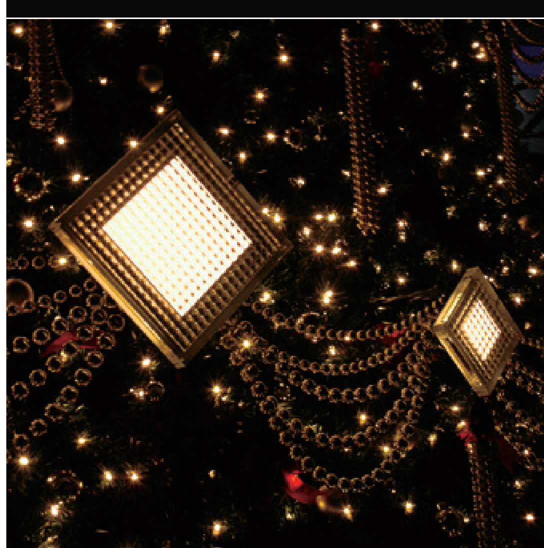
Pioneer

Annual Report 2014

For the Year Ended March 31, 2014



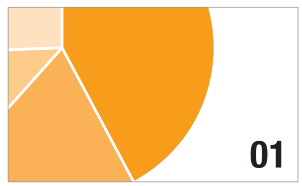
Group Philosophy

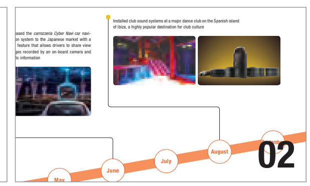
"Move the Heart and Touch the Soul"

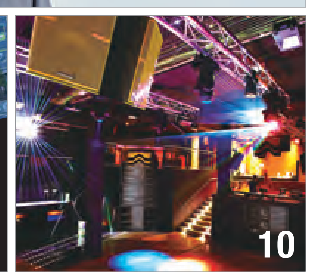
A New Pioneer Begins with You
2015 Vision

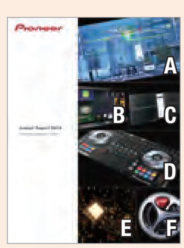
Spread the smiles. Feel the vibes. Share the passion.
Pioneer engages you anytime, anywhere.

Contents









About the Cover

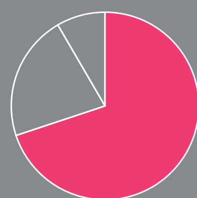
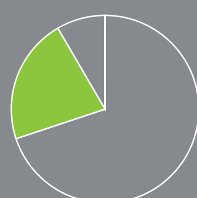
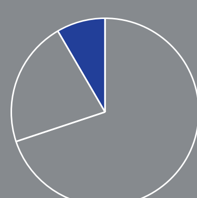
- **A** AR HUD view of *Cyber Navi*
- **B** AVIC-8000NEX car navigation system for the North American market
- **C** X-SMC22-S slim CD micro system
- **D** DDJ-SZ professional DJ controller
- **E** VELVE™ OLED lighting panels
- **F** SGY-PM910H pedaling monitoring system for competitive cyclists

Business Profile

Fiscal 2014, ended March 31, 2014
Consolidated net sales

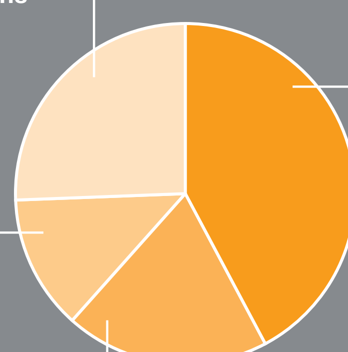
498.1 billion yen

Sales by Business Segment

Car Electronics		¥348.1 billion **69.9%**	Pioneer develops, produces, and sells cutting-edge car navigation and car audio systems. We also supply products to major automakers around the world, maintaining a high market share in the car consumer market.
Home Electronics		¥108.0 billion **21.7%**	Pioneer offers products for audio and visual enjoyment, including the world's leading DJ equipment, home AV products, optical disc-related products, and equipment for cable-TV systems.
Others		¥42.0 billion **8.4%**	In addition to products like factory automation systems and map software, Pioneer is developing new businesses including organic light-emitting diode (OLED) lighting as a next-generation lighting device.

Sales by Geographic Market

In addition to developed countries, the Pioneer Group is proactively developing businesses in emerging markets, where growth is expected. For fiscal 2014, sales outside Japan accounted for 57.8% of consolidated net sales.



Highlights of Fiscal 2014

2013

April

May

Announced the strengthening of our alliances with Mitsubishi Electric Corporation and NTT DOCOMO, INC.

June

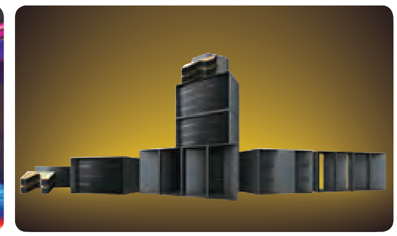
Released the *carrozzeria Cyber Navi* car navigation system to the Japanese market with a new feature that allows drivers to share view images recorded by an on-board camera and traffic information

July

Released the SC-LX57 AV amplifier, which is compatible with 4K video signals and high-resolution sound sources, in Japan

August

Installed club sound systems at a major dance club on the Spanish island of Ibiza, a highly popular destination for club culture



September

Released the world's first PC-use, portable BD/DVD/CD writer, capable of wirelessly recording and playing Blu-ray Discs at high transmission speeds

Released a high-precision pedaling monitoring system for competitive cyclists

Previewed a smartphone-linked, automotive-use head-up display at IFA 2013, one of the world's largest electronics shows, in Germany

October

Announced the "IVI* Concept" for new car lifestyles at CEATEC JAPAN 2013, one of Asia's largest comprehensive trade shows for information technology and electronics

*IVI (In-Vehicle Infotainment): A system for providing a wide range of information and entertainment in a vehicle

November

Pioneer-manufactured VELVE™ OLED lighting panels used in Christmas illumination at Roppongi Hills, in Tokyo

December

Launched the "DOCOMO DriveNet Info™" service, jointly developed with NTT DOCOMO, INC., for more enjoyable car lifestyles

2014

January

Exhibited next-generation car electronics product "NEX,*" a new concept which connects cars to networks, at 2014 International CES, one of the world's largest technology trade shows, in the United States (with a firmware update, will be compatible with Apple CarPlay® from the summer of 2014)

*NEX (Networked Entertainment eXperience)

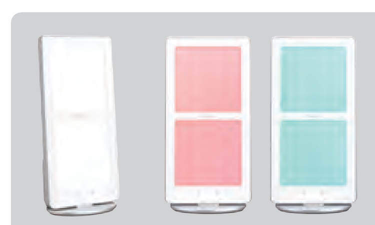
February

March

Commenced mass production of an OLED lighting module using a printing process for an emission layer, jointly developed with Mitsubishi Chemical Corporation

Pioneer's OLED lighting installed at SHISEIDO THE GINZA,* in Tokyo, to produce light suitable for makeup in beauty counseling

*An integrated facility where beauty professionals offer customers one-on-one counseling and lessons on how to enhance their beauty



Released the DDJ-SZ, a DJ controller for professional DJs and clubs with optimal club performance

Notes: 1. VELVE is a trademark of Mitsubishi Chemical Corporation.
2. "DOCOMO DriveNet Info" is a trademark of NTT DOCOMO, INC.
3. Apple and CarPlay are trademarks of Apple Inc., registered in the United States and other countries.

To Our Stakeholders

Looking back on fiscal 2014, ended March 31, 2014, we were able to return to profitability on a net income basis as a result of Group-wide restructuring efforts and increased sales. We will continue to engage in a variety of measures to increase sales and profit, focusing on Car Electronics, and further strengthen our management base and enhance our earnings strength in fiscal 2015.

Consolidated Results for Fiscal 2014

Consolidated net sales in fiscal 2014 rose 10.2% year on year, to ¥498.1 billion. Despite a decline in sales of optical disc drive-related products, the positive effect of the Japanese yen's depreciation combined with increased sales of Car Electronics, primarily in our OEM business, resulted in overall sales growth. Operating income grew 86.2%, to ¥11.2 billion, with the effects of restructuring and increased sales more than offsetting the negative impact of an increase in selling, general and administrative (SG&A) expenses and a deterioration in the cost of sales ratio from the Japanese yen's depreciation. Net income turned around to a ¥0.5 billion profit.

Strengthening the Management Base and Proposing New Value

For fiscal 2015, we will strengthen our management base and propose new value.

In Car Electronics, we will expand the scope of application for modular design, a design method that uses modules of standardized and common parts to significantly reduce design and manufacturing man-hours. In addition to reducing costs, this will shorten development times, making it possible to increase sales by quickly responding to diverse customer needs.

We will also build on our proposal for new value known as "Hardware & Software and Information Services." Specifically, this will mean strengthening our joint development with Mitsubishi Electric Corporation of next-generation automotive equipment based on further advances in car navigation. We will also create new car life by developing cloud-based information services using the DOCOMO DriveNet Info™ service jointly developed with NTT DOCOMO, INC., and strengthening our products' smartphone linkage, including being the first in the industry to make our consumer-market car electronics products compatible with the Apple CarPlay®. Going forward, we will continue to work together with strategic partners with the aim of realizing proposals for new value.

Financial Highlights

Pioneer Corporation and Its Subsidiaries
Years ended March 31

In millions of yen and thousands of U.S. dollars	2013	**2014**	**2014**
Net sales	¥451,841	**¥498,051**	**$4,835,447**
Operating income	5,997	**11,169**	**108,437**
Net income (loss)	(19,552)	**531**	**5,155**
Net income (loss) per share (yen/U.S. dollars)	(60.90)	**1.49**	**0.01**
Total assets	311,325	**327,913**	**3,183,621**
Total equity	81,576	**77,816**	**755,495**
Free cash flows	(34,060)	**12,380**	**120,194**

Notes: 1. The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥103=US$1.00, the approximate rate prevailing on March 31, 2014.
2. Net income (loss) per share is calculated based on the number of shares outstanding, excluding treasury stock.
3. Free cash flows represent the sum of cash flows from operating activities and cash flows from investing activities.

Maintaining Stable Earnings and Cultivating New Businesses

In Home Electronics, we will leverage our DJ equipment business, which boasts both superior brand and earnings strength, to maintain stable earnings. With regard to the home AV business, we will enhance our competitiveness through collaboration with business partners and reorganize to sustain our growth in the global market.

With regard to new businesses, we will concentrate resources in the businesses of organic light-emitting diode (OLED) lighting, and medical and health care-related devices. In the OLED lighting business, we commenced cost-competitive mass production of OLED lighting modules, and we aim to expand the business by developing new uses for these devices. In the medical and health care-related business, we plan to commercialize a portable blood flow meter by the end of 2014.

Toward Enhanced Earnings Strength

We are positioning fiscal 2015 as a year of strengthening our earnings base with a view toward future growth. We will make every effort to implement a variety of measures including thorough reviews of existing structures and processes, with the aim of enhancing our earnings strength.

I ask for the continued understanding and strong support of all of our stakeholders going forward.

June 2014

Susumu Kotani
President and CEO

Special Feature 1

New Value Created by Pioneer

Pioneer has a history of anticipating changes in society and responding with cutting-edge technologies that provide new value and create unprecedented markets. This special feature introduces some of Pioneer's proposals for new value, with services, technologies and products that will lead the Company to future growth.

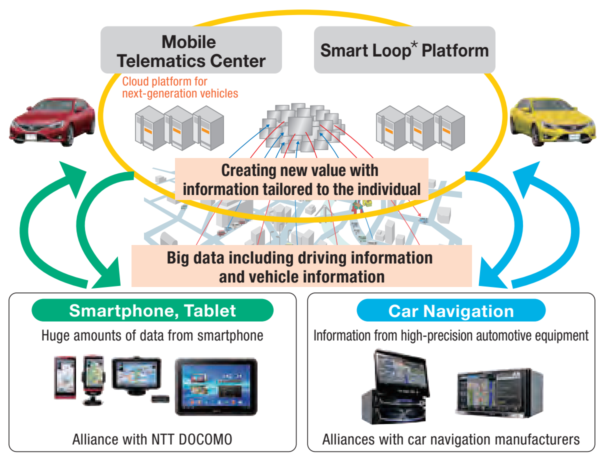
Car Electronics

Pursuing a "Connected Car Life Strategy"

Pioneer has created new markets by constantly introducing new car electronics products, and we are now pursuing a "connected car life strategy" that provides new value through the integration of hardware, software and information services.

Along with larger capacities and faster speeds for telecommunications networks, the role of information devices installed in vehicles is changing rapidly. This allows for the creation of new business opportunities, including the provision of information to support safe driving and the generation of cloud-based services as well as driving information and entertainment content.

To embrace this trend, Pioneer is building a cloud platform for automobiles that offers advanced processing capacity to keep pace with advances in the telecommunications network environment. In the area of hardware, we are using technologies we have developed over the years to research and develop cloud-linked next-generation devices that go beyond the capabilities of conventional car navigation equipment. We are also creating new value with next-generation services for the age of "connected cars" that provide users' personal information as needed.



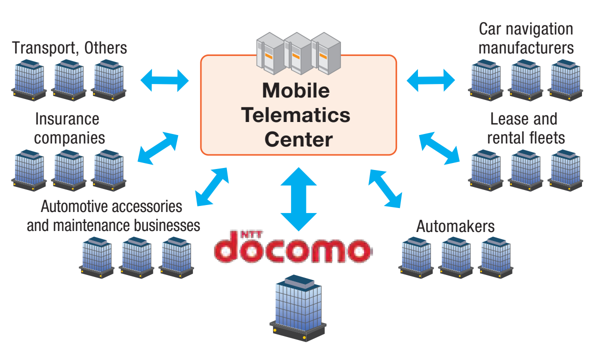
Schematic Diagram of "Connected Car Life Strategy"

* Smart Loop: Pioneer's original information networking service for automotive equipment.

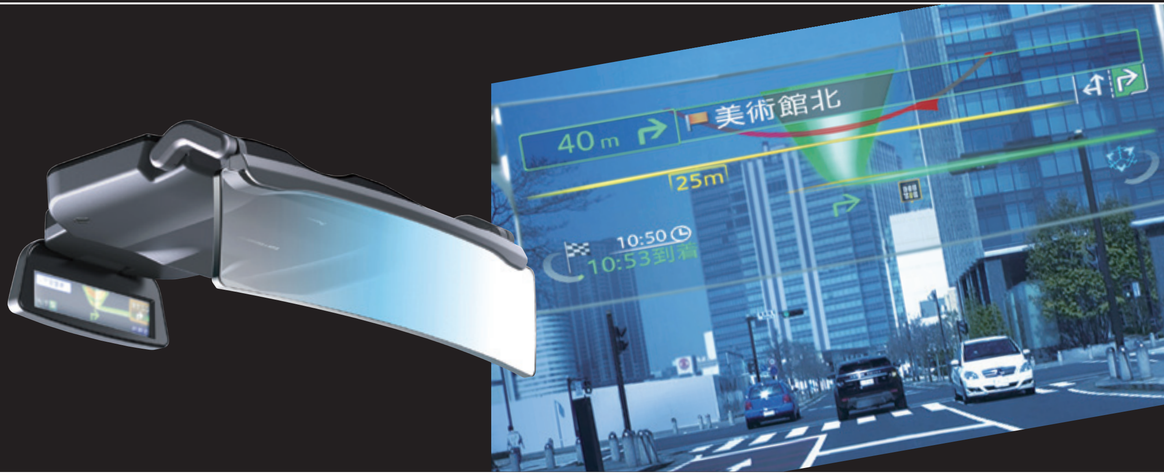
"Mobile Telematics Center" Cloud Platform for Next-Generation Automobiles

The "Mobile Telematics Center" began full-scale operations in December 2013, as a core function supporting Pioneer's "connected car life strategy."

