

News Release

**For Immediate Release
May 12, 2016**

Pioneer Announces Business Results for Fiscal 2016

Pioneer Corporation today announced its consolidated business results for fiscal 2016, the year ended March 31, 2016.

Consolidated Financial Highlights

(In millions of yen except per share information)
Year ended March 31

	2016	2015	Percent change
Net sales	¥449,630	¥501,676	-10.4%
Operating income	7,304	7,778	-6.1
Ordinary income (loss)	7,250	(2,915)	-
Net income *	¥ 731	¥ 14,632	-95.0%
Net income per share *	¥1.99	¥39.85	

* Net income attributable to owners of Pioneer Corporation

Consolidated Business Results

In fiscal 2016, consolidated net sales declined 10.4% year on year, to ¥449,630 million. This decrease was mainly due to the impact of the transfers of the home AV business and DJ equipment business in fiscal 2015, combined with a decline in consumer-market car audio sales, mainly in emerging markets, despite an increase in OEM car audio sales.

Operating income was ¥7,304 million, a 6.1% decrease year on year. Despite lower selling, general and administrative (SG&A) expenses as a result of the business transfers and organizational streamlining, a deterioration in the cost of sales ratio mainly due to an increase in depreciation and amortization, as well as a decrease in gross profit due to lower sales led to an overall decrease in operating income. Net income attributable to owners of Pioneer was ¥731 million, a 95.0% decrease from the previous fiscal year, reflecting the absence of the ¥48,415 million gain recorded from the transfer of the DJ equipment business in fiscal 2015, despite a turnaround to a foreign exchange gain from the previous year's foreign exchange loss.

During fiscal 2016, the average value of the Japanese yen declined 8.5% against the U.S. dollar, to ¥120.14=1 U.S. dollar, and rose 4.7% against the euro, to ¥132.58=1 euro, compared with the previous fiscal year.

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Car Electronics sales declined 1.2% year on year, to ¥351,293 million.

Sales of car audio products decreased. Consumer-market sales declined, mainly from lower sales in emerging markets. OEM sales rose owing to increases mainly in Japan and North America.

Car navigation system sales increased. Consumer-market sales declined in Japan, but growth in China resulted in an overall increase. OEM sales rose owing to increases in Southeast Asia and China, despite decreases in Japan and North America.

OEM sales accounted for 61% of total Car Electronics sales, compared with 57% in the previous fiscal year.

By geographic region, sales in Japan declined 1.9%, to ¥128,912 million, and overseas sales declined 0.8%, to ¥222,381 million.

Operating income declined 36.0% year on year, to ¥7,032 million, as a result of the deterioration in the cost of sales ratio mainly due to increased depreciation and amortization, and foreign exchange rate movements, as well as lower sales, despite a reduction in SG&A expenses.

In the **Others** segment, sales declined 32.7% year on year, to ¥98,337 million, primarily because of the transfers of businesses in fiscal 2015.

By geographic region, sales in Japan decreased 14.2%, to ¥52,958 million, and overseas sales declined 46.2%, to ¥45,379 million.

Operating income was ¥1,405 million, compared with an operating loss of ¥2,388 million in fiscal 2015, mainly reflecting a decline in SG&A expenses.

Notes: 1. Operating income (loss) in each business segment represents operating income (loss) before elimination of intersegment transactions.

2. In fiscal 2015, the home AV, telephone, headphone-related, and DJ equipment businesses were transferred. In accordance with these transfers, the business segments from fiscal 2016 are classified as "Car Electronics" and "Others." Figures shown for fiscal 2015 have been reclassified accordingly.

