtful accounts	(111)	(111)
Total investments and other assets	15,395	15,140
Total noncurrent assets	116,281	114,890
Deferred assets	220	195
Total assets	¥ 327,913	¥ 321,656

(In millions of yen)

	March 31, 2014	June 30, 2014
LIABILITIES		
Current liabilities:		
Trade payables	¥ 71,657	¥ 71,003
Short-term borrowings	22,178	21,544
Current portion of long-term debt	65,270	65,270
Income taxes payable	2,817	1,708
Accrued expenses	28,973	28,084
Warranty reserve	2,290	2,181
Other current liabilities	18,631	19,052
Total current liabilities	211,816	208,842
Long-term liabilities:		
Liabilities related to retirement benefits	34,585	33,406
Other long-term liabilities	3,696	3,384
Total long-term liabilities	38,281	36,790
Total liabilities	250,097	245,632
EQUITY		
Shareholders' equity:		
Common stock	91,732	91,732
Capital surplus	56,016	56,016
Retained earnings	17,849	16,556
Treasury stock	(11,051)	(11,051)
Total shareholders' equity	154,546	153,253
Accumulated other comprehensive income (loss):		
Unrealized gain on available-for-sale securities	1,168	1,236
Deferred gain on derivatives under hedge accounting	–	70
Foreign currency translation adjustments	(59,688)	(60,900)
Defined retirement benefit plans	(23,567)	(23,001)
Total accumulated other comprehensive loss	(82,087)	(82,595)
Minority interests	5,357	5,366
Total equity	77,816	76,024
Total liabilities and equity	¥327,913	¥321,656

(2) CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions of yen)

	Three months ended June 30	
	2013	2014
Net sales	¥109,257	¥113,334
Cost of sales	93,045	91,111
Gross profit	16,212	22,223
Selling, general and administrative expenses	23,780	21,958
Operating income (loss)	(7,568)	265
Non-operating income:		
Interest income	31	46
Dividend income	18	18
Equity in earnings of affiliated companies	48	–
Exchange gain	–	509
Others	63	59
Total non-operating income	160	632
Non-operating expenses:		
Interest expenses	669	646
Equity in losses of affiliated companies	–	47
Exchange loss	706	–
Others	368	483
Total non-operating expenses	1,743	1,176
Ordinary loss	(9,151)	(279)
Extraordinary income:		
Gain on sale of property, plant and equipment	98	18
Gain on sale of investment in subsidiary	–	327
Total extraordinary income	98	345
Extraordinary loss:		
Restructuring costs	305	43
Loss on sale and disposal of property, plant and equipment	29	26
Others	4	–
Total extraordinary loss	338	69
Loss before income taxes and minority interests	(9,391)	(3)
Income taxes:		
Current	930	1,650
Deferred	(85)	336
Total income taxes	845	1,986
Loss before minority interests	(10,236)	(1,989)
Minority interests	(160)	100
Net loss	¥ (10,076)	¥ (2,089)

(3) CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In millions of yen)

	Three months ended June 30	
	2013	2014
Loss before minority interests	¥(10,236)	¥(1,989)
Other comprehensive income (loss):		
Unrealized gain on available-for-sale securities	1,314	68
Deferred gain on derivatives under hedge accounting	1	70
Foreign currency translation adjustments	3,077	(1,275)
Portion of other comprehensive gain (loss) of associates	165	(28)
Pension adjustments recognized by foreign subsidiaries	(147)	–
Defined retirement benefit plans	–	566
Total other comprehensive income (loss)	4,410	(599)
Comprehensive loss	¥ (5,826)	¥(2,588)
Comprehensive loss attributable to:		
Shareholders of the parent company	¥(5,804)	¥(2,597)
Minority interests	¥ (22)	¥ 9

(4) CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions of yen)

	Three months ended June 30	
	2013	2014
Cash flows from operating activities:		
Loss before income taxes and minority interests	¥ (9,391)	¥ (3)
Depreciation and amortization	6,502	5,474
Increase in accrued pension and severance costs	264	–
Decrease in liabilities related to retirement benefits	–	(312)
Decrease in provision for restructuring costs	(6,211)	–
Interest and dividends income	(49)	(64)
Interest expenses	669	646
Decrease in trade receivables	6,943	8,512
Increase in inventories	(106)	(2,945)
Increase in trade payables	9,048	151
Increase (decrease) in accrued expenses	7,263	(837)
Other—net	(1,980)	(3,113)
Subtotal	12,952	7,509
Interest and dividends income received	49	137
Interest expenses paid	(651)	(574)
Income taxes paid	(1,193)	(2,059)
Net cash provided by operating activities	11,157	5,013
Cash flows from investing activities:		
Decrease (increase) in time deposits	(161)	82
Purchase of noncurrent assets	(6,864)	(4,999)
Proceeds from sale of noncurrent assets	653	41
Net decrease from sale of subsidiary stock resulting in change in scope of consolidation	–	(154)
Other—net	(116)	225
Net cash used in investing activities	(6,488)	(4,805)
Cash flows from financing activities:		
Net decrease in short-term borrowings	(202)	(488)
Proceeds from issuance of new shares	8,823	–
Repayments of lease obligations	(388)	(428)
Other—net	(4)	–
Net cash provided by (used in) financing activities	8,229	(916)
Foreign currency translation adjustments on cash and cash equivalents	605	(266)
Net increase (decrease) in cash and cash equivalents	13,503	(974)
Cash and cash equivalents, beginning of period	20,967	33,904
Cash and cash equivalents, end of period	¥34,470	¥32,930