The Center is Pioneer's cloud platform for next-generation automobiles that leverages its proprietary Smart Loop technologies and data. It features a proprietary "mapping engine," "cloud navi engine," and "driving status identification engine" for analyzing various types of big data. These functions allow various external devices including smartphones, tablets, and personal computers, as well as car navigation systems to create a linked network that can process and share huge amounts of data in the



Mobile Telematics Center



age of “connected cars.” For drivers using smartphones, this transmits more accurate driving and traffic information, and enables drivers to acquire information through voice activation. Going forward, we will fully leverage this common cloud platform for a wide range of businesses including transport, insurance, and automotive accessories as we all move toward a new age of car life services.

“DOCOMO DriveNet Info™,” a New Car Life Support Service

“DOCOMO DriveNet Info,” a new car life support service jointly developed by Pioneer and NTT DOCOMO, INC., became available in Japan in December 2013. This service combines the technologies of Pioneer’s “Mobile Telematics Center,” and the voice-activated user interface and speech synthesis technologies utilized in NTT DOCOMO’s “Shabette Concier®.” By simply speaking into a smartphone, drivers can confirm traffic congestion information, local information, and the latest news brought to them by the Center, as well as make telephone calls, send and receive text messages (via the service’s ability to “read off” messages), and play music.

Note: “Shabette Concier” is a registered trademark of NTT DOCOMO, INC.

Progress and Proliferation of HUD

Since the July 2012 launch of the *carrozzeria Cyber Navi* in Japan, featuring the world’s first head-up display (HUD) that uses laser technology to project augmented reality (AR) information beyond the windshield, Pioneer has promoted the HUD as a means of revolutionizing car navigation displays. In October 2013, we launched several models that can be equipped with this unit for our popularly priced *Raku Navi* line in the Japanese market. At the same time, we launched the smartphone-linked HUD unit, *NavGate HUD* for the European market. We intend to increase our presence in this market with the introduction of *Cyber Navi*-equipped vehicles for leasing and car sharing fleets in July 2014.

Image of AR HUD unit in use

We are currently developing HUDs for the consumer market, but we are also working to have the devices installed as OEM products for automakers and are considering entering the automotive parts market as a display device. Going forward, we will continue to support our “connected car life strategy” by pursuing advanced AR that is safe and easy to use, to secure optimal display information for drivers.

IVI Concept

We are developing our "In-Vehicle Infotainment* (IVI) Concept," including HUD, to create a model for "Pioneer's ideal car space." This concept seeks to create a space within the car that makes maximum use of humans' innate cognitive abilities while also making it possible to operate the vehicle intuitively with a minimum of actions. This will make it possible to operate the vehicle using onboard infotainment with natural posture and sensations.

We displayed an "IVI Concept Model" at CEATEC JAPAN 2013, which was held in October 2013. The display highlighted "Pioneer's ideal in-vehicle space" featuring the latest, most advanced technologies.

The exhibit displayed an HUD unit that projects AR information beyond the windshield, and an auditory user interface (AUI) that uses stereophonic sound to provide intuitive, auditory driving assistance. The exhibit also featured the "Feely-Pad" steering device that uses tactile feedback and sensors to detect the position of the driver's eyes and line of sight. Using this sensing technology to optimize the positioning of the HUD and operating function, the unit brings out humans' innate cognitive abilities by fully utilizing the driver's sense of sight, hearing, and touch. This "ideal car space," which enables the driver to operate the vehicle with natural posture and sensations for a safe and enjoyable car life, was a highlight of the show.

Major Technologies Incorporated into the "IVI Concept Model"

*Infotainment: Information-based media content that also includes entertainment content in an effort to enhance popularity with consumers (information + entertainment)

Compatibility with Apple CarPlay®

We are making Pioneer's consumer-market car electronics products compatible with Apple CarPlay. CarPlay compatibility will be available in early summer 2014 via a firmware update with several 2014 Pioneer car electronics products in North America and Western Europe, followed later in the year in additional countries where CarPlay is available. With Pioneer car electronics products, drivers can make and receive calls, compose and respond to text messages, use Apple Maps® for navigation, and listen to their music, podcasts, and iTunes® Radio.

Note: Apple Maps and iTunes are trademarks of Apple Inc., registered in the United States and other countries.

OLED Lighting

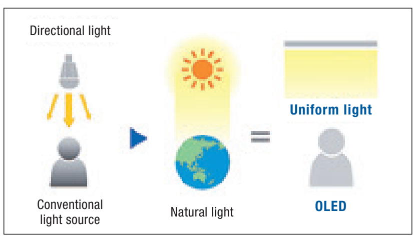
New Possibilities from OLED Lighting

With a global trend of reducing electricity consumption and the adverse environmental impact of mercury, the role of incandescent and fluorescent light bulbs used in conventional lighting fixtures appears to be near its end. In their place, LED and organic light-emitting diode (OLED) are seen as the next generation of lighting, and these markets are expected to grow significantly. Of the two, OLED has lighting properties closer to sunlight, and is therefore being embraced as a light source that "is easy on the eyes" and "does not make the eyes tired, even after long periods of use." In addition to general lighting, OLED is seen being used in a wide range of applications including spatial design and lighting for beauty and medical facilities. We are also cultivating new markets through research and proposals for applications of OLED's physical attributes of "flat-surface emission," being "thin," "lightweight," and "able to bend," and "not requiring a structure for radiant heat."

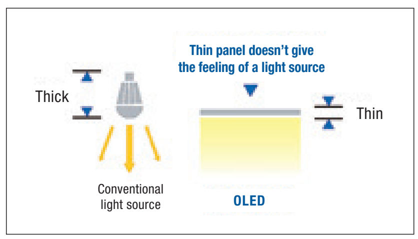
Pioneer's OLED lighting, which we are developing together with Mitsubishi Chemical Corporation, uses a manufacturing process that involves printing on the emission layer, achieving significant reductions in manufacturing costs. Mass production of OLED lighting modules employing this printing process began in March 2014, and going forward we plan to expand this business further.

Unique Features of OLED Lighting

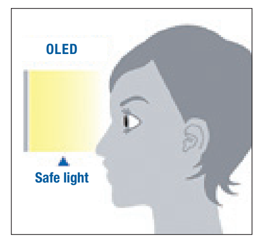
Natural light/Flat-surface emission



Directional light

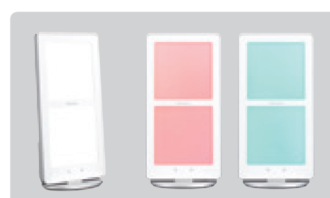


Safe light that is easy on the eyes



Pioneer's Products Create New Markets

In 1997, we became the first company to successfully mass-produce OLED displays, and since that time Pioneer has been a leader in the OLED market. We established the manufacturing subsidiary Pioneer OLED Lighting Devices Corporation in January 2013, and began putting a mass-production structure into place. In June 2013, we established the joint-venture sales company MC Pioneer OLED Lighting Corporation with Mitsubishi Chemical and began full-scale marketing activities.



"OLE-B01" OLED lighting for makeup application

In November and December 2013, our VELVE™ OLED lighting panels were used for the Christmas illumination at the Roppongi Hills commercial complex in Tokyo, and with full-color shading and brightness functions that only our products could deliver, the winter nights took on a soft, warm glow.

We have also worked with Shiseido Co., Ltd. to develop beauty applications that take advantage of OLED lighting's closeness to natural light, and our OLED lighting for makeup application was installed at the SHISEIDO THE GINZA showroom in Tokyo and used for new courses for the Personal Beauty Session at the company's flagship store. We will continue to plan various other collaborations in this vein, which uses our OLED lighting products developed under the guidance of Shiseido's top hair and makeup artist.

In addition to developing lighting for spatial design and beauty applications, Pioneer is proactively working to develop new markets, including transportation equipment like automobiles and airplanes, to further expand the market for OLED lighting.

Special Feature 2

Pioneer's DJ Equipment Gaining Popularity Around the World

Today, professional DJs and dance clubs around the world overwhelmingly rely on Pioneer's DJ equipment. Pioneer's products are not only establishing a position as the top brand, they have become the de facto standard. This position was achieved through a thorough emphasis on user needs and a professional brand design concept.

DJ Equipment Designed to Meet User Needs

Pioneer's DJ equipment business began 20 years ago, in 1994. The market at that time was mostly for analog turntables. DJs who used CDs had to manage with commercial-use players, but the performance had nowhere near the dynamism of analog turntables. Aiming to create "an ideal player for DJs," Pioneer interviewed DJs and made numerous on-site visits, and this resulted in the world's first top-loading CD player for DJs—the CDJ-500. The player was meticulously styled similar to an analog turntable, with the disc media placed on top, and uses a "top loading method" that requires sophisticated manufacturing technology. Reflecting an understanding of user needs, our players employ digital technologies to provide a "quick start" for instantaneous music playback, a "loop function" for seamless music playback, and a "master tempo" feature that keeps musical intervals constant even if the playback speed changes.

These thorough efforts to meet user needs have made Pioneer's DJ equipment the de facto standard at large music festivals, in addition to its use by famous DJs and top clubs around the world.

As a brand widely used in professional venues, Pioneer has also become an iconic brand for amateurs who enjoy "DJing" as a hobby, and there are now many customers around the world who seek out Pioneer's DJ equipment.

CDJ-500

Pursuit of Professional Quality

As equipment used in front of customers at live events, professional-use DJ equipment requires high quality. Pioneer naturally provides sound quality that customers will enjoy, and we also are careful about including “durability” as a basic feature to ensure that our products do not break down or wear out. We pursue “quality that allows DJs to perform at 100%” through attention to details like the placement of knobs and buttons, and the amount of strength required to operate them.

In addition to features and quality, Pioneer also uses new technologies to support DJs’ performance. Pioneer has made numerous technological breakthroughs that vastly enhance DJs’ techniques, including seamless playback with no gaps between songs, and a variety of effects to create new sounds.

This thorough emphasis on product development and manufacturing has led to Pioneer gaining the trust of famous DJs and top clubs around the world.

CDJ-2000NXS
DJ player for professional DJs and clubs

DJM-900NXS
High-end DJ mixer for professional DJs and clubs

DDJ-SZ
DJ controller for professional DJs and clubs

New Directions for DJ Equipment Business

Along with the increased popularity in recent years of electronic dance music (EDM), the market has also been growing for DJ controllers that provide a DJ experience at a more reasonable price than before.

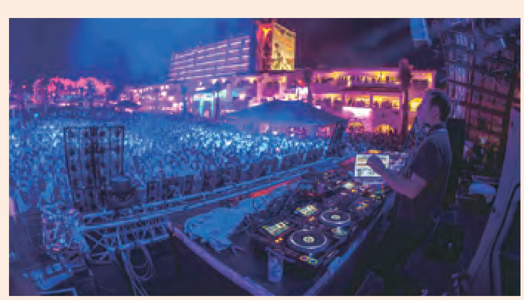
Since releasing our first DJ controller in 2011, Pioneer has endeavored to offer products that match user needs in the same way as in the professional market, and this has led to our gaining a large share of this market as well.

Moreover, using our expertise in sound creation gained as a speaker manufacturer, and our experience in the DJ and club market, Pioneer entered the professional audio equipment business in 2013. At that time we were involved from the ground up in designing the sound system for the club “BOOOM! IBIZA” that opened on the Spanish island of Ibiza, a highly popular destination for club culture. Our entry into the professional audio equipment business is part of our strategy for expanding our DJ equipment business.

Main dance floor at “BOOOM! IBIZA” (Ibiza, Spain)

Pioneer’s Support for DJs and Club Culture

From Electric Daisy Carnival (held in Las Vegas in June 2014), bringing together more than 250,000 people for one of the world’s biggest dance music events, to daily club parties held throughout the summer on the Spanish island of Ibiza, DJs used Pioneer’s DJ equipment to release sound performances that swept up enthusiastic crowds.



Opening party at “Ushuaia Ibiza 2014” (Ibiza, Spain)

Review of Operations (Fiscal 2014, ended March 31, 2014)

Car Electronics

Car Electronics sales grew 11.4% year on year, to ¥348.1 billion. 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.

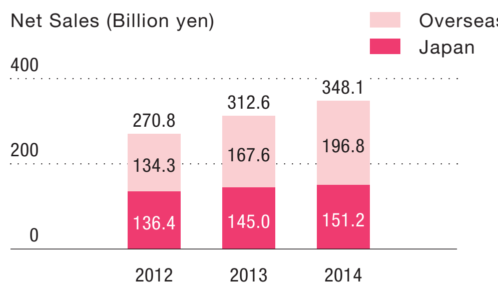
By geographic region, sales in Japan grew 4.3%, to ¥151.2 billion, and overseas sales rose 17.4%, to ¥196.8 billion.

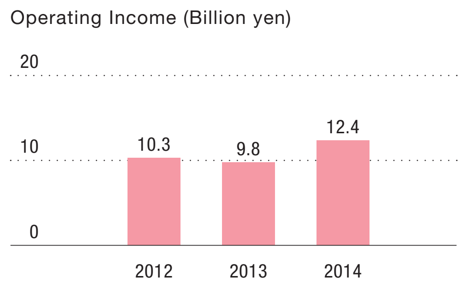
The segment's operating income rose 27.0%, to ¥12.4 billion, owing to higher sales, and despite a deterioration in the cost of sales ratio and an increase in SG&A expenses, reflecting the negative effect of foreign exchange rate movements.

Main Products

- Car Navigation Systems
- Car Stereos
- Car AV Systems
- Car Speakers

Car AV Systems





Home Electronics

Home Electronics sales rose 12.6% year on year, to ¥108.0 billion. 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 equipment for cable-TV systems, resulted in an overall increase.

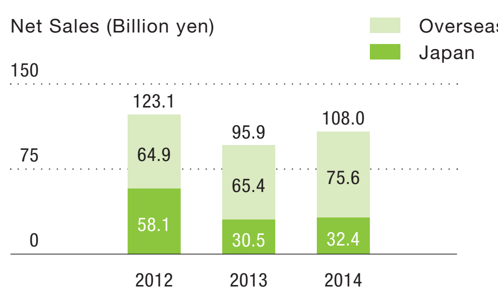
By geographic region, sales in Japan grew 6.2%, to ¥32.4 billion, and overseas sales rose 15.6%, to ¥75.6 billion.