Consolidated Financial Position

Total assets as of March 31, 2016, were ¥298,012 million, a decrease of ¥30,265 million from March 31, 2015, due to decreases in property, plant and equipment, inventories, and trade receivables, despite an increase in intangible assets. Intangible assets grew ¥5,422 million, to ¥46,960 million, mainly from new purchases of software to be installed in products. On the other hand, property, plant and equipment decreased ¥14,935 million, to ¥42,694 million, mainly from the sale of land and buildings associated with the relocation of the head office. Inventories decreased ¥10,458 million, to ¥52,837 million, mainly from foreign exchange rate movements. Trade receivables decreased ¥4,562 million, to ¥74,596 million, mostly from foreign exchange rate movements.

Total liabilities were ¥207,526 million, a ¥13,685 million decline from March 31, 2015. Despite the issuance of ¥15,075 million of convertible bonds and a ¥6,906 million increase in accrued pension and severance costs mainly due to a change in the discount rate, accrued expenses decreased ¥13,927 million, mainly due to the payment of special retirement benefits associated with organizational streamlining carried out in fiscal 2015, and a ¥6,538 million decrease in trade payables, mostly from foreign exchange rate movements. In addition, a ¥5,614 million decrease in short-term borrowings and a ¥6,367 million decrease in current portion of long-term debt resulted in an overall decline of liabilities.

Total equity was ¥90,486 million, a decrease of ¥16,580 million from March 31, 2015, mainly reflecting decreases of ¥8,960 million in foreign currency translation adjustments and ¥7,590 million in defined retirement benefit plans.

Cash Flows

During fiscal 2016, operating activities provided net cash in the amount of ¥19,292 million, a ¥15,272 million decrease from the previous fiscal year. This reflected a ¥9,602 million decrease in accrued expenses, mainly due to the payment of special retirement benefits, compared with a ¥16,196 million increase in the previous fiscal year, and a decrease in trade receivables of ¥912 million, compared with a ¥10,807 million decrease in the previous fiscal year.

Investing activities used net cash in the amount of ¥20,083 million, compared with ¥36,880 million in net cash provided in the previous fiscal year. This primarily reflected the absence of the ¥57,124 million of cash inflows from business transfers recorded in the previous fiscal year.

Financing activities provided net cash in the amount of ¥3,408 million, compared with ¥55,424 million in net cash used in the previous fiscal year. This mainly reflected proceeds of ¥15,060 million from the issuance of convertible bonds in fiscal 2016.

Foreign currency translation adjustments on cash and cash equivalents were a negative ¥2,300 million, compared with a positive ¥1,752 million in the previous fiscal year.

As a result, cash and cash equivalents as of March 31, 2016, totaled ¥51,993 million, a ¥317 million increase from March 31, 2015.

Business Forecasts for Fiscal 2017

Consolidated business forecasts for fiscal 2017, ending March 31, 2017, are as follows:

(In millions of yen)

	First half			Full year		
	Forecasts for fiscal 2017	Results for fiscal 2016	Percent change	Forecasts for fiscal 2017	Results for fiscal 2016	Percent change
Net sales	¥200,000	¥222,595	-10.2%	¥420,000	¥449,630	-6.6%
Operating income	1,500	2,078	-27.8	8,000	7,304	+9.5
Ordinary income	1,000	1,405	-28.8	7,000	7,250	-3.4
Net income (loss) *	¥ (2,000)	¥ (1,994)	-%	¥ 1,000	¥ 731	+36.8%

* Net income (loss) attributable to owners of Pioneer Corporation

For fiscal 2017, Pioneer is projecting lower sales and higher profit compared with fiscal 2016.

The projected decline in net sales is based on an anticipated decrease in car OEM orders, and a forecast for lower sales of optical disc drive-related products.

In terms of profit, the projected decline in net sales will lead to lower gross profit, but with an anticipated improvement in the cost of sales ratio, operating income is expected ¥8.0 billion. The forecasts for ordinary income and net income attributable to owners of Pioneer are ¥7.0 billion and ¥1.0 billion, respectively.

The yen-U.S. dollar exchange rate assumption for fiscal 2017 is ¥115, and the yen-euro exchange rate assumption is ¥125.