(5) CHANGE IN ACCOUNTING POLICY

Effective from the first quarter of fiscal 2015, the Company has applied ASBJ Statement No. 26, issued on May 17, 2012, "Accounting Standard for Retirement Benefits" (hereinafter the "Retirement Benefit Accounting Standard") and ASBJ Guidance No. 25, May 17, 2012, "Guidance on Accounting Standard for Retirement Benefits" (hereinafter the "Guidance on Retirement Benefits"), in accordance with the provisions of Paragraph 35 of the Retirement Benefit Accounting Standard and Paragraph 67 of the Guidance on Retirement Benefits. Consequently, the Company has changed the method of attributing projected benefit to periods from the straight-line basis to the benefit formula basis in line with the revision of the method for calculating retirement benefit obligations and service costs. With respect to the method for the determining the discount rate, the Company has been using a single weighted-average discount rate that reflects the periods until the expected payment of retirement benefits and the amount of projected benefits every such period.

With regard to the application of the Retirement Benefit Accounting Standard, etc., in accordance with the transitional treatment provided in Paragraph 37 of the Retirement Benefit Accounting Standard, the effect of the changing the method for calculating retirement benefit obligations and service costs was recognized by adjusting retained earnings at the beginning of the first quarter of fiscal 2015.

As a result, liabilities related to retirement benefits at the beginning of the first quarter of fiscal 2015 decreased by ¥812 million and retained earnings increased by ¥796 million. The impact of these changes on profit and loss for the first quarter of fiscal 2015 was immaterial.

(6) SEGMENT INFORMATION

<Net Sales by Segment>

(In millions of yen)

	Three months ended June 30				
	2013		2014		Percent change
	Amount	Ratio	Amount	Ratio	
Car Electronics:					
Japan	¥ 34,352	31.4%	¥ 33,622	29.7%	–2.1%
Overseas	44,736	41.0	48,805	43.0	+9.1
Total	79,088	72.4	82,427	72.7	+4.2
Home Electronics:					
Japan	6,944	6.4	8,022	7.1	+15.5
Overseas	14,111	12.9	13,244	11.7	–6.1
Total	21,055	19.3	21,266	18.8	+1.0
Others:					
Japan	5,070	4.6	5,716	5.0	+12.7
Overseas	4,044	3.7	3,925	3.5	–2.9
Total	9,114	8.3	9,641	8.5	+5.8
Consolidated:					
Japan	46,366	42.4	47,360	41.8	+2.1
Overseas	62,891	57.6	65,974	58.2	+4.9
Total	¥109,257	100.0%	¥113,334	100.0%	+3.7%

<Sales and Income (Loss) by Segment>

(In millions of yen)

Three months ended June 30, 2013	Car Electronics	Home Electronics	Others	Total	Reconciliations * 1	Consolidated * 2
Sales:						
Sales to external customers	¥79,088	¥21,055	¥ 9,114	¥109,257	–	¥109,257
Intersegment sales	190	51	2,049	2,290	¥(2,290)	–
Total sales	79,278	21,106	11,163	111,547	(2,290)	109,257
Segment loss	¥ (3,077)	¥ (3,510)	¥ (999)	¥ (7,586)	¥ 18	¥ (7,568)

Notes:
1. Reconciliations of ¥18 million recorded for segment loss include elimination of intersegment transactions of ¥94 million and corporate expenses of ¥(76) 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 loss to operating loss presented in the accompanying consolidated statements of operations.

(In millions of yen)

Three months ended June 30, 2014	Car Electronics	Home Electronics	Others	Total	Reconciliations * 1	Consolidated * 2
Sales:						
Sales to external customers	¥82,427	¥21,266	¥ 9,641	¥113,334	–	¥113,334
Intersegment sales	153	29	1,947	2,129	¥(2,129)	–
Total sales	82,580	21,295	11,588	115,463	(2,129)	113,334
Segment income (loss)	¥ 1,994	¥ (1,373)	¥ (229)	¥ 392	¥ (127)	¥ 265

Notes:
1. Reconciliations of ¥(127) million recorded for segment income (loss) include elimination of intersegment transactions of ¥195 million and corporate expenses of ¥(322) 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.

<Change in Segment>

In the first quarter of fiscal 2015, telephones were reclassified from the Others segment to the Home Electronics segment. Accordingly, figures for the first quarter of fiscal 2014 have been reclassified to conform with the presentation used in the first quarter of fiscal 2015.