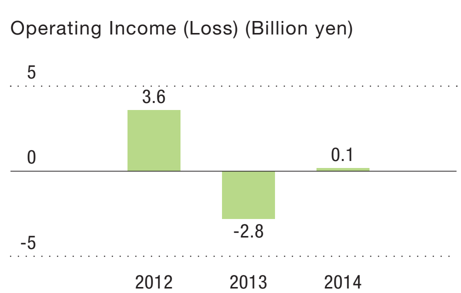
The segment recorded operating income of ¥0.1 billion, compared with an operating loss of ¥2.8 billion in fiscal 2013, from an improved cost of sales ratio resulting from the effects of restructuring and cost reductions, and increased sales, primarily of high-margin DJ equipment, and despite an increase in SG&A expenses due to the negative impact of foreign exchange rate movements.

Main Products

- Audio Systems
- Audio Components
- DJ Equipment
- Equipment for Cable-TV Systems
- Blu-ray Disc Players
- Blu-ray Disc Drives
- DVD Players
- DVD Drives
- AV Accessories

DJ Equipment





Others

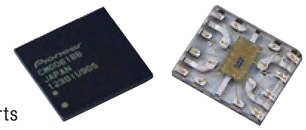
In the Others segment, sales declined 3.2% year on year, to ¥42.0 billion, on lower sales of factory automation systems, and despite increased sales of electronic devices and parts.

By geographic region, sales in Japan were roughly flat with the previous fiscal year at ¥26.4 billion, and overseas sales declined 8.7%, to ¥15.6 billion.

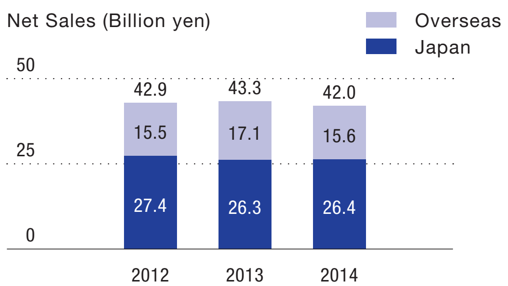
The segment recorded an operating loss of ¥0.9 billion, roughly in line with that of fiscal 2013, and achieved an improved cost of sales ratio reflecting the effects of restructuring, and despite an increase in SG&A expenses resulting from investment in new businesses.

Main Products and Services

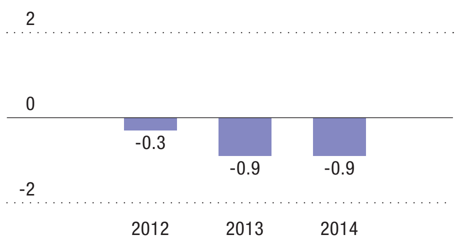
- Factory Automation Systems
- Speaker Units
- Electronic Devices and Parts
- Organic Light-emitting Diode Displays
- Telephones
- Business-use AV Systems
- Electronic Manufacturing Services
- Map Software
- Licensing of Patents Related to Laser Optical Disc Technologies


Electronic Devices and Parts

Net Sales (Billion yen)

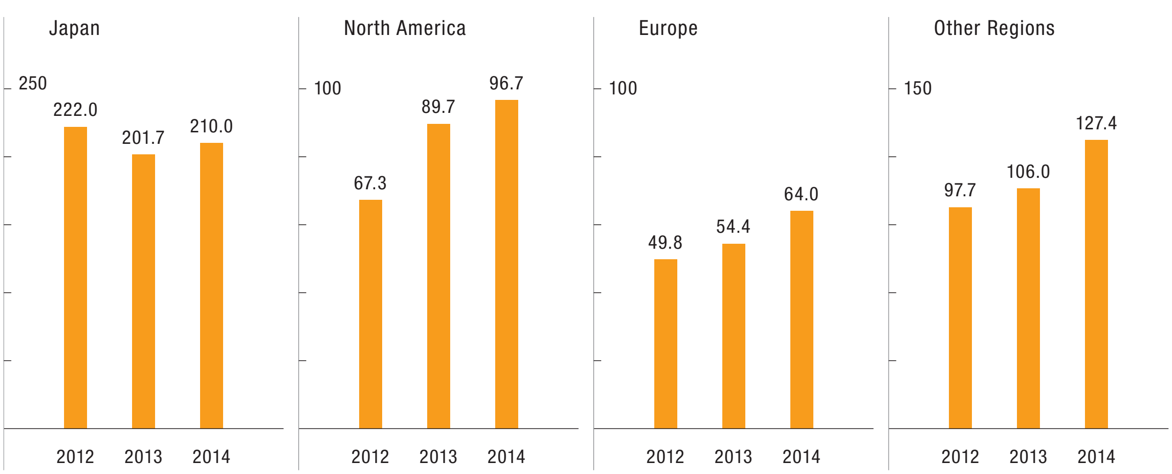


Operating Loss (Billion yen)



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

Sales by Geographic Market (Billion yen)



Research and Development

Pioneer's research and development anticipates the future of the Car Electronics business. In addition to applying our basic technologies—our traditional strengths of video, optics, and audio—to the field of car electronics, we are working with governments and automobile manufacturers to achieve a society that is free of traffic accidents and traffic jams, as we work to strengthen and expand the business by developing next-generation ITS.*1

We are also proactively conducting research and development in the areas of OLED lighting and medical and health care-related devices, which we are cultivating as potential new core businesses. One example of our technical development for new businesses is see-through projection technology, which we aim to develop as a business for new markets like commercial facilities.

In addition, we are undertaking joint research with universities, public research institutions, and other private companies, in the pursuit of innovation and accelerated research and development.

*1 ITS (Intelligent Transport Systems): New types of road transportation systems that use cutting-edge information and telecommunications technology to enhance traffic safety, transport efficiency, and comfort through an approach that integrates people, roads, and vehicles

See-Through Projection

Pioneer's proprietary see-through projection is a new type of transparent display that allows the viewer to see through the display and view the background. Fusing an image projected on a highly transparent screen with the background, we have been able to achieve an unprecedented spatial image display. The 12-inch and 32-inch x 4 screens that we exhibited at CEATEC JAPAN 2013 in October 2013 created quite a sensation.

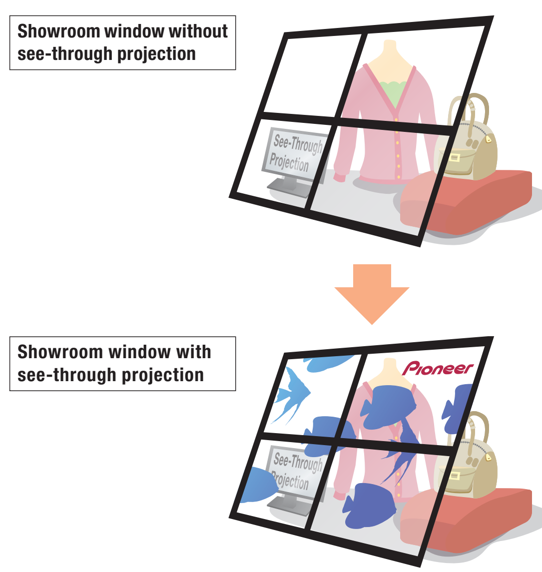
This technology projects an image that appears to float on a transparent screen, for an image that is both transparent and easily visible, without obstructing or distorting the view of objects in the background.

● Exhibition at CEATEC JAPAN 2013

A liquid crystal display can also be placed behind the screen without interfering with the image signal, making it possible to view real objects, images on the liquid crystal display, and images on the screen with high resolution. Furthermore, because it has a wide viewing angle, a new spatial image display that is not possible with liquid crystal or other conventional flat-panel displays is achieved.

In addition to spatial staging, we see this technology being used in product displays, electronic signs, game equipment, and housing and construction, and aim to achieve such practical applications at an early date.

Application of See-Through Projection Technology: Showroom Window



Next-Generation ITS

With increasing social demand for next-generation ITS, which integrates information from traffic infrastructures, vehicles, and people, Pioneer is developing car electronics technologies to build a safe driving society that is free of traffic accidents. At the same time, as a leading car navigation company, we are participating in activities through ITS Japan*2 to create next-generation ITS.

Using the car navigation position-recognition technologies, map displays, and HMI*3 technologies that Pioneer has developed to date, we have developed a system that obtains the location information of other vehicles and pedestrians through vehicle–to–vehicle and vehicle–to–pedestrian telecommunication and displays the information on a map. The system also gives image and sound warnings to the driver and helps the driver recognize pedestrians and other vehicles.

We conducted an actual driving demonstration of this system at the ITS World Congress*4 held in Tokyo in October 2013, where it attracted a great deal of interest as a way of helping to prevent collisions between vehicles crossing paths and for providing pedestrian information.

Through this and other technological developments, we aim to contribute to society with a high degree of traffic safety for pedestrians as well as for drivers.

*2 ITS Japan: A non-profit organization established in 2005 for the purpose of promoting ITS

*3 HMI (Human Machine Interface): User interfaces between people and machines for ease of use and ease of understanding

*4 ITS World Congress: A conference that disseminates the results of research into making road traffic intelligent and promotes international cooperation for its implementation

Warnings to drivers via images and sounds to prevent accidents between vehicles and people, when shadows from buildings or vehicles make it difficult to see or when drivers fail to pay attention

Research and development website: http://pioneer.jp/crdl-e/

Corporate Governance

Under the Companies Act of Japan, Pioneer has elected to structure its corporate governance system with a Board of Corporate Auditors. The Board of Directors decides on fundamental issues such as management policies and supervises the execution of business activities, while the Board of Corporate Auditors audits the directors' performance of their duties. Based on this institutional structure, Pioneer has adopted an executive officer system to expedite the execution of business activities.

Meanwhile, aiming to enhance the transparency of decision making, Pioneer has established a Group Executive Committee and voluntary advisory committees to the Board of Directors.

Board of Directors, Board of Corporate Auditors and Executive Officers

Pioneer has adopted a corporate auditor system of corporate governance. Under this system, the Company has established the Board of Directors as a decision-making body for matters of the highest importance, such as management policies, and as a supervisory body. The representative directors are responsible for business execution, while the Board of Corporate Auditors is responsible for auditing. Furthermore, executive officers are elected to expedite business execution and clarify the responsibilities for each business.

Several highly independent outside directors, who have no significant transactional relationships with the Pioneer Group, have been elected to strengthen the supervisory function of the Board of Directors as to business execution. In addition, Pioneer has shortened the term of office of directors to one year, in order to further clarify their responsibilities and respond promptly to changes in the business environment by increasing opportunities for shareholders to elect directors. Pioneer's corporate governance is further strengthened by the fact that directors focus on their decision-making and supervisory functions from a Group-wide perspective, while executive officers enhance their business execution functions. The Board of Corporate Auditors, half or more of which consists of outside corporate auditors with a high degree of independence, audits the directors' performance of their duties. In fiscal 2014, the Board of Directors held nine meetings, while the Board of Corporate Auditors held 10 meetings.

Group Executive Committee

The Group Executive Committee, which was created as a process for reinforcing the Board of Directors' decision-making function, comprises executive officers chosen by the Board of Directors and holds regular meetings once per week, in principle. The Group Executive Committee, under the supervision of the Board of Directors, thoroughly discusses issues such as priorities for advancing business activities, investment projects, Group realignment, and Group-wide management strategies, as well as medium- and long-term policies, and approves these issues, or, in cases where the Board of Directors has decision-making authority, the Group Executive Committee reports on these issues to the Board of Directors. In fiscal 2014, the Group Executive Committee held 34 meetings and deliberated approximately 80 issues.

Voluntary Advisory Committees

To enhance management transparency and strengthen corporate governance, Pioneer has voluntarily established a Nominating Committee, a Compensation Committee, and a Special Committee, each chaired by an outside director, as advisory committees to the Board of Directors. The Nominating Committee discusses matters concerning the election and dismissal of directors and executive officers, and the election of corporate auditors. The Compensation Committee discusses issues related to remuneration and other benefits for directors and executive officers. The Special Committee discusses matters that have a significant impact on corporate value, including mergers and acquisitions. These committees report on the results of their deliberations and make related recommendations to the Board of Directors, and the Board of Directors gives full consideration to these reports and recommendations in the course of its deliberations.

Ensuring Appropriate Execution of Business

To ensure that directors, officers, and employees throughout the Group share its corporate philosophy, to "Move the Heart and Touch the Soul," Pioneer has adopted a "Group Vision" and formulated the "Rules of the Pioneer Group."

Aimed at ensuring that the Company will remain trusted and respected by society as a good corporate citizen, the "Pioneer Group Charter for Corporate Operations" is foremost in importance among the "Rules of the Pioneer Group." These rules also include the "Pioneer Group Code of Conduct," which stipulates specific decision-making and behavioral standards for Group directors, officers, and employees in the performance of their business duties, rules outlining the scope of authority and responsibilities for each Group company, and other rules related to compliance.

The "Pioneer Group Charter for Corporate Operations" embodies the spirit of fair-minded corporate activities that respect social justice. The Company resists anti-social forces in a systematic and resolute manner, to eliminate anti-social forces that threaten social order and security. This includes establishing a department to centrally coordinate responses to anti-social forces, working together with external specialist institutions, and thorough training and communication within the Group regarding how to deal with anti-social forces.

To ensure appropriate disclosure of corporate information and the accuracy of financial reporting, Pioneer has formulated basic rules and principles, designated responsible departments, and coordinated with external specialists, with the aim of strengthening its information management system.

Furthermore, to ensure proper responses we have developed a system necessary for ensuring proper operations by establishing a response policy in the event of a crisis, designating the authority and responsibilities of each Group company, and setting a policy for the approval process.

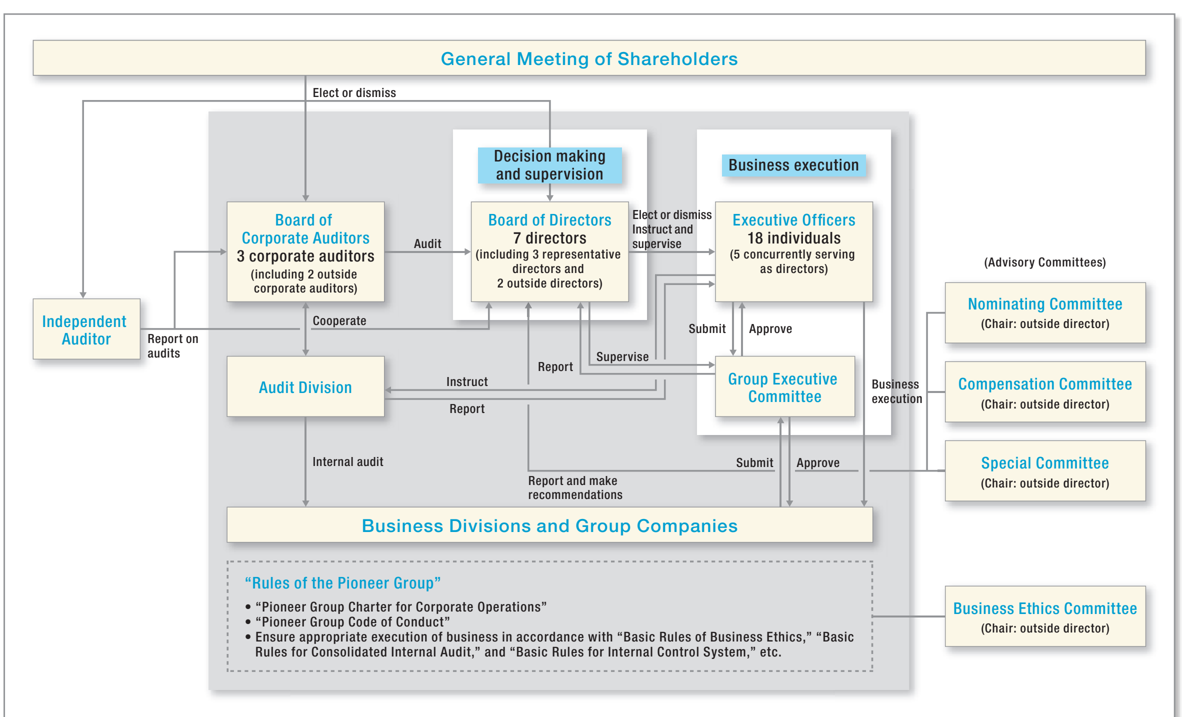
The Audit Division audits the status of the Group's entire management and operations, and confirms compliance with laws and internal regulations. The Audit Division also works with the internal audit staff at Group companies and the Board of Corporate Auditors to enhance the internal audit function with regard to internal control systems, risk management, and areas related to corporate ethics, quality control, and environmental protection.