Basic Management Policies

As its basic management policies, Pioneer aims to create new markets and cultures with products and services borne from innovative, unique ideas and cutting-edge technologies that continue to realize our Group Philosophy of “Move the Heart and Touch the Soul.”

Issues to Be Addressed

In terms of Pioneer’s operating environment, long-term continued growth is forecast for the automotive industry, led by emerging markets. The car electronics industry is entering a period of major changes against a backdrop of the increasingly diverse needs of customers, with moves, especially in developed markets, toward growing the connected car business in which hardware has the functions of information and communication devices, and toward realizing autonomous driving.

We view these significant changes in the car electronics industry as our business opportunity to position ourselves for future growth. Our aim is to be a leading company in “Comprehensive Infotainment” that creates comfort, excitement, reliability and safety in vehicles.

Toward this goal, we will implement the growth strategy for the Car Electronics segment to strengthen our earnings base. This will include increasing development efficiency and reducing development costs through the integrated AV products and navigation system development, with business pillars of consumer-market, OEM, and map and autonomous driving.

In the consumer-market business, we will work to increase sales by introducing new products that offer new value with features including entertainment in vehicles and smartphone-linked functionality. We will also strengthen our new commercial business with cloud-based services, including services for automobile insurance and a *Vehicle Assist* telematics service for fleet vehicles. In emerging markets, we aim to increase sales by strengthening our affordably-priced product line, such as through the introduction of new products tailored to local markets.

In the OEM business, we will work to optimize our overall business process to accommodate a large scale of orders from existing customers. We will also work to increase development efficiency through developing and designing products that anticipate customer needs, as a way to win new orders. Through these measures, we intend to improve the profitability of the OEM business.

In the map business and autonomous driving field, we will continue to develop high-precision map data in Japan and expand the map business to the ASEAN region. We are working to realize autonomous driving with the development of the “3D-LiDAR” driving space sensor and a “data ecosystem” for advanced maps, with the aim of being an “essential company toward realization of autonomous driving.”

In terms of new businesses, we will work toward the effective development of a medical and health care-related business and an OLED lighting business.

In fiscal 2017, we will make upfront investment for the future growth of the Car Electronics segment, while also maintaining solid earnings in the consumer-market business and giving significant attention to the realization of autonomous driving.

Basic Rationale for Selection of Accounting Standards

To facilitate comparisons of its consolidated financial statements across time periods and with other companies, the Pioneer Group has prepared its consolidated financial statements based on Japanese generally accepted accounting principles (JGAAP).

With regard to the adoption of international financial reporting standards (IFRS), Pioneer intends to monitor developments in Japan and overseas, and to respond appropriately to those developments.

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 U.S. dollar, the euro, 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 car electronics 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, 2016.

(1) CONSOLIDATED BALANCE SHEETS

(In millions of yen)

	March 31	
	2015	2016
ASSETS		
Current assets:		
Cash and deposits	52,160	51,993
Trade receivables	79,158	74,596
Finished products	29,039	21,882
Work in process	11,065	12,306
Raw materials and supplies	23,191	18,649
Deferred tax assets	4,563	4,027
Other current assets	20,666	17,555
Allowance for doubtful receivables	(2,195)	(3,308)
Total current assets	217,647	197,700
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures	64,524	52,138
Accumulated depreciation	(41,942)	(36,679)
Net	22,582	15,459
Machinery and vehicles	60,067	66,185
Accumulated depreciation	(50,856)	(55,884)
Net	9,211	10,301
Land	16,053	11,103
Lease assets	15,040	6,975
Accumulated depreciation	(10,281)	(5,407)
Net	4,759	1,568
Construction in progress	484	343
Others	79,657	64,478
Accumulated depreciation	(75,117)	(60,558)
Net	4,540	3,920
Net property, plant and equipment	57,629	42,694
Intangible assets:		
Goodwill	522	480
Software	25,600	23,134
Software in progress	14,376	22,489
Others	1,040	857
Total intangible assets	41,538	46,960
Investments and other assets:		
Investment securities	6,349	6,081
Deferred tax assets	2,049	1,159
Prepaid pension cost	1,118	915
Others	1,908	2,486
Allowance for doubtful accounts	(80)	(0)
Total investments and other assets	11,344	10,641
Total noncurrent assets	110,511	100,295
Deferred assets:		
Stock issuance cost	119	17
Total deferred assets	119	17
Total assets	328,277	298,012