Business Ethics Committee

The Company has established a "Business Ethics Committee," chaired by an outside director, to ensure legal compliance as well as thorough observance of the "Pioneer Group Code of Conduct."

In addition, a "Business Ethics Hotline" has been established as an internal reporting system, to quickly detect and appropriately address behavior that is in violation of the "Pioneer Group Code of Conduct." The hotline is set up outside the Company to ensure the anonymity of persons making reports and to clarify the details of those reports. The details of reports received by the hotline are simultaneously referred to the Business Ethics Committee and the Board of Corporate Auditors, making it possible to respond to that information resolutely and in good faith.

Corporate Governance Structure (As of June 26, 2014)



Corporate Citizenship and Environmental Preservation Activities

Based on our Group Philosophy of “Move the Heart and Touch the Soul,” Pioneer aims to meet the social needs of a diverse range of stakeholders through sound corporate activities, to continue to be a company that is trusted by society.

Pioneer’s corporate citizenship activities focus on the areas of audio & visual, environmental protection, and educational support, and primarily involve employee participation in voluntary activities that utilize expertise and technological capabilities related to our businesses, with the aim of having employees proactively contribute to society.

Our environmental preservation activities seek to address such major environmental issues as preventing global warming, conservation of resources and recycling, and management of chemical substances, with the aim of developing products with zero environmental impact. In addition to reducing environmental impact throughout the entire product’s life cycle, from planning and design to disposal and recycling, we promote the development of products that customers will choose for their superior environmental features, through internal programs including environmental impact assessments for products and an environmental evaluation system.

“Listen through the Body” Sees Record Number of Attendees

Using Pioneer-developed vibrating acoustic systems that convert sounds into vibrations to bring the joy of music to people with hearing difficulties, Pioneer has been holding “Listen through the Body” concerts continuously since 1992. Pioneer employees and their families volunteer to handle the concerts’ operations. The program has grown each year, and a record number of people attended the regular concert held in February 2014. The hall was brimming with energy as the audience joined in on sign-language dances and Hawaiian hula dances.

● Audience joining in on a sign-language dance

● Pioneer-developed vibrating acoustic system for converting sounds into vibrations

Corporate citizenship website: http://pioneer.jp/citizen-e/

Pioneer’s EV Car Navigation System Receives Environmental Award from the City of Kawasaki

Pioneer’s AVIC-MRZ007-EV is a car navigation system for electric vehicles (EVs) that uses proprietary route calculation methods tailored to the unique drive characteristics of EVs, to guide routes prior to driving that will use the least amount of electricity. This makes it possible to reduce CO_2 emissions while driving by roughly 10% compared with conventional routing. The system also features an Eco Status Function that displays information including the usage rate of regenerative braking, which is a braking system for EVs that converts decreasing kinetic energy to electrical energy and recharges the battery during deceleration. In recognition of these environmental features, the AVIC-MRZ007-EV has been certified as a “Low CO_2 Kawasaki Brand* ’13.”

* Low CO_2 Kawasaki Brand: Certified by Kawasaki City, Kanagawa Prefecture, as a product or technology that contributes to reduced CO_2 emissions throughout its entire life cycle

● Pioneer’s “Low CO_2 Kawasaki Brand ’13”-certified car navigation system for EVs

Environmental preservation website: http://pioneer.jp/environment-e/

Management (As of June 26, 2014)

Board of Directors

Representative Directors

Susumu Kotani

Hideki Okayasu

Mikio Ono

Directors

Satoshi Matsumoto

Kunio Kawashiri

Masahiro Tanizeki

Shunichi Sato

Board of Corporate Auditors

Full Time Corporate Auditor

Mikio Shimoda

Corporate Auditors

Keiichi Nishikido

Toraki Inoue

Executive Officers

President and CEO

Susumu Kotani

Senior Managing Executive Officers

Hideki Okayasu

Mikio Ono

Managing Executive Officers

Satoshi Matsumoto

Masanori Koshoubu

Masanori Kurosaki

Senior Executive Officers

Haruyuki Inohana

Kunio Kawashiri

Yasuhiko Danjo

Masahiro Kawamura

Takashige Nakano

Executive Officers

Harumitsu Saito

Ikuo Tsuritani

Masao Kase

Toshihiko Kurihara

Koichi Moriya

Satoshi Ohdate

Yoshiaki Ide

Notes: 1. Messrs. Masahiro Tanizeki and Shunichi Sato are outside directors, and independent directors satisfying the requirements of the Tokyo Stock Exchange.
2. Messrs. Keiichi Nishikido and Toraki Inoue are outside corporate auditors, and independent corporate auditors satisfying the requirements of the Tokyo Stock Exchange.

Financial Section

Contents

Five-Year Summary of Operations

Pioneer Corporation and Its Subsidiaries
Years ended March 31

In millions of yen and thousands of U.S. dollars	2010	2011	2012	2013	**2014**	**2014**
Net sales	¥438,998	¥457,545	¥436,753	¥451,841	**¥498,051**	**$4,835,447**
Operating income (loss)	(17,514)	15,817	12,514	5,997	**11,169**	**108,437**
Net income (loss)	(58,276)	10,350	3,670	(19,552)	**531**	**5,155**
Total assets	389,719	309,712	322,012	311,325	**327,913**	**3,183,621**
Total equity	90,654	88,454	89,037	81,576	**77,816**	**755,495**
Equity ratio (%)	22.4	27.4	26.1	24.5	**22.1**	
Net income (loss) per share (yen/U.S. dollars)	(272.70)	32.24	11.43	(60.90)	**1.49**	**0.01**
Total equity per share (yen/U.S. dollars)	271.46	264.78	261.98	237.97	**197.33**	**1.92**
Inventories	55,050	59,616	66,871	76,466	**70,371**	**683,214**
Capital expenditures	23,802	22,148	24,769	34,965	**26,053**	**252,942**
Depreciation and amortization	39,303	29,842	24,568	25,413	**24,883**	**241,583**
R&D expenses	35,977	33,040	34,590	33,671	**26,891**	**261,078**
R&D expenses to net sales (%)	8.2	7.2	7.9	7.5	**5.4**	
Net debt	73,752	40,266	43,558	74,153	**52,051**	**505,350**
D/E ratio (times)	1.9	1.0	1.1	1.3	**1.2**	
Cash flows from operating activities	7,956	37,454	18,213	1,179	**34,242**	**332,447**
Cash flows from investing activities	(8,432)	3,886	(21,781)	(35,239)	**(21,862)**	**(212,252)**
Cash flows from financing activities	21,846	(74,244)	1,719	7,018	**(887)**	**(8,612)**
Cash and cash equivalents at end of year	84,142	47,566	45,953	20,967	**33,904**	**329,165**
Return on assets (ROA) (%)	(14.2)	3.0	1.2	(6.2)	**0.2**	
Return on equity (ROE) (%)	(59.0)	12.0	4.3	(24.4)	**0.7**	
Average foreign exchange rate (yen/U.S. dollars)	92.85	85.72	79.08	83.10	**100.24**	
Average foreign exchange rate (yen/euro)	131.15	113.12	108.98	107.14	**134.37**	
Number of employees	29,046	26,785	24,765	23,926	**22,193**	

Notes: 1. The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥103=U.S.$1.00, the approximate current rate prevailing on March 31, 2014.
2. Amounts less than presentation units are rounded.
3. Net income (loss) per share and total equity per share are calculated by deducting the number of treasury stock from the number of issued shares.
4. Return on assets (ROA) is calculated by dividing net income (loss) for the term by the average amount of total assets during the term, and return on equity (ROE) is calculated by dividing net income (loss) for the term by the average amount of equity (equity calculated as total equity minus minority interests) during the term.
5. The number of employees excludes contract employees with a contract period of less than one year and temporary/other contract employees.

Financial Review

Year ended March 31, 2014,
compared with year ended March 31, 2013

Management's Discussion and Analysis of Financial Position, Results of Operations and Cash Flows

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).

Results of Operations

• Net sales

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.

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.

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 equipment for cable-TV systems, 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.

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.

• Operating income

Cost of sales increased to ¥396,705 million from ¥359,847 million a year earlier. Cost of sales accounted for 79.7% of net sales, remaining on the same level as in fiscal 2013. Selling, general and administrative (SG&A) expenses increased to ¥90,177 million from ¥85,997 million in fiscal 2013, mainly reflecting an increase in patent fees. As a result, operating income increased to ¥11,169 million in fiscal 2014, compared with ¥5,997 million in fiscal 2013. R&D expenses, which were included in cost of sales and SG&A expenses, decreased 20.1% to ¥26,891 million, representing 5.4% of net sales. R&D expenses were mostly incurred to enhance our technological advantage in our strategic products, such as car navigation systems.

• Other expenses—net

In fiscal 2014, other expenses—net decreased ¥11,294 million, to ¥5,504 million, compared with ¥16,798 million in fiscal 2013. This was primarily the result of the absence of a loss on impairment of investment securities recorded in fiscal 2013 and decreased restructuring costs, despite the negative effect of foreign exchange rate movements.

• Income (loss) before income taxes and minority interests

As a result of the foregoing, income (loss) before income taxes and minority interests improved to income of ¥5,665 million, from a ¥10,801 million loss in fiscal 2013.

• Income taxes

Income taxes for fiscal 2014 decreased to ¥5,159 million, compared with ¥9,253 million for fiscal 2013, principally due to the absence of a reversal of deferred tax assets in the previous fiscal year.

• Net income (loss)

As a result of the above, net income of ¥531 million was posted for fiscal 2014, an improvement of ¥20,083 million from the previous fiscal year's ¥19,552 million net loss.

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. 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 an ¥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.

Consolidated Balance Sheet

Pioneer Corporation and Its Subsidiaries
March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2014**	2013	**2014**
Current Assets:			
Cash and cash equivalents (Note 14)	**¥ 33,904**	¥ 20,967	**$ 329,165**
Time deposits (Note 14)	**1,493**	1,092	**14,495**
Receivables (Note 14):			
Trade receivables	**85,560**	78,978	**830,680**
Inventories (Note 4)	**70,371**	76,466	**683,214**
Deferred tax assets (Note 9)	**4,542**	4,925	**44,097**
Other current assets	**16,990**	14,559	**164,951**
Allowance for doubtful receivables	**(1,448)**	(1,734)	**(14,058)**
Total current assets	**211,412**	195,253	**2,052,544**
Property, Plant and Equipment (Notes 5 and 6)**:**			
Land	**18,143**	20,526	**176,146**
Buildings and structures	**68,419**	67,680	**664,262**
Machinery, equipment and others	**65,230**	65,627	**633,301**
Lease assets	**12,668**	9,333	**122,990**
Construction in progress	**434**	818	**4,214**
Others	**78,677**	81,254	**763,854**
Total	**243,571**	245,238	**2,364,767**
Accumulated depreciation	**(182,742)**	(180,236)	**(1,774,194)**
Net property, plant and equipment	**60,829**	65,002	**590,573**
Investments and Other Assets:			
Investment securities (Notes 3, 6 and 14)	**5,195**	4,700	**50,437**
Investments in associated companies (Note 14)	**2,034**	1,791	**19,748**
Software	**17,058**	17,343	**165,612**
Software in progress	**21,237**	17,555	**206,184**
Goodwill	**564**	606	**5,476**
Deferred tax assets (Note 9)	**5,697**	5,728	**55,311**
Other assets (Note 7)	**3,998**	3,557	**38,815**
Allowance for doubtful accounts	**(111)**	(210)	**(1,078)**
Total investments and other assets	**55,672**	51,070	**540,505**
Total	**¥ 327,913**	¥ 311,325	**$ 3,183,622**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2014	Millions of Yen 2013	Thousands of U.S. Dollars (Note 1) 2014
Current Liabilities:			
Short-term borrowings (Notes 6 and 14)	**¥ 22,178**	¥ 20,535	**$ 215,320**
Current portion of long-term debt (Notes 6 and 14)	**67,476**	64,218	**655,107**
Trade payables (Note 14)	**71,657**	58,773	**695,699**
Income taxes payable (Note 14)	**2,817**	2,617	**27,350**
Accrued expenses	**28,973**	28,431	**281,291**
Warranty reserve	**2,290**	2,678	**22,233**
Provision for restructuring costs (Note 13)	**–**	6,211	**–**
Other current liabilities	**16,425**	15,787	**159,466**
Total current liabilities	**211,816**	199,250	**2,056,466**
Long-term Liabilities:			
Long-term debt (Notes 6 and 14)	**1,519**	15,078	**14,748**
Accrued pension and severance costs (Note 7)	**34,585**	13,153	**335,777**
Other long-term liabilities (Note 9)	**2,177**	2,268	**21,135**
Total long-term liabilities	**38,281**	30,499	**371,660**
Commitments and Contingent Liabilities (Notes 11 and 15)**:**			
Equity (Note 8)**:**			
Common stock, no par value			
Authorized: 400,000,000 shares;			
Issued: 372,223,436 shares in 2014 and 326,093,836 shares in 2013	**91,732**	87,257	**890,602**
Capital surplus	**56,016**	51,541	**543,845**
Retained earnings	**17,849**	17,318	**173,291**
Treasury stock—at cost, 5,026,895 shares in 2014 and 5,024,569 shares in 2013	**(11,051)**	(11,050)	**(107,291)**
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	**1,168**	695	**11,340**
Deferred loss on derivatives under hedge accounting	**–**	(34)	**–**
Foreign currency translation adjustments	**(59,688)**	(66,260)	**(579,495)**
Pension adjustments recognized by foreign consolidated subsidiaries	**–**	(3,063)	**–**
Defined retirement benefit plans (Note 7)	**(23,567)**	–	**(228,806)**
Total accumulated other comprehensive loss	**(82,087)**	(68,662)	**(796,961)**
Minority interests	**5,357**	5,172	**52,010**
Total equity	**77,816**	81,576	**755,496**
Total	**¥327,913**	¥311,325	**$3,183,622**

See notes to consolidated financial statements.

Consolidated Statement of Operations

Pioneer Corporation and Its Subsidiaries
Year ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	**2014**
Net Sales	**¥498,051**	¥451,841	**$4,835,447**
Cost of Sales (Note 10)	**396,705**	359,847	**3,851,505**
Gross profit	**101,346**	91,994	**983,942**
Selling, General and Administrative Expenses (Note 10)	**90,177**	85,997	**875,505**
Operating income	**11,169**	5,997	**108,437**
Other Income (Expenses):			
Interest and dividend income	**281**	285	**2,728**
Interest expense	**(2,672)**	(2,587)	**(25,942)**
Borrowing fee	**(395)**	(455)	**(3,835)**
Gain (loss) on sales and disposals of property, plant and equipment—net	**1,328**	(3)	**12,893**
Loss on impairment of property, plant and equipment	**(14)**	(61)	**(136)**
Foreign exchange loss	**(1,990)**	(1,090)	**(19,321)**
(Loss) gain on sales of investment securities—net (Note 3)	**(1)**	253	**(10)**
Loss on impairment of investment securities (Note 3)	**–**	(5,040)	**–**
Insurance income for disaster (Note 12)	**630**	291	**6,117**
Loss on disaster	**–**	(490)	**–**
Restructuring costs (Note 13)	**(1,311)**	(6,242)	**(12,728)**
Others—net	**(1,360)**	(1,659)	**(13,203)**
Other income (expenses)—net	**(5,504)**	(16,798)	**(53,437)**
Income (loss) before income taxes and minority interests	**5,665**	(10,801)	**55,000**
Income Taxes (Note 9)**:**			
Current	**3,750**	4,495	**36,407**
Deferred	**1,409**	4,758	**13,680**
Total income taxes	**5,159**	9,253	**50,087**
Net income (loss) before minority interests	**506**	(20,054)	**4,913**
Minority Interests in Net Loss	**(25)**	(502)	**(242)**
Net income (loss)	**¥ 531**	¥ (19,552)	**$ 5,155**

	Yen		U.S. Dollars
Per Share of Common Stock (Note 17)**:**			
Basic net income (loss)	**¥1.49**	¥(60.90)	**$0.01**
Diluted net income	**–**	–	**–**
Cash dividends, applicable to the year	**–**	–	**–**

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income (Loss)

Pioneer Corporation and Its Subsidiaries
Year ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	**2014**
Net Income (Loss) Before Minority Interests	**¥ 506**	¥(20,054)	**$ 4,913**
Other Comprehensive Income (Loss) (Note 16)**:**			
Unrealized gain on available-for-sale securities	**473**	1,759	**4,592**
Deferred gain on derivatives under hedge accounting	**34**	71	**330**
Foreign currency translation adjustments	**6,546**	11,172	**63,553**
Share of other comprehensive income in associates	**283**	167	**2,748**
Pension adjustments recognized by foreign consolidated subsidiaries	**(269)**	(867)	**(2,612)**
Total other comprehensive income	**7,067**	12,302	**68,611**
Comprehensive income (loss)	**¥7,573**	¥ (7,752)	**$73,524**
Total comprehensive income (loss) attributable to:			
Owners of the parent	**¥7,341**	¥ (7,709)	**$71,272**
Minority interests	**¥ 232**	¥ (43)	**$ 2,252**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Pioneer Corporation and Its Subsidiaries
Year ended March 31, 2014

		Millions of Yen											
		Shareholders' Equity				Accumulated Other Comprehensive Income (Loss)							
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	(Accumulated Deficit) Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Loss on Derivatives Under Hedge Accounting	Foreign Currency Translation Adjustments	Pension Adjustments Recognized by Foreign Consolidated Subsidiaries	Defined Retirement Benefit Plans	Total Accumulated Other Comprehensive Loss	Minority Interests	Total Equity
Balance, April 1, 2012	**321,069,789**	**¥87,257**	**¥119,487**	**¥(31,076)**	**¥(11,050)**	**¥(1,064)**	**¥(105)**	**¥(77,140)**	**¥(2,196)**	**–**	**¥(80,505)**	**¥4,924**	**¥ 89,037**
Transfer to retained earnings from capital surplus	–	–	(67,946)	67,946	–	–	–	–	–	–	–	–	–
Net loss	–	–	–	(19,552)	–	–	–	–	–	–	–	–	(19,552)
Purchase of treasury stock	(548)	–	–	–	(0)	–	–	–	–	–	–	–	(0)
Disposal of treasury stock	26	–	(0)	–	0	–	–	–	–	–	–	–	0
Net changes in the year	–	–	–	–	–	1,759	71	10,880	(867)	–	11,843	248	12,091
Balance, March 31, 2013	**321,069,267**	**87,257**	**51,541**	**17,318**	**(11,050)**	**695**	**(34)**	**(66,260)**	**(3,063)**	**–**	**(68,662)**	**5,172**	**81,576**
Issuance of new shares (Note 8)	46,129,600	4,475	4,475	–	–	–	–	–	–	–	–	–	8,950
Net income	–	–	–	531	–	–	–	–	–	–	–	–	531
Purchase of treasury stock	(2,326)	–	–	–	(1)	–	–	–	–	–	–	–	(1)
Net changes in the year	–	–	–	–	–	473	34	6,572	3,063	¥(23,567)	(13,425)	185	(13,240)
Balance, March 31, 2014	**367,196,541**	**¥91,732**	**¥ 56,016**	**¥ 17,849**	**¥(11,051)**	**¥ 1,168**	**¥ –**	**¥(59,688)**	**¥ –**	**¥(23,567)**	**¥(82,087)**	**¥5,357**	**¥ 77,816**

	Thousands of U.S. Dollars (Note 1)											
	Shareholders' Equity				Accumulated Other Comprehensive Income (Loss)							
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives Under Hedge Accounting	Foreign Currency Translation Adjustments	Pension Adjustments Recognized by Foreign Consolidated Subsidiaries	Defined Retirement Benefit Plans	Total Accumulated Other Comprehensive Loss	Minority Interests	Total Equity
Balance, April 1, 2013	**$847,155**	**$500,398**	**$168,136**	**$(107,281)**	**$ 6,748**	**$(330)**	**$(643,301)**	**$(29,738)**	**–**	**$(666,621)**	**$50,214**	**$ 792,001**
Issuance of new shares (Note 8)	43,447	43,447	–	–	–	–	–	–	–	–	–	86,894
Net income	–	–	5,155	–	–	–	–	–	–	–	–	5,155
Purchase of treasury stock	–	–	–	(10)	–	–	–	–	–	–	–	(10)
Net changes in the year	–	–	–	–	4,592	330	63,806	29,738	$(228,806)	(130,340)	1,796	(128,544)
Balance, March 31, 2014	**$890,602**	**$543,845**	**$173,291**	**$(107,291)**	**$11,340**	**$ –**	**$(579,495)**	**$ –**	**$(228,806)**	**$(796,961)**	**$52,010**	**$ 755,496**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Pioneer Corporation and Its Subsidiaries
Year ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	**2014**
Operating Activities:			
Income (loss) before income taxes and minority interests	**¥ 5,665**	¥(10,801)	**$ 55,000**
Adjustments for:			
Income taxes—paid	**(3,362)**	(5,169)	**(32,641)**
Depreciation and amortization	**24,883**	25,413	**241,583**
Insurance income for disaster	**(630)**	(291)	**(6,117)**
Proceeds from insurance income for disaster	**128**	1,788	**1,243**
(Gain) loss on sales and disposals of property, plant and equipment—net	**(1,328)**	3	**(12,893)**
Loss on impairment of property, plant and equipment	**14**	61	**136**
Gain on sales of investment securities—net	**–**	(253)	**–**
Loss on impairment of investment securities	**–**	5,040	**–**
Changes in assets and liabilities:			
(Increase) decrease in receivables	**(8,648)**	3,611	**(83,961)**
Decrease (increase) in inventories	**9,773**	(1,352)	**94,883**
Increase (decrease) in trade payables	**11,278**	(18,714)	**109,495**
Increase (decrease) in accrued expenses	**2,960**	(9,807)	**28,738**
(Decrease) increase in provision for restructuring costs	**(6,211)**	6,211	**(60,301)**
Increase in accrued pension and severance costs	**225**	1,845	**2,184**
Other—net	**(505)**	3,594	**(4,902)**
Net cash provided by operating activities	**34,242**	1,179	**332,447**
Investing Activities:			
Increase in time deposits	**(305)**	(991)	**(2,961)**
Purchase of property, plant and equipment	**(26,053)**	(34,965)	**(252,942)**
Proceeds from sales of property, plant and equipment	**4,536**	356	**44,039**
Other—net	**(40)**	361	**(388)**
Net cash used in investing activities	**(21,862)**	(35,239)	**(212,252)**
Financing Activities:			
Increase in short-term borrowings—net	**818**	10,264	**7,941**
Increase in long-term debt	**56,325**	70,288	**546,844**
Repayments of long-term debt	**(66,732)**	(75,070)	**(647,883)**
Repayments of lease obligations	**(1,924)**	(2,168)	**(18,680)**
Proceeds from sale and lease back transactions	**2,030**	3,413	**19,709**
Proceeds from issuance of new shares	**8,643**	–	**83,913**
Other—net	**(47)**	291	**(456)**
Net cash (used in) provided by financing activities	**(887)**	7,018	**(8,612)**
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	**1,444**	2,056	**14,019**
Net Increase (Decrease) in Cash and Cash Equivalents	**12,937**	(24,986)	**125,602**
Cash and Cash Equivalents, Beginning of Year	**20,967**	45,953	**203,563**
Cash and Cash Equivalents, End of Year	**¥ 33,904**	¥ 20,967	**$ 329,165**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Pioneer Corporation and its Subsidiaries
Year Ended March 31, 2014

1. Basis of Presentation

a. Basis of Consolidated Financial Statements
The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards ("IFRS").

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued in Japan in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2013 consolidated financial statements to conform to the classifications used in 2014.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Pioneer Corporation (Pioneer Kabushiki Kaisha; the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥103 to $1.00, the approximate rate of exchange as of March 31, 2014. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

b. Nature of Operations
The Company and its subsidiaries (together, the "Group") are engaged in the development, manufacture and sale of electronic products. The Group is a leading global manufacturer of consumer- and business-use electronic products such as car electronics and audio/video. The principal production activities of the Group are carried out in Asia including Japan, Brazil, and the United States. The Group's products are generally sold under its own brand names, principally "Pioneer." The Group sells its products to customers in consumer and commercial markets through its sales offices in Japan, and its sales subsidiaries and independent distributors overseas. On an OEM (original equipment manufacturing) basis, the Group markets certain products, such as car electronics products to other companies.

2. Summary of Significant Accounting Policies

a. Consolidation
The consolidated financial statements as of March 31, 2014 include the accounts of the Company and its 80 (89 in 2013) subsidiaries.

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in six (five in 2013) associated companies are accounted for by the equity method.

The excess of cost of an acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is being amortized over a period not exceeding 20 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements
In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements." PITF No. 18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either IFRS or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items which should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; (c) expensing capitalized development costs of R&D; (d) cancellation

of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; and (e) exclusion of minority interests from net income, if contained in net income.

c. Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method

In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either IFRS or the generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; and (e) exclusion of minority interests from net income, if contained in net income.

d. Business Combinations

In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations", and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures." The accounting standard for business combinations allowed companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development cost (IPR&D) acquired in the business combination is capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase allocation. The revised standard is applicable to business combinations undertaken on or after April 1, 2010.

e. Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value. Cash equivalents include time deposits which become due within three months of the date of acquisition.

f. Investment Securities

Available-for-sale securities for which market quotations are available are stated at fair value. Unrealized gain (loss) on these securities is stated at net of tax effect and minority interests as "unrealized gain (loss) on available-for-sale securities" in a separate component of equity. Available-for-sale securities for which market quotations are unavailable are stated at cost by using the moving average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

g. Allowance for Doubtful Receivables

The Group has provided an allowance for doubtful receivables by the method based on the percentage of its own historical bad debt loss against the balance of total receivables, plus the amount deemed necessary to cover individual accounts estimated to be uncollectible.

h. Inventories

Inventories are stated at the lower of cost, determined by the average cost method for finished products, work in process and raw materials and supplies, or net selling value.

i. Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment (other than leased property) of the Company and its Japanese subsidiaries is computed principally using the declining-balance method based on the estimated useful lives of the assets, while the straight-line method is applied to property, plant and equipment of foreign subsidiaries and leased property.

j. Long-lived Assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition. Software for sales is amortized using the straight-line method over the expected sellable period by product group of one to three years, considering the expected sales volume trend based on the life cycle of related products. Software for internal use is amortized using the straight-line method over an estimated useful life of five years.

k. Warranty Reserve

Provisions for warranty costs are recognized at the date of sales of the relevant products, at the best estimate of the expenditure required to settle the Group's after-sales service obligation.

l. Retirement and Pension Plans

The Group sponsors both defined benefit pension plans and defined contribution pension plans.

With respect to the defined benefit pension plan, the Group accounts for the "Accrued pension and severance costs" based on projected benefit obligations and plan assets at the consolidated balance sheet date. The projected benefit obligations are attributed to periods on a straight-line basis and a projected unit credit method. Net transitional obligation as of April 1, 2000, is being amortized in equal amounts mainly over 15 years. Prior service cost is amortized using the straight-line method over 10–15 years within the average of the estimated remaining service years. Actuarial gain or loss is primarily amortized using the straight-line method over 10–18 years within the average of the estimated remaining service years. The Group's net periodic retirement benefit costs consist of service cost, interest cost, expected return on plan assets and amortization of such deferred amounts.

With respect to the defined contribution plans, the Group charges contributions to expenses when they are paid or accrued.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits", which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity ("Accumulated other comprehensive income"), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability ("Accrued pension and severance costs") or asset ("Asset for retirement benefits").

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014. As a result, "Pension adjustments recognized by foreign consolidated subsidiaries" among "Accumulated other comprehensive income (loss)" of ¥(3,332) million ($(32,350) thousand) was included in "Defined retirement benefit plans" as of March 31, 2014. In addition, "Accrued pension and severance costs" of ¥34,585 million ($335,777 thousand) was recorded as of March 31, 2014, and "Accumulated other comprehensive income (loss)" for the year ended March 31, 2014, decreased by ¥20,235 million ($196,456 thousand).

The Company expects to apply the revised accounting standard for (c) above from April 1, 2014, and is in the process of measuring the effects of applying the revised accounting standard for (c) above in future applicable periods.

m. Asset Retirement Obligations

In March 2008, the ASBJ published ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

n. Research and Development Costs and Intangible Assets

Research and development costs are charged to income as incurred. Software for sale is amortized by the straight-line method over 1–3 years, while software used by the Group is amortized by the straight-line method over the estimated useful life of five years. Intangible assets other than software are amortized using the straight-line method.

o. Leases

Depreciation method for lease assets involving finance lease transactions of which the ownership is transferred to lessees is the same as that which applies to property, plant and equipment owned by the Company.

Depreciation method for lease assets involving finance lease transactions of which the ownership is not transferred to lessees is the straight-line method with their residual values being zero over their leased periods used as the number of years for useful life.