(In millions of yen)

March 31

	2015	2016
<u>LIABILITIES</u>		
Current liabilities:		
Trade payables	76,359	69,821
Short-term borrowings	17,871	12,257
Current portion of long-term debt	6,367	–
Income taxes payable	2,266	2,031
Accrued expenses	44,834	30,907
Warranty reserve	2,531	2,112
Other current liabilities	23,803	22,015
Total current liabilities	174,031	139,143
Long-term liabilities:		
Long-term debt	10,000	10,000
Convertible bonds	–	15,071
Liabilities related to retirement benefits	32,202	39,108
Other long-term liabilities	4,978	4,204
Total long-term liabilities	47,180	68,383
Total liabilities	221,211	207,526
<u>EQUITY</u>		
Shareholders' equity:		
Common stock	91,732	91,732
Capital surplus	56,016	56,016
Retained earnings	33,277	34,038
Treasury stock	(11,051)	(11,051)
Total shareholders' equity	169,974	170,735
Accumulated other comprehensive income (loss):		
Unrealized loss on available-for-sale securities	(105)	(286)
Deferred loss on derivatives under hedge accounting	–	(88)
Foreign currency translation adjustments	(47,369)	(56,329)
Defined retirement benefit plans	(20,767)	(28,357)
Total accumulated other comprehensive loss	(68,241)	(85,060)
Non-controlling interests	5,333	4,811
Total equity	107,066	90,486
Total liabilities and equity	328,277	298,012

(2) CONSOLIDATED STATEMENTS OF INCOME

	(In millions of yen)	
	Year ended March 31	
	2015	2016
Net sales	501,676	449,630
Cost of sales	403,072	372,715
Gross profit	98,604	76,915
Selling, general and administrative expenses	90,826	69,611
Operating income	7,778	7,304
Non-operating income:		
Interest income	169	245
Dividend income	153	95
Exchange gain	-	1,560
Others	209	389
Total non-operating income	531	2,289
Non-operating expenses:		
Interest expense	2,431	1,161
Exchange loss	6,450	-
Maintenance costs for idle assets	415	278
Equity in losses of affiliated companies	350	107
Others	1,578	797
Total non-operating expenses	11,224	2,343
Ordinary income (loss)	(2,915)	7,250
Extraordinary income:		
Gain on sale of noncurrent assets	2,535	1,422
Gain on sale of investment securities	1,596	702
Gain on sale of investment in subsidiary	327	-
Gain on transfer of business	48,415	351
Others	-	46
Total extraordinary income	52,873	2,521
Extraordinary loss:		
Loss on sale and disposal of noncurrent assets	2,208	2,029
Restructuring costs	13,250	1,936
Impairment loss	1,331	131
Others	7,939	775
Total extraordinary loss	24,728	4,871
Income before income taxes	25,230	4,900
Income taxes:		
Current	6,532	3,642
Deferred	4,610	519
Total income taxes	11,142	4,161
Net income	14,088	739
Net income attributable to non-controlling interests	(544)	8
Net income attributable to owners of Pioneer Corporation	14,632	731

(3) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	(In millions of yen)	
	Year ended March 31	
	2015	2016
Net income	14,088	739
Other comprehensive income (loss):		
Unrealized loss on available-for-sale securities	(1,273)	(181)
Deferred loss on derivatives under hedge accounting	-	(88)
Foreign currency translation adjustments	12,622	(9,454)
Share of other comprehensive income (loss) in associates	207	(35)
Defined retirement benefit plans	2,800	(7,590)
Total other comprehensive income (loss)	14,356	(17,348)
Comprehensive income (loss)	28,444	(16,609)
Comprehensive income (loss) attributable to:		
Owners of Pioneer Corporation	28,478	(16,088)
Non-controlling interests	(34)	(521)