In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the former accounting standard for lease transactions issued in June 1993, and ASBJ Guidance No. 16, "Guidance on Accounting Standard for Lease Transactions," which revised the former guidance issued in January 1994. The adoption of the revised accounting standard was permitted for fiscal years beginning on or after April 1, 2008.

All other leases are accounted for an operating lease.

p. Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences. A valuation allowance is established to reduce deferred tax assets if they are not considered to be recoverable.

q. Foreign Currency Translations

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of operations to the extent that they are not hedged by forward exchange contracts.

r. Foreign Currency Financial Statements

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the consolidated balance sheet date, except for equity, which is translated at the historical rate. Differences arising from such translations are shown as “Foreign currency translation adjustments” in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

s. Derivatives and Hedging Activities

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and currency swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks associated with assets and liabilities denominated in foreign currencies and debt obligations. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of operations and (b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign currency forward contracts, currency options and currency swaps are utilized to hedge foreign currency exposures in export sales and procurements from overseas suppliers. Trade receivables and trade payables denominated in foreign currencies are translated at the contracted rates if the currency swaps qualify for hedge accounting.

t. Per Share Information

Basic net income (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted-average number of shares of common stock outstanding for the period, after deduction of treasury stock, retroactively adjusted for stock splits. Diluted net income (loss) per share for the years ended March 31, 2014 and 2013, is not disclosed as there were no potentially dilutive securities for the years ended March 31, 2014 and 2013.

Diluted net income (loss) per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income (loss) per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statement of operations are dividends applicable to the respective years including dividends to be paid after the end of the year.

u. New Accounting Pronouncements

Accounting Standards for Business Combinations and Consolidated Financial Statements —
On September 13, 2013, the ASBJ issued revised ASBJ Statement No. 21, “Accounting Standard for Business Combinations,” revised ASBJ Guidance No. 10, “Guidance on Accounting Standards for Business Combinations and Business Divestitures,” and revised ASBJ Statement No. 22, “Accounting Standard for Consolidated Financial Statements.”

Major accounting changes are as follows:

(a) *Transactions with noncontrolling interest* — A parent’s ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of minority interest is adjusted to reflect the change in the parent’s ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the current accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the minority interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of operations. Under the revised accounting standard, such difference shall be accounted for as capital surplus as long as the parent retains control over its subsidiary.

(b) *Presentation of the consolidated balance sheet* — In the consolidated balance sheet, “Minority interest” under the current accounting standard will be changed to “Noncontrolling interest” under the revised accounting standard.

(c) *Presentation of the consolidated statement of operations* — In the consolidated statement of operations, “Income before minority interest” under the current accounting standard will be changed to “Net income” under the revised accounting standard, and “Net income” under the current accounting standard will be changed to “Net income attributable to owners of the parent” under the revised accounting standard.

(d) *Provisional accounting treatments for a business combination* — If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the current accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(e) *Acquisition-related costs* — Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the current accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for “transactions with noncontrolling interest”, “acquisition-related costs” and “presentation changes in the consolidated financial statements” are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for the presentation changes in the consolidated financial statements. In case of earlier application, all accounting standards and guidance above, except for the presentation changes, should be applied simultaneously. Either retrospective or prospective application of the revised accounting standards and guidance for “transactions with noncontrolling interest” and “acquisition-related costs” is permitted. In retrospective application of the revised standards and guidance for “transactions with noncontrolling interest” and “acquisition-related costs,” accumulated effects of retrospective adjustments for all “transactions with noncontrolling interest” and “acquisition-related costs” which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application.

In prospective application, the new standards and guidance for “transactions with noncontrolling interest” and “acquisition-related costs” shall be applied prospectively from the beginning of the year of the first-time application. The changes in presentation shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for “provisional accounting treatments for a business combination” is effective for a business combination which will occur on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which will occur on or after the beginning of annual periods beginning on or after April 1, 2014.

The Company expects to apply the revised accounting standards and guidance from the beginning of the annual period beginning on April 1, 2015, and is in the process of measuring the effects of applying the revised accounting standards and guidance in future applicable periods.

v. Consolidated Corporate Tax System

The Group files a tax return under the consolidated corporate-tax system, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries from the fiscal year ended March 31, 2014.

w. Changes in the Method of Presentations

Consolidated Balance Sheet

Prior to April 1, 2013, “Software in progress” was included in “Software” among “Investments and Other Assets.” Considering the materiality, “Software in progress” is disclosed separately from the year ended March 31, 2014. The amount included in “Software” as of March 31, 2013, was ¥17,555 million.

3. Investment Securities

Cost, unrealized gains and losses and aggregate fair values of investment securities as of March 31, 2014 and 2013, were as follows:

	Millions of Yen				Millions of Yen			
	2014				2013			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:								
Equity securities	**¥3,317**	**¥1,603**	**–**	**¥4,920**	¥3,317	¥1,129	¥16	¥4,430
Total	**¥3,317**	**¥1,603**	**–**	**¥4,920**	¥3,317	¥1,129	¥16	¥4,430

	Thousands of U.S. Dollars			
	2014			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	**$32,204**	**$15,563**	**–**	**$47,767**
Total	**$32,204**	**$15,563**	**–**	**$47,767**

Unlisted securities are not included above because they do not have a quoted market price in an active market. The information for these investments is disclosed in Note 14.

The Group recognized impairment loss of ¥5,040 million for the investment securities (available-for-sale equity securities) for the year ended March 31, 2013.

Available-for-sale securities that the Group sold during the years ended March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Proceeds from sales:			
Equity securities	**–**	¥295	**–**
Others	**¥28**	5	**$272**
Total	**¥28**	¥300	**$272**
Gains on sales:			
Equity securities	**–**	¥254	**–**
Others	**¥ 3**	–	**$ 29**
Total	**¥ 3**	¥254	**$ 29**
Losses on sales:			
Equity securities	**–**	–	**–**
Others	**¥ 4**	¥ 1	**$ 39**
Total	**¥ 4**	¥ 1	**$ 39**

4. Inventories

Inventories as of March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Finished products	**¥34,778**	¥40,032	**$337,651**
Work in process	**11,279**	11,447	**109,505**
Raw materials and supplies	**24,314**	24,987	**236,058**
Total	**¥70,371**	¥76,466	**$683,214**

5. Investment Property

In November 2008, the ASBJ issued ASBJ Statement No. 20, "Accounting Standard for Investment Property and Related Disclosures" and ASBJ Guidance No. 23, "Guidance on Accounting Standard for Investment Property and Related Disclosures."

As of March 31, 2014, the Group holds certain idle properties in Shizuoka and other areas in Japan.

There were neither losses on sales nor impairment on those properties for the year ended March 31, 2014.

As of March 31, 2013, the Group holds certain idle properties in Shizuoka and other areas in Japan.

Impairment loss on those properties for the year ended March 31, 2013, was ¥45 million.

The carrying amounts, changes in such balances and market prices of such properties as of March 31, 2014 and 2013 were as follows:

	Millions of Yen			
	Carrying Amount			Fair Value
	April 1, 2013	Increase/Decrease	**March 31, 2014**	**March 31, 2014**
Idle property	¥5,260	**¥(1)**	**¥5,259**	**¥15,392**
Total	¥5,260	**¥(1)**	**¥5,259**	**¥15,392**

	Millions of Yen			
	Carrying Amount			Fair Value
	April 1, 2012	Increase/Decrease	March 31, 2013	March 31, 2013
Idle property	¥5,444	¥(184)	¥5,260	¥15,395
Total	¥5,444	¥(184)	¥5,260	¥15,395

	Thousands of U.S. Dollars			
	Carrying Amount			Fair Value
	April 1, 2013	Increase/Decrease	**March 31, 2014**	**March 31, 2014**
Idle property	$51,068	**$(10)**	**$51,058**	**$149,437**
Total	$51,068	**$(10)**	**$51,058**	**$149,437**

Notes: 1. Carrying amount reported in the consolidated balance sheet is net of accumulated depreciation and accumulated impairment losses, if any.
2. Fair value is principally based on the values provided by third-party real estate appraisers.

6. Short-term Borrowings and Long-term Debt

Short-term borrowings as of March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Short-term borrowings:			
Weighted-average interest rate of 2.80% as of March 31, 2014 and 2.90% as of March 31, 2013			
Collateralized	**¥ 9,400**	¥11,400	**$ 91,262**
Uncollateralized	**12,778**	9,135	**124,058**
Total	**¥22,178**	¥20,535	**$215,320**

Long-term debt as of March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Long-term debt:			
Collateralized	**¥52,270**	¥62,677	**$507,476**
Uncollateralized	**13,000**	13,000	**126,214**
Long-term capital lease obligation, due principally in 2018	**3,725**	3,619	**36,165**
Total	**68,995**	79,296	**669,855**
Less—portion due within one year	**67,476**	64,218	**655,107**
Long-term debt, less current portion	**¥ 1,519**	¥15,078	**$ 14,748**

Annual maturities of long-term debt and long-term capital lease obligations as of March 31, 2014, and for the next five years and thereafter were as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2015	¥67,476	$655,107
2016	1,215	11,796
2017	303	2,942
2018	1	10
2019	–	–
2020 and thereafter	–	–
Total	¥68,995	$669,855

As of March 31, 2014 and 2013, the following assets were pledged as collateral for short-term borrowings and long-term debt of the Group:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Building and structures	**¥14,016**	¥14,918	**$136,078**
Land	**12,953**	14,844	**125,757**
Investment securities	**4,594**	4,142	**44,602**
Total	**¥31,563**	¥33,904	**$306,437**

Current portion of long-term debt amounting to ¥52,270 million ($507,476 thousand) as of March 31, 2014, was borrowed by the Company and Tohoku Pioneer Corporation in accordance with the syndicated loan agreements contracted with the banks on September 25, 2013 and March 31, 2014. These agreements include certain financial covenants which require the Company to maintain certain levels of equity on a consolidated and nonconsolidated basis and certain levels of operating income and net income on a consolidated basis, as well as Tohoku Pioneer Corporation maintaining certain levels of equity on a nonconsolidated basis.

In addition, current portion of long-term debt amounting to ¥10,000 million ($97,087 thousand) as of March 31, 2014, was borrowed by the Company in accordance with the syndicated loan agreement contracted with the banks on September 27, 2011. This agreement includes certain financial covenants which require the Company to maintain certain levels of equity on a consolidated and nonconsolidated basis.

Current portion of long-term debt amounting to ¥62,677 million as of March 31, 2013, was borrowed by the Company and Tohoku Pioneer Corporation in accordance with the syndicated loan agreements contracted with the banks on September 25, 2012 and March 26, 2013. These agreements include certain financial covenants which require the Company to maintain certain levels of equity on a consolidated and nonconsolidated basis and a certain level of operating income on a consolidated basis, as well as Tohoku Pioneer Corporation maintaining certain levels of equity on a nonconsolidated basis.

In addition, long-term debt amounting to ¥10,000 million as of March 31, 2013, was borrowed by the Company in accordance with the syndicated loan agreement contracted with the banks on September 27, 2011. This agreement includes certain financial covenants which require the Company to maintain certain levels of equity on a consolidated and non-consolidated basis.

7. Retirement and Pension Plans

The Company and major Japanese subsidiaries have defined benefit pension plans and defined contribution pension plans. The benefits are determined based on the sum of cumulative points and conditions under which termination occurred. The cumulative points are accumulated based on years of service and job classes.

Substantially all of the employees of U.S. and European subsidiaries are covered by defined benefit pension plans. Under such plans, the related cost of benefit is funded or accrued. The benefits are based on the level of salary at retirement or earlier termination of employment, the years of service and conditions under which termination occurs. Certain other foreign subsidiaries sponsor defined contribution pension plans or lump-sum payment plans.

Year ended March 31, 2014
Defined benefit pension plans

(1) The changes in projected benefit obligation for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	**¥80,185**	**$778,495**
Service cost	**2,273**	**22,068**
Interest cost	**2,215**	**21,505**
Actuarial losses	**8,740**	**84,854**
Benefits paid	**(9,694)**	**(94,116)**
Others	**1,909**	**18,534**
Balance at end of year	**¥85,628**	**$831,340**

(2) The changes in plan assets for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥52,292	$507,689
Expected return on plan assets	2,053	19,932
Actuarial losses	1,821	17,680
Contributions from the employer	3,830	37,184
Benefits paid	(9,694)	(94,116)
Others	1,335	12,961
Balance at end of year	¥51,637	$501,330

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of projected benefit obligation and plan assets as of March 31, 2014, was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Funded projected benefit obligation	¥ 84,442	$ 819,825
Plan assets	(51,637)	(501,330)
	32,805	318,495
Unfunded projected benefit obligation	1,186	11,515
Net liability for projected benefit obligation	¥ 33,991	$ 330,010

	Millions of Yen	Thousands of U.S. Dollars
Accrued pension and severance costs	¥34,585	$335,777
Asset for retirement benefits	(594)	(5,767)
Net liability for projected benefit obligation	¥33,991	$330,010

(4) The components of net periodic retirement benefit costs for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Service cost	¥ 2,273	$ 22,068
Interest cost	2,215	21,505
Expected return on plan assets	(2,053)	(19,932)
Recognized actuarial losses	2,762	26,816
Amortization of prior service gain	(886)	(8,602)
Amortization of transitional obligations for retirement benefits	202	1,961
Others	(11)	(107)
Net periodic benefit costs	¥ 4,502	$ 43,709

(5) Accumulated other comprehensive income on defined retirement benefit plans as of March 31, 2014, was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Unrecognized prior service gain	¥ (6,421)	$ (62,340)
Unrecognized actuarial losses	31,107	302,010
Unrecognized transitional obligation for retirement benefits	182	1,767
Total	¥24,868	$241,437

(6) Plan assets as of March 31, 2014

(a) Components of plan assets
Plan assets consisted of the followings:

Debt investments securities	**47%**
Equity investments securities	**33**
Cash and cash equivalents	**14**
Others	**6**
Total	**100%**

(b) Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from various components of the plan assets.

(7) Assumptions used for the year ended March 31, 2014, were set forth as follows:

Discount rate	**1.3%–4.5%**
Expected rate of return on plan assets	**3.00%–7.25%**

The Company applied a discount rate of 2.5% as of April 1, 2013. The Company reassessed the discount rate as of March 31, 2014, and determined that change in the discount rate has an effect on the amount of projected benefit obligation. Accordingly, the discount rate has been changed to 1.3%.

Defined contribution pension plan

Required contribution amount to the defined contribution plan of the Company and its consolidated subsidiaries is ¥509 million ($4,942 thousand) as of March 31, 2014.

Year ended March 31, 2013

Accrued pension and severance costs for the year ended March 31, 2013, were as follows:

Japan

	Millions of Yen
Projected benefit obligation	**¥(64,693)**
Fair value of plan assets	**41,397**
Unfunded retirement obligation	**(23,296)**
Unrecognized prior service gain	**(7,310)**
Unrecognized actuarial loss	**21,825**
Unrecognized transitional obligation	**382**
Net retirement obligations	**(8,399)**
Prepaid pension cost	**157**
Accrued pension and severance costs	**¥ (8,556)**

The components of net periodic retirement benefit costs for the year ended March 31, 2013, were as follows:

	Millions of Yen
Service cost	**¥ 2,755**
Interest cost	**1,555**
Expected return on plan assets	**(1,192)**
Amortization of prior service gain	**(885)**
Recognized actuarial loss	**2,710**
Amortization of transitional obligations for retirement benefits	**194**
Net periodic retirement benefit costs	**¥ 5,137**

Assumptions used for the year ended March 31, 2013, were as follows:

Discount rate	**1.5%–2.5%**
Expected rate of return on plan assets	**3.0%**
Amortization period of prior service gain or cost	**Mainly 10 to 15 years**
Recognition period of actuarial gain or loss	**Mainly 10 to 18 years**
Amortization period of transitional obligation	**Mainly 15 years**

Overseas

	Millions of Yen
Projected benefit obligation	**¥(15,492)**
Fair value of plan assets	**10,895**
Accrued pension and severance costs	**¥ (4,597)**

The components of net periodic retirement benefit costs for the year ended March 31, 2013, were as follows:

	Millions of Yen
Service cost	¥ 125
Interest cost	588
Expected return on plan assets	(593)
Recognized actuarial loss	223
Amortization of prior service gain	(3)
Curtailment gain	–
Net periodic retirement benefit costs	¥ 340

Assumptions used for the year ended March 31, 2013, were as follows:

Discount rate	3.1%–5.2%
Expected rate of return on plan assets	0.0%–7.5%
Amortization period of prior service gain or cost	Average remaining service period of employees
Recognition period of actuarial gain or loss	Average remaining service period of employees

8. Equity

Japanese companies have been subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution of the shareholders' meeting. For companies that meet certain criteria such as; (1) having a board of directors, (2) having independent auditors, (3) having an audit and supervisory board, and (4) the term of service of directors is prescribed as one year rather than two years by its articles of incorporation, the board of directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the board of directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as an additional paid-in capital (a component of capital surplus) or as a legal reserve (a component of retained earnings), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of additional paid-in capital and legal reserve equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders' meeting.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the board of directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specified formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

d. Issuance of New Shares Through Third-Party Allotments

(a) *Capital business alliance with NTT DOCOMO, INC. and issuance of new shares through third-party allotment*

Pursuant to the resolution at the Board of Directors' meeting held on May 13, 2013, the Company issued new shares through a third-party allotment to NTT DOCOMO, INC., with the aim to build the business alliance smoothly with respect to the business related to cloud information services for automobile users, as follows:

(1) Number of shares newly issued:
25,773,100 shares of common stock
(2) Issue price: ¥194 per share ($1.88)
(3) Total amount issued:
¥4,999,981,400 ($48,544 thousand)
(4) Issue price transferred to capital:
¥97 per share ($0.94)
(5) Total issue amount transferred to capital:
¥2,499,990,700 ($24,272 thousand)
(6) Payment date: June 28, 2013
(7) Allottee: NTT DOCOMO, INC.
(8) Purposes:
The Company expects to use the fund for (1) the investment to strengthen technology in respect of the service engine, the contents, and collection and utilization of the probe information (vehicle tracking data), in the cloud infrastructure, which provides services in connection with Intelligent Transport Systems; (2) investment relating to external sales using the cloud infrastructure; and (3) investment in connection with the expansion of existing business utilizing the cloud infrastructure.

(b) *Strengthening capital business alliance with Mitsubishi Electric Corporation and issuance of new shares through third-party allotment*

Pursuant to the resolution at the Board of Directors' meeting held on May 13, 2013, the Company issued new shares through a third-party allotment to Mitsubishi Electric Corporation, with the aim to further strengthen the alliance with Mitsubishi Electric Corporation with respect to the development of platforms for car navigation systems, as follows:

(1) Number of shares newly issued:
20,356,500 shares of common stock
(2) Issue price: ¥194 per share ($1.88)
(3) Total amount issued:
¥3,949,161,000 ($38,341 thousand)
(4) Issue price transferred to capital:
¥97 per share ($0.94)
(5) Total issue amount transferred to capital:
¥1,974,580,500 ($19,171 thousand)
(6) Payment date: June 28, 2013
(7) Allottee: Mitsubishi Electric Corporation
(8) Purposes:
The Company expects to use the fund for the joint development, etc. with Mitsubishi Electric Corporation of the hardware and software platforms for next generation car navigation systems.

9. Income Taxes

The Company and its Japanese subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 38% for the years ended March 31, 2014 and 2013.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Deferred tax assets:			
Write-down of inventories	**¥ 3,924**	¥ 3,470	**$ 38,097**
Accrued expenses	**4,539**	4,997	**44,068**
Excess depreciation	**2,907**	2,850	**28,223**
Loss on impairment of property, plant and equipment	**5,956**	6,703	**57,825**
Loss on impairment of investment securities	**6,834**	6,846	**66,350**
Accrued pension and severance costs	**10,651**	3,618	**103,408**
Tax loss carryforwards	**93,828**	92,375	**910,951**
Others	**1,813**	2,292	**17,602**
Valuation allowance	**(120,294)**	(112,045)	**(1,167,903)**
Total	**¥ 10,158**	¥ 11,106	**$ 98,621**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**(421)**	(406)	**(4,087)**
Others	**(1,045)**	(1,534)	**(10,146)**
Total	**(1,466)**	(1,940)	**(14,233)**
Net deferred tax assets	**¥ 8,692**	¥ 9,166	**$ 84,388**

Prior to April 1, 2013, “Accrued pension and severance costs” was included in “Others” of “Deferred tax assets” in the above table. Due to the application of the revised accounting standard and the guidance, “Others” of “Deferred tax assets” of ¥5,910 million was reclassified to “Accrued pension and severance costs” in the amount of ¥3,618 million and “Other” in the amount of ¥2,292 million as of March 31, 2013.

Reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of operations for the years ended March 31, 2014 and 2013, was as follows:

	2014	2013
Normal effective statutory tax rate	**38.0%**	38.0%
Expenses not deductible for income tax purposes	**10.2**	(8.3)
Revenue not taxable for income tax purposes	**(1.1)**	1.7
Difference in foreign and Japanese tax rates	**(15.5)**	0.4
Valuation allowance	**45.1**	(108.7)
Foreign tax credits	**8.7**	(4.8)
Others—net	**5.7**	(4.0)
Actual effective tax rate	**91.1%**	(85.7)%

Net deferred tax assets as of March 31, 2014 and 2013, were included in the following accounts:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Current assets:			
Deferred tax assets	**¥ 4,542**	¥ 4,925	**$ 44,097**
Investments and other assets:			
Deferred tax assets	**5,697**	5,728	**55,311**
Long-term liabilities:			
Other long-term liabilities	**¥(1,547)**	¥(1,487)	**$(15,020)**

New tax reform laws enacted in 2014 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2014 from 38% to 36%. The effect of this change was immaterial.

10. Research and Development Costs

Research and development costs charged to income were ¥26,891 million ($261,078 thousand) and ¥33,671 million for the years ended March 31, 2014 and 2013, respectively.

11. Leases

The Group leases certain land, machinery and equipment, office space, warehouses, computer equipment and employees' residential facilities.

The minimum rental commitments under noncancelable operating leases as of March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Operating leases:			
Due within one year	**¥1,602**	¥1,381	**$15,553**
Due over one year	**3,547**	2,999	**34,437**
Total	**¥5,149**	¥4,380	**$49,990**

12. Insurance Income for Disaster

The Group recorded insurance proceeds, for which the amounts were fixed, as insurance income for disaster in the consolidated statement of operations for the year ended March 31, 2014. They were ¥568 million ($5,515 thousand) on damaged property, plant and equipment and inventories for its consolidated subsidiaries resulting from the flooding that occurred in Thailand during October 2011 and ¥62 million ($602 thousand) on damaged buildings and structures for its consolidated subsidiaries resulting from the snow disaster that occurred in Japan during February 2014.

The Group recorded insurance proceeds, for which the amounts were fixed, on damaged property, plant and equipment and inventories for its consolidated subsidiaries which were damaged by the flooding that occurred in Thailand during October 2011, as insurance income for disaster in the consolidated statement of operations for the year ended March 31, 2013.

13. Restructuring Costs

Restructuring costs for the year ended March 31, 2014, were mainly for the organization restructuring expenses of foreign subsidiaries.

Restructuring costs for the year ended March 31, 2013, were mainly for the special termination benefits.

14. Financial Instruments and Related Disclosures

(1) Group policy for financial instruments
The Group has a policy to invest cash surplus, if any, only in short-term deposits or other financial instruments which have a similar nature. The Group raises funds by bank loans and/or from capital markets through bonds. Derivatives are used, not for speculative purposes, to manage exposure to financial risks as described in (2) below.

(2) Nature and extent of risks arising from financial instruments
Receivables such as trade receivables are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of payables in foreign currencies, is hedged by using forward foreign currency contracts. Investment securities, mainly equity instruments in the companies with which the Company has business and capital alliance, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade payables, are less than one year. Payables in foreign currencies arising from imports of raw materials and finished products are exposed to the market risk of fluctuation in foreign currency exchange rates.

Long-term loans bear floating interest rates, and are exposed to variable interest rate risk based on the short-term prime rate and TIBOR.

Derivatives include forward foreign currency contracts which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables and currency swaps which are used to manage exposure to market risks from changes in foreign currency exchange rates of loan receivables and bank loans. Please see Note 15 for more details about derivatives.

(3) Risk management for financial instruments
Credit risk management
Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers in the early stage. With respect to the derivative transactions, the Group manages its exposure to credit risk by limiting its transactions to high credit, major financial institutions in accordance with its internal guidelines. Please see Note 15 for more details about derivatives.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2014 and 2013.

Market risk management (foreign exchange risk and interest rate risk)
Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk in the Company and certain consolidated subsidiaries is hedged principally by forward foreign currency contracts in accordance with internal guidelines. Currency swaps are used to manage exposure to future market risks from changes in foreign currency exchange rate of loan receivables and bank loans payables in foreign currencies based on the internal guidelines.

Investment securities, mainly equity instruments in the companies with which the Company has business alliances, are monitored for their market values on a regular basis.

Execution and management of derivative transactions related to currency and interest rates are managed by the corporate treasury department based on the internal guidelines. Hedging policies are discussed and determined among the president, other directors who are responsible for finance, business strategies, and each of business segments, based on the internal guidelines. Outstanding positions and fair value of derivatives are reported to the directors in charge on a regular basis.

Liquidity risk management
Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates. The Company manages its liquidity risk by holding adequate volumes of liquid assets, along with adequate financial planning by the corporate treasury department based on the liquidity requirement schedule from each department.

(4) Fair values of financial instruments
Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used instead. Different assumptions may lead to different fair values, since varying elements are incorporated in calculating the fair value. As for contract amount or any other information disclosed in Note 15, the amount itself does not show the market risk in relation to derivative transactions.

(a) Fair values of financial instruments as of March 31, 2014 and 2013, were as follows:

	Millions of Yen			Thousands of U.S. Dollars		
			2014			2014
	Carrying Amount	Fair Value	Unrealized Gain/Loss	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	**¥ 33,904**	**¥ 33,904**	**–**	**$ 329,165**	**$ 329,165**	**–**
Time deposits	**1,493**	**1,493**	**–**	**14,495**	**14,495**	**–**
Receivables:						
Trade receivables	**85,560**	**85,560**	**–**	**830,680**	**830,680**	**–**
Allowance for doubtful receivables (*1)	**(1,108)**	**(1,108)**	**–**	**(10,757)**	**(10,757)**	**–**
	84,452	**84,452**	**–**	**819,923**	**819,923**	**–**
Investment securities:						
Available-for-sale securities	**4,920**	**4,920**	**–**	**47,767**	**47,767**	**–**
Total	**¥124,769**	**¥124,769**	**–**	**$1,211,350**	**$1,211,350**	**–**
Short-term borrowings	**¥ 22,178**	**¥ 22,178**	**–**	**$ 215,320**	**$ 215,320**	**–**
Current portion of long-term debt	**67,476**	**67,476**	**–**	**655,107**	**655,107**	**–**
Trade payables	**71,657**	**71,657**	**–**	**695,699**	**695,699**	**–**
Income taxes payable	**2,817**	**2,817**	**–**	**27,350**	**27,350**	**–**
Total	**¥164,128**	**¥164,128**	**–**	**$1,593,476**	**$1,593,476**	**–**
Derivative transactions (*2)	**¥ (12)**	**¥ (12)**	**–**	**$ (117)**	**$ (117)**	**–**

*1. Allowance for doubtful receivables corresponding to trade receivables is deducted.
*2. Derivative transactions show the net amount after offsetting the receivables and payables.

	Millions of Yen		
			2013
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 20,967	¥ 20,967	–
Time deposits	1,092	1,092	–
Receivables:			
Trade receivables	78,978	78,978	–
Allowance for doubtful receivables (*1)	(1,304)	(1,304)	–
	77,674	77,674	–
Investment securities:			
Available-for-sale securities	4,430	4,430	–
Total	¥104,163	¥104,163	–
Short-term borrowings	¥ 20,535	¥ 20,535	–
Current portion of long-term debt	64,218	64,218	–
Trade payables	58,773	58,773	–
Income taxes payable	2,617	2,617	–
Long-term debt	15,078	15,078	–
Total	¥161,221	¥161,221	–
Derivative transactions (*2)	¥ (78)	¥ (78)	–

*1. Allowance for doubtful receivables corresponding to trade receivables is deducted.
*2. Derivative transactions show the net amount after offsetting the receivables and payables.

Cash and cash equivalents, time deposits and trade receivables
The carrying values of cash and cash equivalents, time deposits and trade receivables approximate fair value because of their short maturities.

Investment securities
The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments. The information of the fair value for the investment securities by classification is included in Note 3.

Trade payables, short-term borrowings and income tax payable
The carrying values of trade payables, short-term borrowings and income tax payable approximate fair value because of their short maturities.

Current portion of long-term debt
The fair values of the current portion of long-term debt approximate fair value because the market interest rates reflected in the short-term period using mainly variable interests and the credit status of the Company have not changed significantly.

Derivatives
The information of the fair value for derivatives is included in Note 15.

(b) Carrying amounts of financial instruments whose fair value cannot be reliably determined as of March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Investment in equity instruments that do not have a quoted market price in an active market:			
Unlisted securities	**¥ 275**	¥ 270	**$ 2,670**
Unlisted associated securities	**2,034**	1,791	**19,748**
Total	**¥2,309**	¥2,061	**$22,418**

(5) Maturity analysis for financial assets and securities with contractual maturities subsequent to March 31, 2014, were as follows:

	Millions of Yen			
March 31, 2014	Due in 1 Year or Less	Due After 1 Year Through 5 Years	Due After 5 Years Through 10 Years	Due After 10 Years
Cash and cash equivalents	**¥ 33,904**	**–**	**–**	**–**
Time deposits	**1,493**	**–**	**–**	**–**
Trade receivables	**85,560**	**–**	**–**	**–**
Total	**¥120,957**	**–**	**–**	**–**

	Thousands of U.S. Dollars			
March 31, 2014	Due in 1 Year or Less	Due After 1 Year Through 5 Years	Due After 5 Years Through 10 Years	Due After 10 Years
Cash and cash equivalents	**$ 329,165**	**–**	**–**	**–**
Time deposits	**14,495**	**–**	**–**	**–**
Trade receivables	**830,680**	**–**	**–**	**–**
Total	**$1,174,340**	**–**	**–**	**–**

Please see Note 6 for annual maturities of long-term debt.