(4) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	(In millions of yen)	
	Year ended March 31	
	2015	2016
<u>SHAREHOLDERS' EQUITY</u>		
Common Stock:		
Balance, beginning of year	91,732	91,732
Changes of items in the year:		
Total changes of items in the year	-	-
Balance, end of year	91,732	91,732
Capital Surplus:		
Balance, beginning of year	56,016	56,016
Changes of items in the year:		
Disposal of treasury stock	(0)	(0)
Total changes of items in the year	(0)	(0)
Balance, end of year	56,016	56,016
Retained Earnings:		
Balance, beginning of year	17,849	33,277
Cumulative effects of changes in accounting policies	796	-
Restated balance	18,645	-
Changes of items in the year:		
Net income attributable to owners of Pioneer Corporation	14,632	731
Change of scope of equity method	-	30
Total changes of items in the year	14,632	761
Balance, end of year	33,277	34,038
Treasury Stock:		
Balance, beginning of year	(11,051)	(11,051)
Changes of items in the year:		
Purchase of treasury stock	(0)	(0)
Disposal of treasury stock	0	0
Total changes of items in the year	(0)	(0)
Balance, end of year	(11,051)	(11,051)
Total Shareholders' Equity:		
Balance, beginning of year	154,546	169,974
Cumulative effects of changes in accounting policies	796	-
Restated balance	155,342	-
Changes of items in the year:		
Net income attributable to owners of Pioneer Corporation	14,632	731
Purchase of treasury stock	(0)	(0)
Disposal of treasury stock	0	0
Change of scope of equity method	-	30
Total changes of items in the year	14,632	761
Balance, end of year	169,974	170,735

(In millions of yen)

	Year ended March 31	
	2015	2016
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)		
Unrealized Gain (Loss) on Available-for-sale Securities:		
Balance, beginning of year	1,168	(105)
Changes of items in the year:		
Net changes of items other than shareholders' equity	(1,273)	(181)
Total changes of items in the year	(1,273)	(181)
Balance, end of year	(105)	(286)
Deferred Loss on Derivatives Under Hedge Accounting:		
Balance, beginning of year	-	-
Changes of items in the year:		
Net changes of items other than shareholders' equity	-	(88)
Total changes of items in the year	-	(88)
Balance, end of year	-	(88)
Foreign Currency Translation Adjustments:		
Balance, beginning of year	(59,688)	(47,369)
Changes of items in the year:		
Net changes of items other than shareholders' equity	12,319	(8,960)
Total changes of items in the year	12,319	(8,960)
Balance, end of year	(47,369)	(56,329)
Defined retirement benefit plans:		
Balance, beginning of year	(23,567)	(20,767)
Changes of items in the year:		
Net changes of items other than shareholders' equity	2,800	(7,590)
Total changes of items in the year	2,800	(7,590)
Balance, end of year	(20,767)	(28,357)
Total Accumulated Other Comprehensive Loss:		
Balance, beginning of year	(82,087)	(68,241)
Changes of items in the year:		
Net changes of items other than shareholders' equity	13,846	(16,819)
Total changes of items in the year	13,846	(16,819)
Balance, end of year	(68,241)	(85,060)

(In millions of yen)

	Year ended March 31	
	2015	2016
<u>NON-CONTROLLING INTERESTS</u>		
Balance, beginning of year	5,357	5,333
Changes of items in the year:		
Net changes of items other than shareholders' equity	(24)	(522)
Total changes of items in the year	(24)	(522)
Balance, end of year	5,333	4,811
<u>TOTAL EQUITY</u>		
Balance, beginning of year	77,816	107,066
Cumulative effects of changes in accounting policies	796	—
Restated balance	78,612	—
Changes of items in the year:		
Net income attributable to owners of Pioneer Corporation	14,632	731
Purchase of treasury stock	(0)	(0)
Disposal of treasury stock	0	0
Change of scope of equity method	—	30
Net changes of items other than shareholders' equity	13,822	(17,341)
Total changes of items in the year	28,454	(16,580)
Balance, end of year	107,066	90,486

(5) CONSOLIDATED STATEMENTS OF CASH FLOWS

	(In millions of yen)	
	Year ended March 31	
	2015	2016
Cash flows from operating activities:		
Income before income taxes	25,230	4,900
Depreciation and amortization	23,543	27,122
Net gain on transfer of business	(44,889)	(130)
Impairment loss	1,331	131
Increase (decrease) in liabilities related to retirement benefits	(2,135)	7,644
Interest and dividend income	(322)	(340)
Interest expense	2,431	1,161
Net loss (gain) on sale and disposal of noncurrent assets	(327)	607
Gain on sale of investment securities	(1,596)	(702)
Decrease in trade receivables	10,807	912
Decrease in inventories	3,917	6,011
Decrease in trade payables	(3,843)	(533)
Increase (decrease) in accrued expenses	16,196	(9,602)
Adjustment to retirement benefits	3,102	(7,449)
Other—net	7,737	(5,060)
Subtotal	41,182	24,672
Interest and dividend income received	321	340
Interest expense paid	(2,435)	(1,172)
Income taxes paid	(4,504)	(4,548)
Net cash provided by operating activities	34,564	19,292
Cash flows from investing activities:		
Decrease in time deposits	1,093	489
Purchase of noncurrent assets	(25,046)	(30,442)
Proceeds from sale of noncurrent assets	4,188	11,379
Purchase of investment securities	(4,086)	(277)
Proceeds from sale of investment securities	4,609	845
Net decrease from payments for transfer of business	(1,122)	(2,074)
Proceeds from transfer of business	57,124	-
Other—net	120	(3)
Net cash provided by (used in) investing activities	36,880	(20,083)
Cash flows from financing activities:		
Net decrease in short-term borrowings	(5,481)	(4,524)
Proceeds from long-term debt	42,954	-
Repayment of long-term debt	(91,857)	(6,367)
Proceeds from issuance of convertible bonds	-	15,060
Proceeds from sales and leasebacks	1,043	1,023
Repayment of lease obligation	(2,093)	(1,784)
Other—net	10	-
Net cash provided by (used in) financing activities	(55,424)	3,408
Foreign currency translation adjustments on cash and cash equivalents	1,752	(2,300)
Net increase in cash and cash equivalents	17,772	317
Cash and cash equivalents, beginning of year	33,904	51,676
Cash and cash equivalents, end of year	51,676	51,993

(6) CHANGE IN ACCOUNTING POLICY

Effective from the beginning of the first quarter of fiscal 2016, the year ending March 31, 2016, the Company adopted the “Revised Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No.21, issued September 13, 2013, hereinafter the “Accounting Standard for Business Combinations”), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22, issued September 13, 2013, hereinafter the “Accounting Standard for Consolidated Financial Statements”) and “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No.7, issued September 13, 2013, hereinafter the “Accounting Standard for Business Divestitures”). In applying these revised accounting standards, the Company records any differences arising from changes in interests in its subsidiary retaining control as capital surplus and acquisition-related costs are recognized as expenses when the costs are incurred. Also, regarding business combinations conducted on or after the beginning of fiscal 2016, the disclosure method was revised with regard to the adjustment of purchase price allocation based on provisional accounting applicable to the consolidated financial statements of the period in which the business combination occurs. In addition, the presentation method of net income was amended and the reference to “minority interests” was changed to “non-controlling interests.” To reflect these changes in presentation, the consolidated financial statements for fiscal 2015 have been reclassified.