15. Derivatives

The Group enters into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group also enters into currency swap contracts to manage its interest rate exposure and foreign currency exposure on certain liabilities.

All derivative transactions are entered into to hedge interest and foreign currency exposure. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.

Derivative transactions to which hedge accounting is not applied as of March 31, 2014 and 2013

	Millions of Yen				Thousands of U.S. Dollars			
	2014				2014			
	Contract Amount	Contract Amount Due After 1 Year	Fair Value	Unrealized (Loss) Gain	Contract Amount	Contract Amount Due After 1 Year	Fair Value	Unrealized (Loss) Gain
Foreign currency forward contracts:								
Buying U.S. dollars	**¥ 515**	**–**	**¥ (2)**	**¥ (2)**	**$ 5,000**	**–**	**$ (19)**	**$ (19)**
Buying sterling pounds	**5,244**	**–**	**(31)**	**(31)**	**50,913**	**–**	**(301)**	**(301)**
Selling U.S. dollars	**3,151**	**–**	**3**	**3**	**30,592**	**–**	**28**	**28**
Selling Australian dollars	**557**	**–**	**12**	**12**	**5,408**	**–**	**117**	**117**
Currency swap contracts:								
Receiving Australian dollars, paying U.S. dollars	**674**	**–**	**6**	**6**	**6,544**	**–**	**58**	**58**
Total	**¥10,141**	**–**	**¥(12)**	**¥(12)**	**$98,457**	**–**	**$(117)**	**$(117)**

	Millions of Yen			
	2013			
	Contract Amount	Contract Amount Due After 1 Year	Fair Value	Unrealized Loss
Foreign currency forward contracts:				
Buying U.S. dollars	¥2,797	–	¥(41)	¥(41)
Buying sterling pounds	4,212	–	(14)	(14)
Selling U.S. dollars	1,444	–	(18)	(18)
Selling Australian dollars	285	–	(9)	(9)
Currency swap contracts:				
Receiving Australian dollars, paying U.S. dollars	629	–	(1)	(1)
Total	¥9,367	–	¥(83)	¥(83)

Derivative transactions to which hedge accounting is applied as of March 31, 2014 and 2013

There were no derivative transactions to which hedge accounting is applied as of March 31, 2014.

		Millions of Yen		
		2013		
	Hedged Item	Contract Amount	Contract Amount Due After 1 Year	Fair Value
Foreign currency forward contracts:				
Buying U.S. dollars	Trade payables	¥14,539	–	¥(268)
Selling euro	Trade receivables	9,407	–	234
Total		¥23,946	–	¥ (34)

The fair value of foreign currency forward contracts is measured at the quoted price obtained from the forward exchange market.

The fair value of currency swap contracts is measured at the quoted price obtained from the financial institutions.

16. Comprehensive Income (Loss)

The components of other comprehensive income (loss) for the years ended March 31, 2014 and 2013, were the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Unrealized gain on available-for-sale securities			
Gains (losses) arising during the year	**¥ 490**	¥ (3,254)	**$ 4,757**
Reclassification adjustments to profit or loss	**–**	5,040	**–**
Amount before income tax effect	**490**	1,786	**4,757**
Income tax effect	**(17)**	(27)	**(165)**
Total	**¥ 473**	¥ 1,759	**$ 4,592**
Deferred gain on derivatives under hedge accounting			
Losses arising during the year	**–**	¥ (34)	**–**
Reclassification adjustments to loss	**¥ 34**	105	**$ 330**
Amount before income tax effect	**34**	71	**330**
Income tax effect	**–**	–	**–**
Total	**¥ 34**	¥ 71	**$ 330**
Foreign currency translation adjustments			
Adjustments arising during the year	**¥6,546**	¥10,856	**$63,553**
Reclassification adjustments to profit or loss	**–**	316	**–**
Amount before income tax effect	**6,546**	11,172	**63,553**
Income tax effect	**–**	–	**–**
Total	**¥6,546**	¥11,172	**$63,553**
Pension adjustments recognized by foreign consolidated subsidiaries			
Adjustments arising during the year	**¥ (376)**	¥ (1,535)	**$ (3,650)**
Reclassification adjustments to profit or loss	**265**	220	**2,572**
Amount before income tax effect	**(111)**	(1,315)	**(1,078)**
Income tax effect	**(158)**	448	**(1,534)**
Total	**¥ (269)**	¥ (867)	**$ (2,612)**
Share of other comprehensive income in associates			
Income arising during the year	**¥ 283**	¥ 167	**$ 2,748**
Total other comprehensive income	**¥7,067**	¥12,302	**$68,611**

17. Net Income (Loss) per Share

Net income (loss) per share (“EPS”) for the years ended March 31, 2014 and 2013, was calculated as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year ended March 31, 2014	Net Income	Weighted-Average Number of Shares	EPS	EPS
Basic EPS:				
Net income available to common shareholders	**¥531**	**356,076**	**¥1.49**	**$0.01**

	Millions of Yen	Thousands of Shares	Yen
Year ended March 31, 2013	Net Loss	Weighted-Average Number of Shares	EPS
Basic EPS:			
Net loss available to common shareholders	¥(19,552)	321,070	¥(60.90)

Diluted net EPS for the years ended March 31, 2014 and 2013, is not disclosed as there were no potentially dilutive securities for the years ended March 31, 2014 and 2013.

18. Segment Information

Under ASBJ Statement No. 17, “Accounting Standard for Segment Information Disclosures” and ASBJ Guidance No. 20, “Guidance on Accounting Standard Segment Information Disclosures,” an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Reportable segments are components of an entity about which separate financial information is available, and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of reportable segments
The Group’s reportable segments are those for which separate financial information is available and regular evaluation by the board of directors is being performed in order to decide how resources are allocated among the Group. The Group has its business divisions identified by products and services. Each business division plans its comprehensive Japanese and overseas strategy for its products and services, and operates its business activities.

Therefore, the Group’s reportable segments consist of its business divisions, identified by products and services, which are three segments of “Car Electronics,” “Home Electronics,” and “Others.”

“Car Electronics” produces and sells car navigation systems, car stereos, car AV systems, car speakers and others.

“Home Electronics” produces and sells audio systems, audio components, DJ equipment, equipment for cable-TV systems, Blu-ray Disc players, Blu-ray Disc drives, DVD players, DVD drives, AV accessories and others.

“Others” produces and sells factory automation systems, speaker units, electronic devices and parts, organic light-emitting diode displays, telephones, business-use AV systems and map software, and provides EMS (electronic manufacturing services), and licensing of patents related to laser optical disc technologies.

(2) Methods of measurement for the amounts of sales, income (loss), assets, liabilities, and other items by each reportable segment.

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, “Summary of Significant Accounting Policies.”

Income by reported segments is adjusted to operating income disclosed in the accompanying statement of operations.

(3) Information about sales, profit (loss), assets, liabilities and other items is as follows:

Millions of Yen

	2014					
	Reportable Segment				Reconciliations	Consolidated
	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 and amortization	¥ 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. 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 reportable segment. Corporate expenses principally consist of general and administrative expenses and research and development (R&D) expenses which are not attributable to any reportable segment.
2. Reconciliations of ¥198,841 million recorded for segment assets are corporate assets which are not allocated to any reportable segment.
3. Reconciliations of ¥681 million recorded for increase in property, plant and equipment and intangible assets are capital investments principally in software.
4. Adjustments are made to reconcile segment income (loss) to operating income presented in the accompanying consolidated statement of operations.

Millions of Yen

	2013					
	Reportable Segment				Reconciliations	Consolidated
	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 and amortization	¥ 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 reportable segment. Corporate expenses principally consist of general and administrative expenses and R&D expenses which are not attributable to any reportable segment.
2. Reconciliations of ¥173,428 million recorded for segment assets are corporate assets which are not allocated to any reportable segment.
3. Reconciliations of ¥457 million recorded for increase in property, plant and equipment and intangible assets are capital investments principally in software.
4. Adjustments are made to reconcile segment income (loss) to operating income presented in the accompanying consolidated statement of operations.

Thousands of U.S. Dollars

	2014					
	Reportable Segment				Reconciliations	Consolidated
	Car Electronics	Home Electronics	Others	Total		
Sales:						
Sales to external customers	**$3,379,369**	**$1,048,796**	**$407,282**	**$4,835,447**	**–**	**$4,835,447**
Intersegment sales	**6,524**	**1,699**	**80,272**	**88,495**	**$ (88,495)**	**–**
Total sales	**3,385,893**	**1,050,495**	**487,554**	**4,923,942**	**(88,495)**	**4,835,447**
Segment income (loss)	**$ 120,689**	**$ 883**	**$ (8,621)**	**$ 112,951**	**$ (4,514)**	**$ 108,437**
Segment assets	**$ 855,476**	**$ 194,553**	**$203,097**	**$1,253,126**	**$1,930,496**	**$3,183,622**
Other items:						
Depreciation and amortization	**$ 182,427**	**$ 20,544**	**$ 22,680**	**$ 225,651**	**$ 15,932**	**$ 241,583**
Amortization of goodwill	**–**	**–**	**–**	**–**	**408**	**408**
Increase in property, plant and equipment and intangible assets	**$ 161,660**	**$ 25,184**	**$ 21,447**	**$ 208,291**	**$ 6,612**	**$ 214,903**

Notes: 1. Reconciliations of $(4,514) thousand recorded for segment profit (loss) include elimination of intersegment transactions of $6,117 thousand and corporate expenses of $(10,631) thousand that are not allocated to any reportable segment. Corporate expenses principally consist of general and administrative expenses and R&D expenses which are not attributable to any reportable segment.
2. Reconciliations of $1,930,496 thousand recorded for segment assets are corporate assets which are not allocated to any reportable segment.
3. Reconciliations of $6,612 thousand recorded for increase in property, plant and equipment and intangible assets are capital investments principally in software.
4. Adjustments are made to reconcile segment income (loss) to operating income presented in the accompanying consolidated statement of operations.

(4) Information about geographical areas

(I) Sales

Millions of Yen						Thousands of U.S. Dollars					
2014						2014					
Japan	North America	Europe	China	Others	Total	Japan	North America	Europe	China	Others	Total
¥210,004	**¥96,683**	**¥64,002**	**¥43,578**	**¥83,784**	**¥498,051**	**$2,038,874**	**$938,670**	**$621,379**	**$423,087**	**$813,437**	**$4,835,447**

Notes: 1. The amount of sales in the United States of America is ¥93,739 million ($910,087 thousand).
2. The classification of countries or area is based on the location of customer.

Millions of Yen					
2013					
Japan	North America	Europe	China	Others	Total
¥201,743	¥89,685	¥54,369	¥30,305	¥75,739	¥451,841

Notes: 1. The amount of sales in the United States of America is ¥86,928 million.
2. The classification of countries or area is based on the location of customer.

(II) Property, plant and equipment

Millions of Yen					Thousands of U.S. Dollars				
2014					2014				
Japan	Thailand	China	Others	Total	Japan	Thailand	China	Others	Total
¥36,770	**¥8,925**	**¥8,009**	**¥7,125**	**¥60,829**	**$356,990**	**$86,650**	**$77,757**	**$69,176**	**$590,573**

Millions of Yen				
2013				
Japan	Thailand	China	Others	Total
¥40,414	¥9,032	¥7,937	¥7,619	¥65,002

(5) Information about major customers

	2014	
	Millions of Yen	
Name of Major Customer	Sales	Related Segment Name
Toyota Motor Corporation	**¥70,364**	Car Electronics

	2014	
	Thousands of U.S. Dollars	
Name of Major Customer	Sales	Related Segment Name
Toyota Motor Corporation	**$683,146**	Car Electronics

Information about major customers for the year ended March 31, 2013, has been omitted since there are no external customers who constituted more than 10% of net sales on the consolidated statement of operations.

(6) Information about unamortized balance of goodwill by segment

	Millions of Yen					
	2014					
	Reportable Segment				Corporate	Consolidated
	Car Electronics	Home Electronics	Others	Total		
Unamortized balance of goodwill	**–**	**–**	**–**	**–**	**¥564**	**¥564**

	Millions of Yen					
	2013					
	Reportable Segment				Corporate	Consolidated
	Car Electronics	Home Electronics	Others	Total		
Unamortized balance of goodwill	–	–	–	–	¥606	¥606

	Thousands of U.S. Dollars					
	2014					
	Reportable Segment				Corporate	Consolidated
	Car Electronics	Home Electronics	Others	Total		
Unamortized balance of goodwill	**–**	**–**	**–**	**–**	**$5,476**	**$5,476**

Independent Auditor's Report

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To the Board of Directors of Pioneer Corporation:

We have audited the accompanying consolidated balance sheet of Pioneer Corporation and its subsidiaries as of March 31, 2014, and the related consolidated statements of operations, comprehensive income (loss), changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Pioneer Corporation and its subsidiaries as of March 31, 2014, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 13, 2014

Member of
Deloitte Touche Tohmatsu Limited

General Information on Shares

Stock Listing

Tokyo Stock Exchange (Since 1961)

Transfer Agent

Mitsubishi UFJ Trust and Banking Corporation
4-5, Marunouchi 1-chome, Chiyoda-ku,
Tokyo 100-8212, Japan

Share Information (As of March 31, 2014)

Number of Shares of Common Stock Issued
372,223,436 shares

Note: During fiscal 2014, the Company issued new shares as follows:

Issue date	Method of allotment	Number of new shares issued
June 28, 2013	Third-party allotment to Mitsubishi Electric Corporation	20,356,500
June 28, 2013	Third-party allotment to NTT DOCOMO, INC.	25,773,100
Total	–	46,129,600

Number of Shareholders **50,893 shareholders**

Composition of Shareholders

	Number of shareholders	Number of shares held (thousand)	Shareholdings (%)
Japanese financial institutions	36	60,820	16.34
Japanese securities companies	60	15,480	4.16
Other Japanese business corporations	320	105,168	28.25
Foreign corporations and individuals	294	80,221	21.55
Japanese individuals and others	50,183	110,532	29.70

Note: "Japanese individuals and others" include 5,026 thousand shares (1.35%) as treasury stock held by the Company.

Principal Shareholders (Ten Largest Shareholders)

Name of shareholders	Number of shares held (thousand)	Shareholdings (%)
Sharp Corporation	30,000	8.17
Mitsubishi Electric Corporation	27,886	7.59
NTT DOCOMO, INC.	25,773	7.01
The Chase Manhattan Bank, N.A. London S.L. Omnibus Account	16,321	4.44
Honda Motor Co., Ltd.	14,700	4.00
The Master Trust Bank of Japan, Ltd. (Trust Account)	13,510	3.67
Japan Trustee Services Bank, Ltd. (Trust Account)	12,108	3.29
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,490	1.76
Bank of New York for GCM Client Accounts (E) ILM	5,428	1.47
Juniper	5,098	1.38

Note: Shareholdings are calculated based on the total number of shares issued and outstanding after deduction of treasury stock, and are rounded down to two decimal places.

For further information, please contact:

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PIONEER CORPORATION

http://pioneer.jp/e/