Concerning the application of the Accounting Standard for Business Combinations and others, based on the provisional treatment set out in Section 58-2 (4) of the Accounting Standard for Business Combinations, in Section 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and in Section 57-4 (4) of the Accounting Standard for Business Divestitures, these changes are effective from the beginning fiscal 2016.

There is no impact of these changes on the consolidated financial statements and the per share information for fiscal 2016.

(7) SEGMENT INFORMATION

<Net Sales by Segment>

(In millions of yen)

	Year ended March 31				
	2015		2016		Percent change
	Amount	Ratio	Amount	Ratio	
Car Electronics:					
Japan	131,347	26.2 %	128,912	28.7 %	-1.9 %
Overseas	224,244	44.7	222,381	49.4	-0.8
Total	355,591	70.9	351,293	78.1	-1.2
Others:					
Japan	61,733	12.3	52,958	11.7	-14.2
Overseas	84,352	16.8	45,379	10.2	-46.2
Total	146,085	29.1	98,337	21.9	-32.7
Consolidated:					
Japan	193,080	38.5	181,870	40.4	-5.8
Overseas	308,596	61.5	267,760	59.6	-13.2
Total	501,676	100.0 %	449,630	100.0 %	-10.4 %

<Segment Information>

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, which are two segments of “Car 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

Others:

Blu-ray Disc drives, DVD drives, equipment for cable-TV systems, factory automation systems, map software, electronic devices and parts, speaker units, organic light-emitting diode (OLED) displays, electronic manufacturing services (EMS), DJ equipment (subcontracted manufacturing/sales), and home AV products (subcontracted manufacturing/sales)

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

(In millions of yen)

Year ended March 31, 2015	Segment			Reconciliations * 1	Consolidated * 2
	Car Electronics	Others	Total		
Sales:					
Sales to external customers	355,591	146,085	501,676	—	501,676
Intersegment sales	1,416	4,482	5,898	(5,898)	—
Total sales	357,007	150,567	507,574	(5,898)	501,676
Segment income (loss)	10,995	(2,388)	8,607	(829)	7,778
Segment assets	101,045	31,057	132,102	196,175	328,277
Other items:					
Depreciation	18,637	4,373	23,010	533	23,543
Amortization of goodwill	—	—	—	42	42
Increase in property, plant and equipment and intangible assets	27,220	4,707	31,927	659	32,586

Notes:

- 1.(1) Reconciliations of ¥(829) million recorded for segment income (loss) include elimination of intersegment transactions of ¥(399) million and corporate expenses of ¥(430) 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 ¥196,175 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 ¥659 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, 2016	Segment			Reconciliations * 1	Consolidated * 2
	Car Electronics	Others	Total		
Sales:					
Sales to external customers	351,293	98,337	449,630	–	449,630
Intersegment sales	526	3,616	4,142	(4,142)	–
Total sales	351,819	101,953	453,772	(4,142)	449,630
Segment income	7,032	1,405	8,437	(1,133)	7,304
Segment assets	87,678	29,193	116,871	181,141	298,012
Other items:					
Depreciation	22,579	3,783	26,362	760	27,122
Amortization of goodwill	–	–	–	42	42
Increase in property, plant and equipment and intangible assets	20,444	3,905	24,349	1,077	25,426

Notes:

- 1.(1) Reconciliations of ¥(1,133) million recorded for segment income include elimination of intersegment transactions of ¥237 million and corporate expenses of ¥(1,370) 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 ¥181,141 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 ¥1,077 million are capital investments principally for head quarter site transfer.
2. Adjustments are made to reconcile segment income to operating income presented in the accompanying consolidated statements of operations.

<Change in Segment>

In fiscal 2015, the home AV, telephone, headphone-related, and DJ equipment businesses were transferred. In accordance with these transfers, the business segments from fiscal 2016 are classified as “Car Electronics” and “Others.” Figures shown for fiscal 2015 have been reclassified accordingly.